



Delivering Values

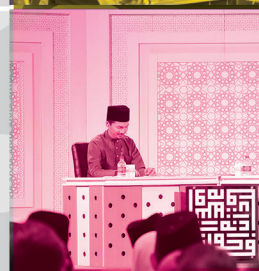
ANNUAL REPORT 2017

Delivering Values

ANNUAL REPORT 2017

Bank Muamalat Malaysia Berhad (6175-W)
Menara Bumiputra, Jalan Melaka
50100 Kuala Lumpur

www.muamalat.com.my





Delivering Values

Community. Marketplace. Workplace. Environment

At Bank Muamalat, we enhance our value based on criteria beyond business results and MARKETPLACE. Our WORKPLACE sets the pace for us to deliver and share our values with the COMMUNITY and ENVIRONMENT.

The COMMUNITY is the place we seek for co-prosperity and epitomize our business ingenuity. Our customer service and product offerings result in social and human benefits.

The MARKETPLACE is the platform for us to manifest our true grit and sheer determination to succeed as one of the fair and socially-engaged market players.

The WORKPLACE is closely guarded for our employees, being our biggest asset, to be nurtured, well-engaged and conducive for work-life balance.

We cherish our ENVIRONMENT and vow to care, safeguard and cherish it for our future generations to inherit and restore the beauty of the nature.

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VISION & MISSION

- To Become the Preferred Islamic Financial Service Provider
- To Deliver Best Value to the Stakeholders

VALUE

- Care
- Respect
- Integrity
- Innovative
- Service Oriented



Bank Muamalat's logo and identity are essentially formed by a dynamic line in a continuous motion. The principal objective of efficiency and dynamism are reflected by this single line. The single line signifies an efficient, clear and focused vision. This reflects the strong relationship between Bank Muamalat and its customers.

The dome is a basic design element of Islamic architecture. It is used to signify the place for prayers and shelter. This represents the products and services that Bank Muamalat can offer to its customers. The five domes are representative of the five tenets of Islam and the five times Muslims are called to pray. The five points are also used in relation to the five principles of the Rukun Negara, giving a truly Malaysian objective to its existence. The linkage of the five domes with a single line signifies networking of Bank Muamalat and the relationship between Bank Muamalat, customers and its external environment. This networking and togetherness translate the very meaning of Muamalat itself, which is "relationship between mankind".

An hour glass embedded in the centre within the logo design stands for the time which is the essence of a bank. Investments grow over time. Two colours are used within the logo. Sultan blue, a royal colour is used to provide a feeling of strength and confidence. Orange is a warm and exciting colour. It gives light and signifies growth. The orange is used to signify the warmth of Bank Muamalat which is in continuous growth, never static but always dynamic.

HIGHLIGHTS AND OVERVIEW

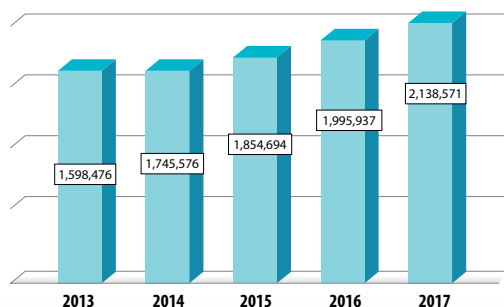




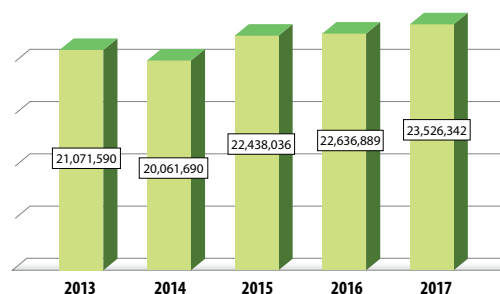
10 YEARS FINANCIAL HIGHLIGHTS

	2007	2008	Jan 2009 - Mar 2010	2011 Restated	2012 Restated	2013	2014	2015	2016	2017
Total Shareholders Fund (RM'000)	737,331	702,236	1,319,131	1,348,286	1,401,004	1,598,476	1,745,576	1,854,694	1,995,937	2,138,571
Profit/(Loss) Before Tax (RM'000)	64,238	44,068	142,061	186,785	103,006	235,963	208,284	121,966	167,233	170,536
Profit/(Loss) After Tax (RM'000)	48,138	31,951	98,834	120,433	69,244	167,936	151,564	89,280	131,909	149,907
Total Assets (RM'000)	13,808,090	14,398,645	16,733,420	18,659,940	20,504,037	21,071,590	20,061,690	22,438,036	22,636,889	23,526,342
Total Deposits (RM'000)	12,172,868	12,447,970	14,920,856	16,216,173	18,151,087	18,744,179	17,629,228	19,544,549	19,643,428	19,917,482
Total Financing (RM'000)	5,870,585	6,427,747	7,037,126	7,495,007	9,064,271	10,352,626	11,899,691	13,414,670	14,512,877	14,918,272
No of Branches	48	48	49	51	58	59	59	59	61	62
No of Service Centres/Kiosk	3	5	6	4	2	7	7	7	1	1
No of Offshore Branches/Labuan	1	1	1	1	1	1	1	1	1	1
No of Staff	1,454	1,419	1,584	1,763	1,929	2,099	2,135	1,987	1,703	1,733
Return on Asset (%) - Pretax	0.47	0.31	0.73	1.06	0.53	1.14	1.01	0.57	0.74	0.74
Return on Equity (%) - Pretax	8.86	6.12	11.24	15.24	7.49	15.73	12.46	6.78	8.69	8.25

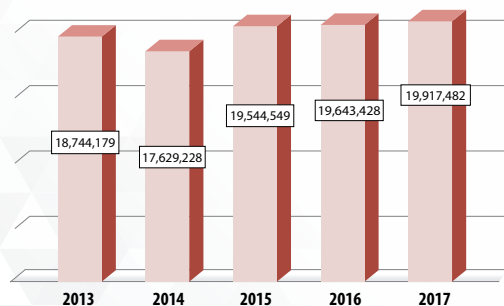
Total Shareholders Fund (RM'000)



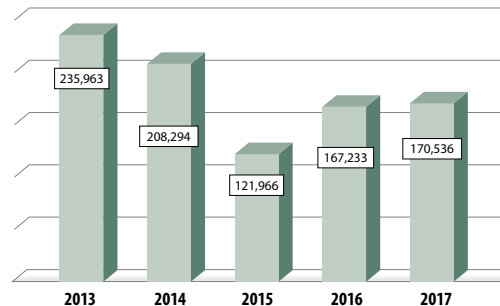
Total Asset (RM'000)



Total Deposits (RM'000)



Profit Before Tax (RM'000)



BOARD OF DIRECTORS

CHAIRMAN

Tan Sri Dato' Dr. Mohd Munir Abdul Majid

MEMBERS

Dato' Sri' Che Khalib Mohamad Noh

Dato' Haji Mohd Redza Shah Abdul Wahid

Dato' Haji Mohd Izani Ghani

Tengku Dato' Seri Hasmuddin Tengku Othman

Dato' Azmi Abdullah

Dato' Haji Kamil Khalid Ariff

Dr Azura Othman

Ghazali Darman (appointed w.e.f. 4 January 2017)

COMPANY SECRETARY

Julaida Jufri (LS 9358)

REGISTERED OFFICE

20th Floor, Menara Bumiputra

Jalan Melaka

50100 Kuala Lumpur

Tel: 603-2615 7069

Fax: 603-2693 3367

AUDITORS

Ernst & Young

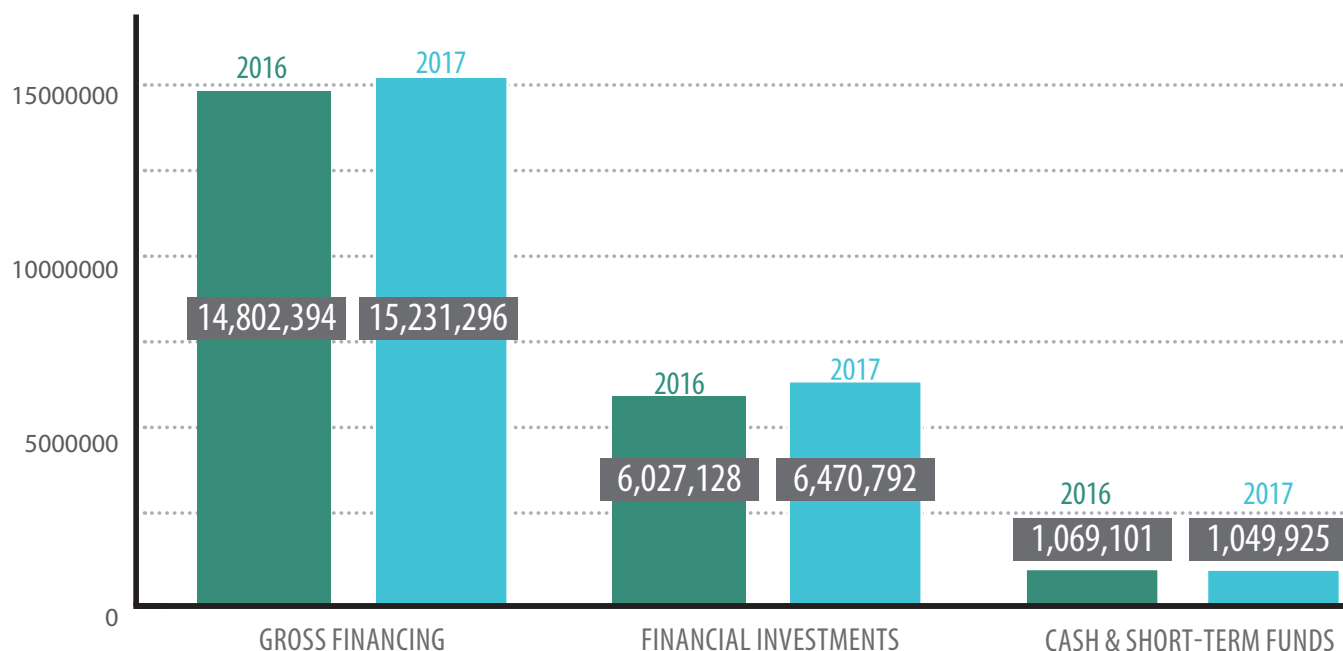
Level 23A, Menara Milenium

Jalan Damanlela, Pusat Bandar Damansara

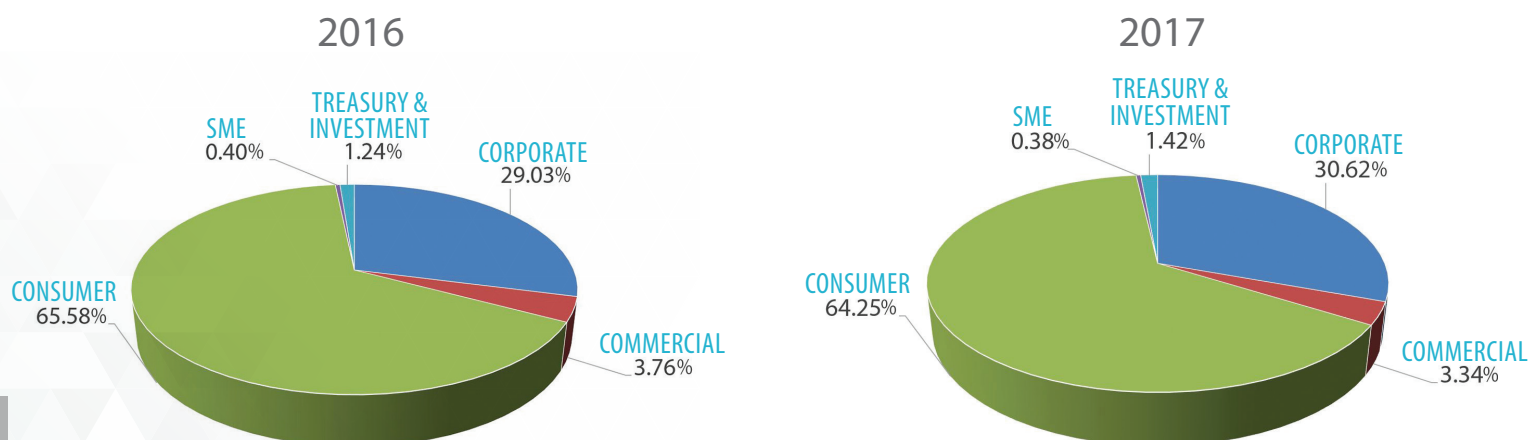
50490 Kuala Lumpur

ASSET PERFORMANCE

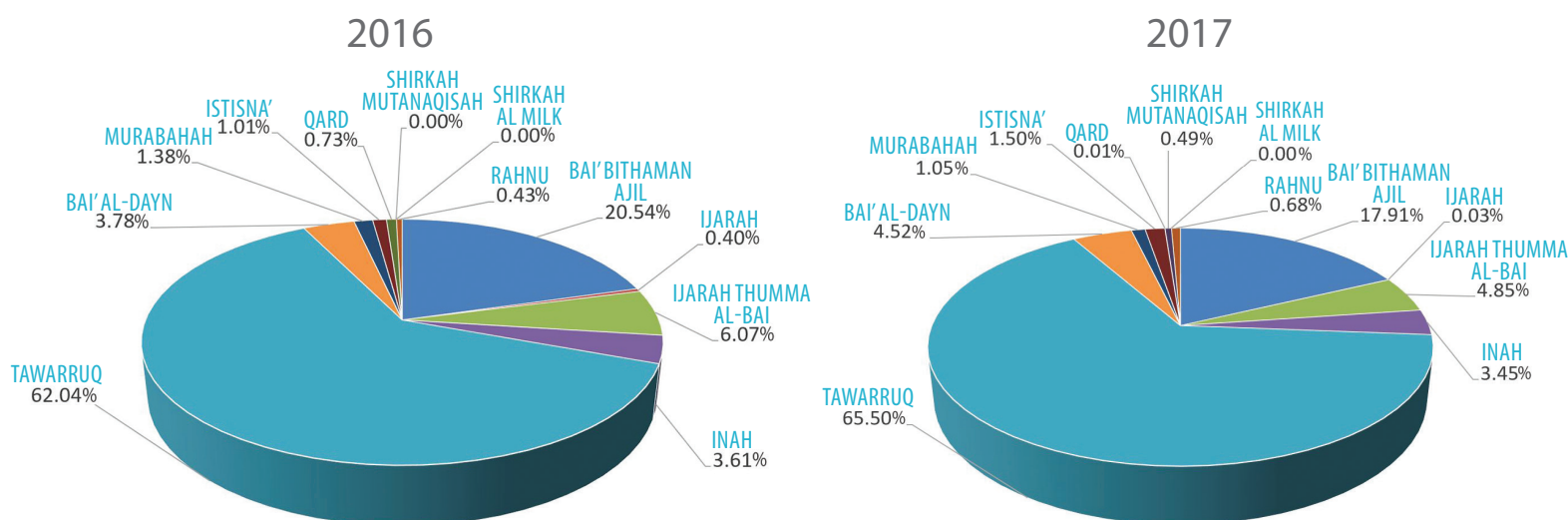
ASSET PORTFOLIO (RM '000)



FINANCING BY BUSINESS SEGMENT

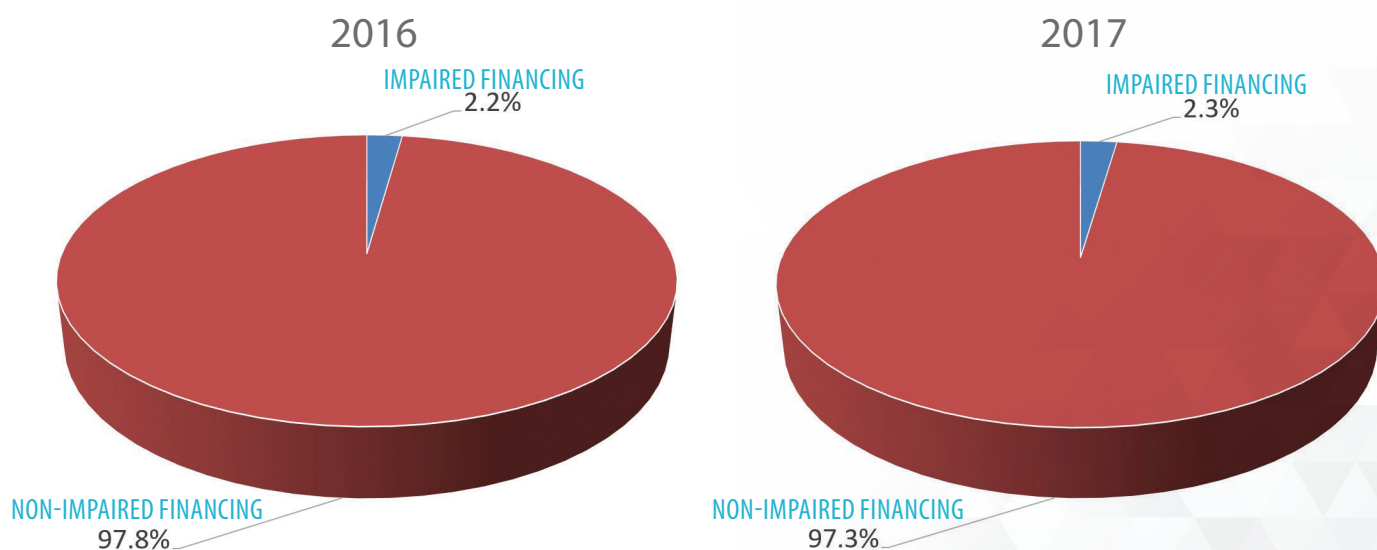


FINANCING BY ISLAMIC CONTRACT



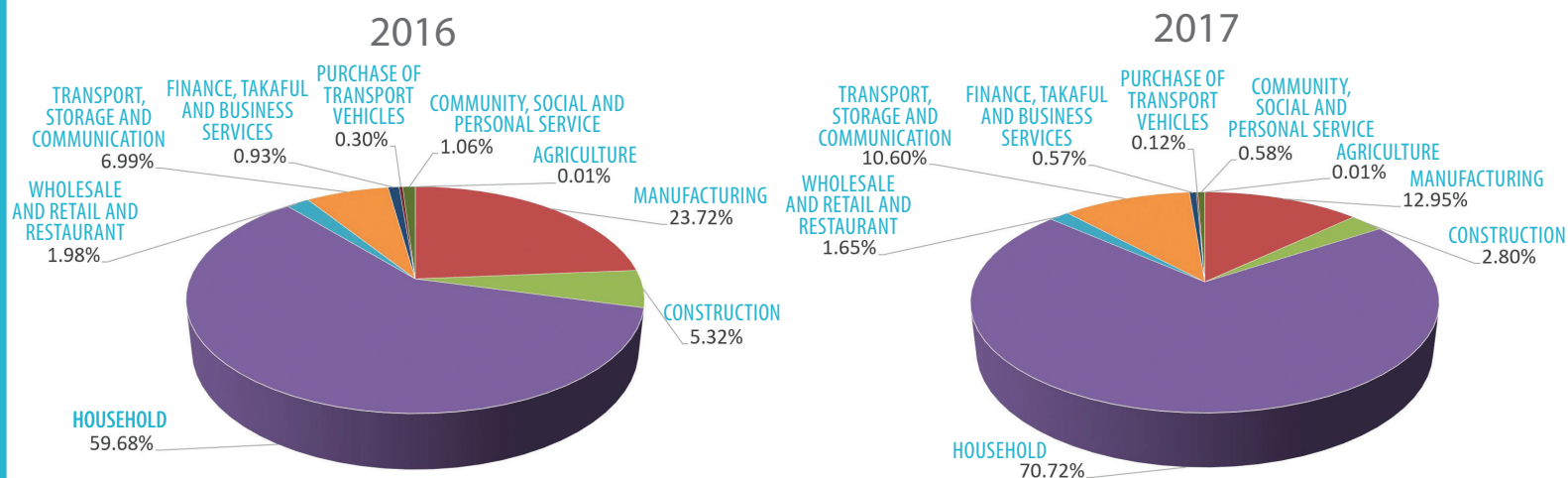
ASSET QUALITY

COMPONENTS	2016 (RM MIL)	2017 (RM MIL)
Gross impaired financing (RM Million)	326.5	351.9
Gross impaired financing ratio (%)	2.2%	2.3%
Financing loss reserve ratio (%)	88.7%	89.1%
Collective assessment ratio (%)	1.4%	1.6%

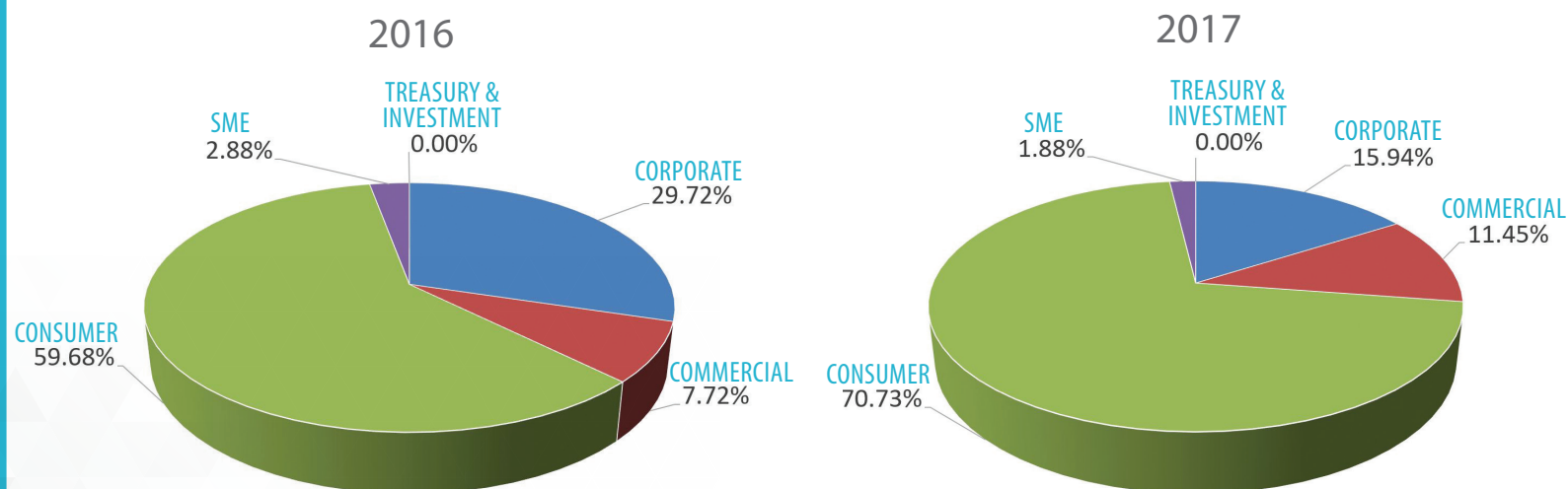


ASSET PERFORMANCE

IMPAIRED FINANCING BY SECTOR

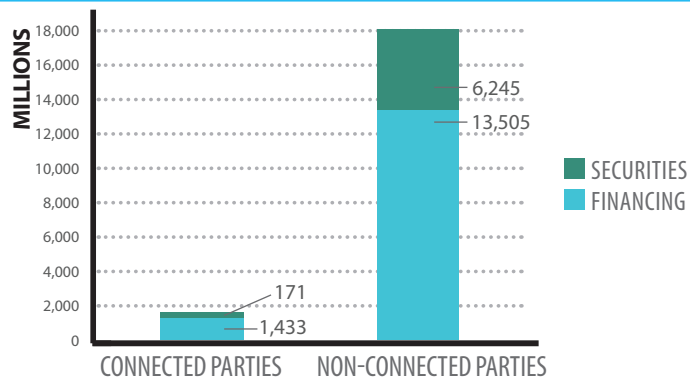


IMPAIRED FINANCING BY BUSINESS SEGMENT

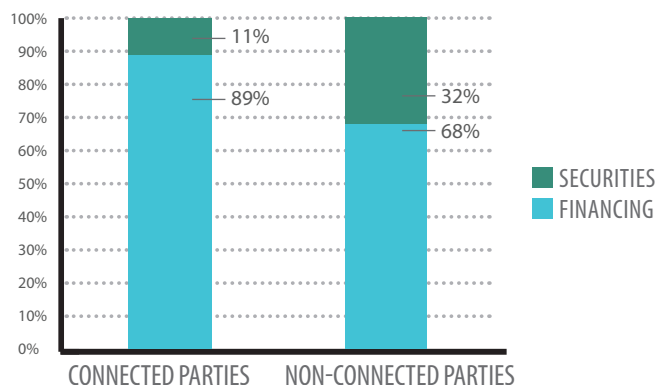


As at end of FY 2017, connected parties exposures accounted for 6.5% of total outstanding credit exposures of RM25 billion. The amount stood at 68% against Bank Muamalat's capital base of RM2.37 billion. Both measurements were well below the threshold limit set by Bank Negara Malaysia.

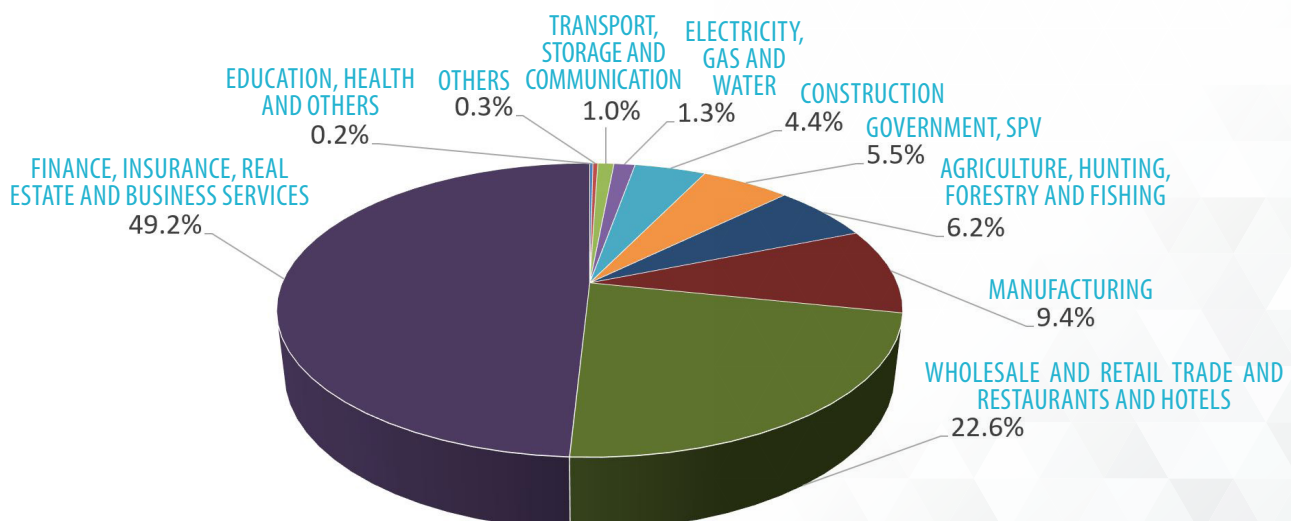
Connected Parties Exposure by Financial Instrument as at March 2017 (RM'Mil)



Connected Parties VS Non Connected Parties Exposure as at March 2017



Connected Parties Exposure by Sector as at March 2017



Mohd Redza (dua dari kiri) bertukar dokumen perjanjian dengan Clayton pada majlis memeterai perjanjian memorandum antara Bank Muamalat dan DRB-HICOM University of Automati Malaysia sambil disaksikan Syed Faisal (tengah) di Kuala Lumpur, semalam.

Bank Muamalat lancar pelan perniagaan baharu

Oleh Mahanum Abdul Aziz
mahanum_aziz@bh.com.my

Bank Muamalat Malaysia Bhd akan melancarkan pelan perniagaan yang memberi nafas baharu kepada perniagaan dalam peredaran pasaran yang memabar.

Ketua Pegawai Eksekutifnya, Datuk Mohd Redza Shah Abdul Wahid, berkata pelan perniagaan baharu itu akan menumpukan

segmen pendapatan berasaskan fi dan teknologi yang diilham berprestasi untuk dikembangkan pada masa depan.

Katanya, kumpulan perbankan dalam itu membuat perubahan dalam pelan perniagaan sedia ada yang sejajar dengan perubahan ketara keadaan pasaran membabitkan aktiviti perkhidmatan kewangan.

Beliau berkata, persekitaran pasaran berubah seiring kemajuan pesat dalam teknologi dan perubahan dalam kawal selia dan keperluan kecairan baharu mengikut Basel III.



Mohd Munir (kiri) bersama Mohd Redza Shah memegang replika Kad Debit Kad Bank Muamalat pada Majlis Perasmian Debit Bank Muamalat dan Majlis Aidilfitri 2016 di Menara Bumiputera, Kuala Lumpur, semalam.

Kad Debit Aisya belanja sambil wakaf

Skim syariah terbaru Bank Muamalat pertama di dunia

Oleh Che Wan Badrul Alias
chewan@bh.com.my

Bank Muamalat Malaysia Bhd melancarkan Kad Debit Aisya, kad debit berlandaskan syariah Bank Muamalat yang menggabungkan kemudahan pengguna berbelanja sambil berwafat menunaikan tanggungjawab sosial.

Pengerusinya, Tan Sri Dr Mohd Munir Abdul Majid, berkata kad yang pertama seumpama di dunia itu masih menawarkan fungsi biasa kad debit sebagai kad ATM, MyDebit dan Debit Mastercard, serta pembelian dalam dalam dan luar negara.

Namun, katanya, menerusi Kad Debit Aisya, ciri-ciri tambahan diperkenalkan supaya pemegang kad dapat berwafat secara tidak langsung kepada Wakaf Selangor Muamalat, entiti di bawah bank itu untuk disalurkan sebagai wakaf yang bersesuaian.

"Pelanggan tidak akan dikenakan sebarang kos tambahan, cuma bank akan memperuntukkan 20 peratus daripada yuran pendapatannya kepada pemegang untuk ditukarkan kepada wakaf dan disalurkan kepada Wakaf Selangor Muamalat.

Usaha mengandaskan asas pelanggan

"Kad Debit Aisya akan menggantikan kad sedia ada, dengan semua 500,000 pemegang kad, sama ada akaun simpanan atau semasa akan diberikan kad baharu tidak lama lagi.

"Hasil pengenalan kad debit baharu ini, syarikat menyasarkan mengandaskan asas pelanggan kepada sejuta orang dalam tempoh dua tahun akan datang," katanya dalam ucapannya selepas pelancaran kad itu di Kuala Lumpur, semalam.

Sementara itu, Ketua Eksekutif Bank Muamalat, Datuk Mohd Redza Shah Abdul Wahid, berkata bank lain dalam menurunkan kadar asas (BR) selaras dengan penurunan kadar dasar semalam (OPR) oleh Bank Negara Malaysia (BNM).

Katanya, walaupun dengan penurunan kadar BR itu, pihaknya yakin ia tidak memberikan impak ketara kepada pendapatan bank dengan hanya mengantikan kepada sejuta orang dalam tempoh tiga bulan pertama selepas pelancaran itu.

Sebenarnya kami berpendapat pengurangan OPR tepat pada masanya berikutan rakyat mula berasakan tekanan akibat kelemahan ekonomi.

Penurunan OPR akan membantu rakyat mengurangkan komitmen kewangan bulanan masing-masing, menyimpan tunai lebih dalam poket untuk perbelanjaan lain," katanya.

Cawangan terbaharu Bank Muamalat di Gua Musang

Bank Muamalat Malaysia Berhad menyasarkan pelanggannya di Kelantan bakal mencecah 70,000, didorong oleh pembukaan cawangan terbaharu di Gua Musang, semalam.

Pengerusinya, Tan Sri Dr Mohd Munir Abdul Majid, berkata pembukaan cawangan terbaharu di daerah itu dan keenam di Kelantan adalah strategik kerana daerah berkenaan sedang pesat membangun.

"Di cawangan Gua Musang, kami secara khususnya menyediakan perkhidmatan Ar-Rahnu bagi memenuhi kehendak pelanggan di sini.

"Pada masa ini kami mempunyai 60,000 pelanggan di Kelantan dan angka itu agak tinggi iaitu hampir menyamai bilangan pelanggan di Selangor," katanya pada sidang media di Gua Musang, semalam.

Selain Gua Musang, lima cawangan lain di Kelantan adalah dua di Kota Bharu, Jeli, Kok Lanas dan Tanah Merah.

Pertingkat perkhidmatan perbankan

Mohd Munir berkata, pembukaan cawangan yang membabitkan kos RM1 juta adalah sebagai komitmen bank itu bagi memperluas dan mempertingkatkan perkhidmatan perbankan untuk komuniti setempat.

Katanya, Bank Muamalat memberi tumpuan dengan mengamalkan automasi industri yang baik serta memajukan produk berorientasikan perbankan Islam.

"Pada masa sama, kami berhasrat menyediakan kemudahan kewangan untuk memudahkan agensi kerajaan dan swasta berurusan melakukan urus niaga, seterusnya menjana perkembangan ekonomi daerah ini," katanya.

Yang turut hadir pada majlis perasmian itu adalah Ketua Pegawai Eksekutif Bank Muamalat, Datuk Mohd Redza Shah Abdul Wahid.

Sempena majlis, turut diadakan penyerahan sumbangan kepada 10 masjid di daerah Gua Musang sebanyak RM1,000 setiap masjid bagi kegunaan kariah sekolah.

Bank Muamalat sees 6-8pc loan growth

MODEST OUTLOOK: Key rate cut timely and will benefit existing customers more, says CEO

ZARINA ZAKARIAN
zarinaz@mediasiprime.com.my

BANK Muamalat Malaysia Bhd expects a modest six to eight per cent loan growth for this year despite the recent Overnight Policy Rate (OPR) cut.

Chief executive officer Datuk Mohd Redza Shah Abdul Wahid said the OPR cut would benefit existing customers more than the new ones.

"We will be making an announcement that we will be joining other banks in reducing loan rates.

"Deposit rates are also reduced. However, there should not be too

much impact.

"For about two to three months, our income may be slightly reduced but it should return to normal," he said after the launch of the bank's syariah-compliant debit card called "Aisya", here, yesterday.

Redza said although there was reduction in loan growth since April to eight per cent from 10 to 11 per cent previously, personal financing remained steady.

"The OPR cut was very timely as people are beginning to feel the impact of the economic slowdown. So the cut would be able to help them in terms of financial needs.

"Our lending guidelines remain the same. It is not true that lending rules have tightened and the approval processes take longer.

"I think the borrowers do have the capacity to borrow as they are tied up with other financial needs. To the banks, if you are a good customer, we are more than happy to lend you the money," he added.

The bank aims to increase its customer base to one million within two years following the introduction of the debit card. Its current customer base stands at 500,000.

Chairman Tan Sri Dr Mohd Munir Abdul Majid said if customers used the debit card, bank would see a 20 per cent of the interchange fee income for good.

"This is a unique card. It is the first of its kind in Malaysia and perhaps the world as it incorporates spending with the social responsibility features of waqf," he said.

The debit card is named after Prophet Muhammad's wife, Salda'na Aisya.

Bank Muamalat is a member of the DRB-HICOM Bhd group, which owns a 70 per cent stake in the bank, with the remaining held by Khazanah Nasional Bhd.

Bank Muamalat rai pelajar tahfiz

Kuala Lumpur: Semalam 400 tetamu diraikan pada majlis berbuka puasa anjuran Bank Muamalat Malaysia Berhad (Bank Muamalat) di Masjid Jamek Kuala Lumpur, di sini, semalam.

Antara yang diiktiraf termasuk pelajar Maahad Tahfiz Al-Bayhan Maahad Sungai Buloh, golongan gelandangan dan kakitangan bank berkenaan.

Pengerusinya, Tan Sri Dr Mohamed Munir Abdul Majid, berkata aktiviti berkenaan adalah inisiatif tahunan yang dianjurkan pihaknya pada Ramadan bagi memberi sumbangan kepada golongan memerlukan.

"Sumbangan diberi adalah beg dan duit raya kepada pelajar maahad, manakala bantuan kepada gelandangan di sekitar Masjid Jamek ini pula termasuk peralatan mandian, tuala, selimut serta duit raya.

Erat persaudaraan

"Ia juga sebagai kepada kita untuk merapatkan golongan kurang bernasib baik pada bulan mulia ini. Majlis ini juga mengeratkan lagi hubungan persaudaraan sesama anak taahfiz dan insan kurang bernasib baik di sini, semalam.

Yang turut hadir, Ketua Pegawai Eksekutif Bank Muamalat, Datuk Mohd Redza Shah Abdul Wahid dan penyanyi terkenal, Amy Search.



Munir (tapan dari kanan) bersama Maahad Tahfiz Al-Bayhan pada majlis berbuka puasa anjuran Bank Muamalat di Masjid Jamek, Kuala Lumpur, semalam.



Bank Muamalat expects loan growth of 5%-6% next year

Islamic banking group is evolving its business plan according to changing market needs

The Islamic banking group is evolving its business plan according to changing market needs, says Bank Muamalat Malaysia Bhd CEO Datuk Mohd Redza Shah Abdul Wahid.

"We do not expect much loan growth next year. Our business plan still seeks to raise our first-year growth to 5-6 per cent," he said.

The Islamic banking group's new plan, which will be implemented over the coming years, will focus on increasing efficiency as well as growing the digital business to become more vibrant and

new customers, Mohd Redza said.

The bank's new collaborative work with fintech companies in this space. "We are quite excited. Being a small bank, we are more nimble and able to react faster in this area of fintech," he said.

In the near future, Bank Muamalat is revising its business plan according to the current market conditions, emerging new technologies and changing regulations and new regulatory requirements to Basel III to reduce its cost to service our business plan," he said.

The Islamic banking group's new plan, which will be implemented over the coming years, will focus on increasing efficiency as well as growing the digital business to become more vibrant and

15 kenderaan tenggelam

KUALA LUMPUR 19 Mac: Berapa kawasan di ibu negara ditaklak air akibat banjir kilat ekoran hujan lebat petang ini.

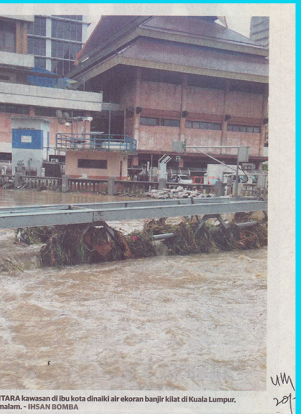
Antara kawasan terbilas ialah Jalan Tun Razak, Jalan Pahang, Jalan Kuching, Jalan Semantan, Jalan Muar, Jalan Dutamas dan Jalan Tuanku Abdul Rahman.

Turut ditaklak air ialah Jalan Sultan Azlan Shah, Jalan Putra, Jalan Masjid India, Jalan Tun Ismail, Jalan Genting Kelang dan Jalan Tuanku Abdul Rahman.

Menurut jurucakap Pusat Gerakan Operasi (PGO) Kuala Lumpur, Shahrul Samudin berkata, banjir kilat turut menyebabkan 15 kenderaan yang diletakkan di tempat letak kereta bawah tanah di kawasan Melaka ditenggelami air sedalam 1.2 meter.

Selangnya pukul 6.30 petang ini, kesemua kenderaan tersebut masih tersangkut di lokasi kerana mengalami kerosakan.

Perikutan ini, usaha mengeluarkan air menggunakan pam angkat giat dilakukan bagi membolehkan semua kenderaan tersebut ditamatkan," katanya di sini.



ANTARA kawasan di ibu kota ditaklak air ekoran banjir kilat di Kuala Lumpur, semalam. - HIKMAN ISOMBA

No bankruptcy for social guarantors under amended Act

By Reena Raj
reenaraj@mm.com.my

KUALA LUMPUR: Social guarantors will no longer be declared bankrupt along with the principal borrower following an amendment to the Bankruptcy Act 1967 yesterday.

Minister in the Prime Minister's Department Datuk Seri Azalina Othman Said said the law would now prohibit any bankruptcy action against a social guarantor.

Social guarantors are those who do not gain any profit by standing as guarantor for an education loan, hire purchase transaction for personal or non-business use, or a housing or personal loan.

"The government is concerned with the bankruptcy issue, especially those who

are declared bankrupt because they were guarantors to borrowers who failed to settle their loans. They should not be held fully responsible," she said in her winding-up address yesterday.

Besides leeway for guarantors, which has been a longstanding issue, the law has raised the minimum threshold of debt from RM30,000 to RM50,000.

Azalina's amendments also provide automatic discharge for a person declared bankrupt three years after declaration and upon filing the statement of affairs.

Currently, the law allows a bankrupt to apply for court discharge only if five years have lapsed from the date the bankruptcy order was made and that, too, subject to the creditors' approval.

"This is because the Insolvency

Department does not want the cases to be administered for too long as it would not serve any purpose or benefit any parties," she said.

Azalina said that with the main aim of reducing the bankruptcy rate, the law would now make bankruptcy proceedings a last resort instead of the first choice in any enforcement of court decision.

She said the amendment was aimed at transforming the existing law to a modern law in keeping with international legal developments.

As of February, the Insolvency Department was still administering 292,086 cases of bankruptcy.

From the total, Selangor has the highest number at 70,817 cases with more than 58 per cent of them involving those between 25 and 44 years.



AT THE DEWAN RAKYAT

Bank Muamalat unjur kenaikan pinjaman

KUALA LUMPUR – Bank Muamalat Malaysia Bhd. (Bank Muamalat) menjangka pertumbuhan pinjamannya sekitar lima hingga enam peratus bagi tahun kewangan semasa yang berakhir 31 Mac 2017.

Ketua Pegawai Eksekutifnya, Datuk Mohd. Redza Shah Abdul Wahid berkata, unjuran itu adalah kira-kira dua peratus bawah sasaran awal bank berkenaan berikutan keadaan ekonomi semasa yang perlahan sekarang.

Ini seterusnya menyebabkan bank berkenaan menumpukan kepada pendapatan fi dan bidang digital.

“Pembiayaan peribadi dan korporat terus memberi sumbangan besar kepada pertumbuhan pinjaman bank.

“Selain itu, sumbangan pendapatan fi daripada perniagaan pajak gadai Islam atau Ar-Rahn dan pengurusan harta juga meningkat,” katanya.

Beliau berkata demikian kepada pemberita selepas majlis peneraian memorandum persefahaman antara Muamalat dan Universiti DRB-HICOM untuk sama-sama membangunkan program kepimpinan eksekutif di sini semalam.



(From left) Bank Muamalat chief executive officer Datuk Mohd Redza Shah Abdul Wahid, Bank Muamalat chairman Tan Sri Dr. Mohd Munir Majid and Malaysia Anti-Corruption Commission deputy chief commissioner (prevention) Datuk Seri Mastafar Ali at the Corporate Integrity Pledge signing ceremony in Kuala Lumpur yesterday. Pic by Saddam Yusoff

Bank Muamalat still eyes listing

FARAH ADILA

KUALA LUMPUR: Bank Muamalat Malaysia Bhd does not rule out the possibility of listing on Bursa Malaysia after its merger plan with Malaysia Building Society Bhd (MBSB) fell through in February. The listing plan relies on its major shareholder DRB-HICOM Bhd, which owns a 70 per cent stake in Bank Muamalat.

Bank Muamalat chairman Tan Sri Dr. Mohd Munir Majid said the bank

was ready to list based on its assets and financial performance, but the decision would still depend on shareholders' approval.

Nevertheless, there was no urgency for the bank to be listed, he said after Bank Muamalat's signing of Malaysia Anti-Corruption Commission's Corporate Integrity Pledge, here, yesterday.

Meanwhile, Bank Muamalat is targeting six to eight per cent loan growth this year from consumer and corporate base loans.

Its chief executive officer Datuk Mohd Redza Shah Abdul Wahid said the company was cautiously optimistic of the target on the back of a challenging market environment this year.

“We will continue to diversify our business on the back of the economic headwinds and we expect slowdown from auto and housing financing this year,” he said.

Bank Muamalat's loans grew 10 per cent last year, Mohd Redza added.



Bank Muamalat Malaysia Bhd issued a clarification yesterday with reference to a release issued by Majlis Agama Islam Selangor (MAIS) which appeared in a local daily. The lawsuit in reference is with respect to the legal action taken by MAIS and Kolej Universiti Islam Selangor (KUIS) against Redha Resources Sdn Bhd (RRSB) as first defendant and Bank Muamalat as second defendant.

Bank Muamalat takes legal action against RRSB

BANK Muamalat Malaysia Bhd issued a clarification yesterday with reference to a release issued by Majlis Agama Islam Selangor (MAIS) which appeared in a local daily.

The lawsuit in reference is with respect to the legal action taken by MAIS and Kolej Universiti Islam Selangor (KUIS) against Redha Resources Sdn Bhd (RRSB) as first defendant and Bank Muamalat as second defendant.

This lawsuit relates to a syndicated financing amounting to RM125.3 million provided by Bank Muamalat and two other financial institutions.

The plaintiff intended to annul the concession agreement and consequently, the payment guarantee given to Bank Muamalat and two other financial institutions.

The hearing had concluded and is pending a decision by the High Court of Shah Alam.

Meanwhile, Bank Muamalat has initiated legal action against RRSB and its guarantors. The judgement against RRSB and the guarantors has been obtained. The execution proceedings against the guarantors are still ongoing.

Bank Muamalat has not initiated any legal action against MAIS and/or KUIS, in respect of the Payment Guarantee provided by MAIS and KUIS. It will act in the best interest of the bank to recover the amounts due. Bank Muamalat's rights against MAIS and KUIS are reserved.

Bank Muamalat is unable to comment further as it may prejudice the lawsuits ongoing and forthcoming.

Kuala Lumpur

AIBIM, ABM gesa peruncit, pemegang segera tukar kad guna PIN

Persefahaman Institut Perbankan Islam Malaysia (AIBIM) dan Persatuan Bank-Bank Malaysia (ABM) menggesa peruncit dan pemegang kad menukar kepada terminal dengan penggunaan PIN dan kad secepat mungkin.

AIBIM dan ABM dalam kenyataan bersama berkata, ini kerana penggunaan PIN lebih selamat, mudah dan cepat untuk membuat pembayaran berbanding menggunakan tandatangan serta pembayaran kad tanpa PIN yang tidak akan diterima di Malaysia tidak lama lagi.

Persatuan terbahit

menggesa peruncit dengan terminal memasukkan PIN enam angka bagi memudahkan proses pembayaran dilakukan dengan lebih mudah dan selamat.

“Ramai peruncit mengabaikan PIN secara automatik apabila diberikan kad baru yang boleh menggunakan PIN bagi mengelak menghulurkan pad PIN kepada pelanggan,” katanya.

Menurutnya, peruncit yang mempunyai terminal boleh menggunakan PIN, digesa memaparkan logo PIN dan Bayar (PIN and Pay) di kaunter kedai dan pembayaran mereka.

HOME BUSINESS

Bank Muamalat to invest up to RM200 million in 2017

It is rebuilding its business plan to cater to the shift towards digitalisation

YAHMAD NAQIB IDRIS
ADAM AZIZ

KUALA LUMPUR: Bank Muamalat Malaysia Bhd said it will be investing up to RM200 million in capital expenditure (CAPEX) on its digital strategy as it rebuilds its business plan to cater to the shift towards digitalisation.

Bank Muamalat chief executive officer Datuk Mohd Redza Shah Abdul Wahid (pic) said the group is reallocating its resources from its traditional brick and mortar business to its new digital business.

“The market conditions have changed significantly in the financial services sector, due to new technology and regulations that have come about. Also, with the

new liquidity requirements under Basel III, we have made the decision to review our business plans and it is being finalised.

“We are looking at implementing this business plan over the new year,” he said.

Redza elaborated that the new business plan will see a leaner Bank Muamalat as well as pushing for growth in its digital business. However, he said the bank will still continue to expand its brick and mortar business at the same time but added that more resources will be allocated to its digital foray.

“We will be building the organisation with the current resources that we have, and reallocating those resources from the brick and mortar business towards the digital business.

“This digital business is another part that we will spin off to the new market for those that require digital commerce. This includes collaboration and working with fintech (financial technology) companies,” he said, adding that the group is nimble and will be able to work faster in the fintech arena.

In terms of CAPEX requirements, he said the additional expenditure for its fintech venture will not be very large – at between RM100 million and RM200 million for next year – but will have a significant impact in terms of service to its customers.

Asked if the group intends to tap the equity markets via an initial public offering, Redza said the bank does not yet have a definitive plan to list, especially amid the current

challenging economic condition. However, he said the group's shareholders – Khazanah Nasional Bhd and DRB-HICOM Bhd – are looking more towards bringing in a strategic partner.

“In terms of the future plans of Bank Muamalat, we – on our own – can stand alone. In terms of capital and liquidity structures, we meet the necessary ratios and requirements.

“However, our shareholders will always look – in terms of value or synergies – [at what] a partner could bring to the bank. That is more of what we are looking at. But our priorities remain on rebuilding our business plan,” he said.

Redza spoke to the media yesterday during the signing of a memorandum of agreement

between Bank Muamalat and DRB-HICOM University of Automotive Malaysia to jointly develop an Executive Leadership Programme for the employees of the bank.

The two-year programme will see an initial 20 staff members of Bank Muamalat undertake masters and doctorate courses with the university, with mentorship and options for short courses to be included in the future.



Bank Muamalat Malaysia Bhd chairman Tan Sri Dr. Mohd Munir Majid said the move was in line with the government's call for every bank, including Islamic banks, to use technology in their services.



SYED FAISAL ALBAR SYED ALI RETHZA ALBAR (tengah) menyaksikan pertukaran dokumen antara Mohd. Redza Shah Abdul Wahid (dua kiri) dengan Garry James Clayton di majlis MoA antara Bank Muamalat Malaysia Berhad dengan Universiti Automotif Malaysia DRB-Hicom di Kuala Lumpur, semalam.

Bank Muamalat rangka semula perniagaan

KUALA LUMPUR 21 Dis. – Bank Muamalat Malaysia Berhad (Bank Muamalat) sedang merangka semula pelan perniagaannya memfokuskan kepada pertumbuhan pendapatan yuran dan perniagaan digital sebelum tahun baharu tiba.

Ketua Pegawai Eksekutifnya, Datuk Mohd. Redza Shah Abdul Wahid berkata, landskap perbankan Islam dijangka terus mendatar tahun depan dengan perkembangan tidak melebihi lima peratus disebabkan keadaan semasa ekonomi global.

Katanya, selain itu, organisasi perbankan turut menerima cabaran perniagaan seperti permintaan pinjaman yang semakin merosot, namun kebanyakan daripadanya sudah bersedia dan tidak akan menerima kesan besar.

“Keputusan kewangan dan keutungan syarikat bagi tahun ini dijangka lebih kurang sama seperti pencapaian tahun lepas dengan sebahagian besar penyumbangnya adalah daripada pembiayaan peribadi dan korporat.

“Bagi tahun depan, kita akan menumpukan kepada sektor teknologi digital dan juga produk pendapatan yuran seperti Ar-Rahn dan pengurusan kekayaan yang terus mencatatkan perkembangan tanpa perbelanjaan modal yang besar,” katanya.

Beliau berkata demikian ketika ditemui pada majlis memorandum perjanjian (MoA) antara Bank Muamalat dan Universiti Automotif Malaysia DRB-Hicom untuk bersama-sama membangunkan Program Kepimpinan Eksekutif (ELP) di sini hari ini.

Yang turut hadir, Pengarah Urusan Kumpulan DRB-Hicom, Datuk Seri Syed Faisal Albar Syed Ali Rethza Albar dan Ketua Pegawai Eksekutif Universiti DRB-Hicom, Prof. Dr. Garry James Clayton.



'Bank Muamalat to go digital in 2 to 3 years'

GUA MUSANG: Islamic bank Bank Muamalat is planning to venture into new technology and digital services to better service its customers. Bank Muamalat Malaysia Bhd chairman Tan Sri Dr. Mohd Munir Majid said the move was in line with the government's call for every bank, including Islamic banks, to use technology in their services.

Responding to the call, Munir said, Bank Muamalat would venture into technology in three or five years. “Bank Muamalat welcomes the government's efforts to introduce financial technology.

“We plan to use digital technology, such as mobile transactions and other types of digital services, to improve our service to customers,” he said after opening the bank's newest branch here yesterday. Present were Bank Muamalat chief executive officer Datuk Mohd Redza Shah Abdul Wahid and senior bank officers.

Bank Muamalat has 62 branches nationwide and the branch here, which cost RM1 million, is the sixth to be set up in Kelantan. Besides here, Bank Muamalat has two branches in Kota Bharu and one branch each in Kota Lanas, Jel and Tanah Merah.

Munir said he expected the branch here to attract about 3000 customers in a short period. “We have nearly 60,000 customers in all branches, and hope fully, with the opening of this new branch, we will get another 3000 customers. To achieve that target we will co-operate with all department in Kelantan, as well as the state government.”

He said in Kelantan, the bank hoped to get customers from the plantation industry, as well as other sectors, especially from here. During the event, Munir presented a donation of RM1,000 each to 10 mosques here.

15/12

Banks back on track with 3Q16 net profit growth

Banking sector

Maintain overweight: Malaysian banks' net profit advanced 9.2% year-on-year (y-o-y) in the third quarter of calendar year 2016 (3Q16), which is in line with our expectations.

This first y-o-y growth in nine quarters is still retained even if we exclude the two non-recurring items (CIMB Group Holding Bhd's one-off gain from the Sun Life Malaysia sale and RHB Bank Bhd's one-off cost for the career transition scheme). The key driver of 3Q16 earnings was the 11.7% y-o-y decline in loan loss provisioning (LLP).

The key positive takeaway from the 3Q16 results was stable asset quality despite the macro headwinds. The industry's gross impaired loans (GIL) only rose 0.8% quarter-on-quarter (q-o-q) in 3Q16, while the GIL ratio slid one basis point q-o-q to 1.65% as at 3Q16. Looking at the year-to-date trend, we believe the GIL ratio at 3Q16 would not be significantly above our projection of 1.8%. As for 2017, we expect the GIL ratio to increase to 2%.

We envisage a rebound in banks' net profit growth from 0.3% in 2016 to 11.2% in 2017, mainly due to a smaller increase of 4.1% in LLP (versus +65.9% in 2016). Another catalyst could be the absence of impairment loss of RM452 million incurred by Maybank Bhd and RHB Bank in 2016 for their exposure to Swiber bonds.

Downside risks to our 2017 earnings forecasts include wider increase in LLP and more chunky impairment losses for corporate bonds of oil and gas companies.

We continue to rate Malaysian banks as “overweight”, given the attractive valuations of most banks as most banks such as RHB Bank, AMMB Holdings Bhd and Affin Holdings Bhd are trading below their five-year average price-earnings ratio in 2017, and expected stronger net profit growth of 11.2% for 2017F (forecast) for the sector versus 0.3% in 2016, as well as enticing 2017F dividend yield of 4.5% versus 3.2% for the market. The downside risks to our call are slower loan growth and higher LLP. Our top picks are RHB Bank and BMB Holdings Bhd.

We believe the enticing valuations of several banks will continue to attract buying interest in 2017. Besides, asset quality was still resilient in 4Q16, easing market concerns of a spike in GIL ratio and LLP in 2017. This would help to improve the sentiment for banking stocks, in our view. We expect recovery in net profit growth in 2017 to be driven by normalised growth in LLP after surging in 2015 and 2016. Also, banks have built up strong buffer in the form of restructured loans against any rise in GIL. — CIMB Research, Dec 13

LEADERSHIP





BOARD OF DIRECTORS





Standing from left:
Ghazali Haji Darman
Dato' Sri Che Khalib Mohamad Noh
Dato' Haji Mohd Izani Ghani
Dato' Haji Mohd Redza Shah Abdul Wahid
Dato' Haji Kamil Khalid Ariff
Tengku Dato' Seri Hasmuddin Tengku Othman
Julaida Jufri (Company Secretary)

Sitting from the left:
Dr. Azura Othman
Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Dato' Azmi Abdullah

BOARD OF DIRECTORS PROFILE



**TAN SRI DATO'
DR. MOHD MUNIR
ABDUL MAJID**
CHAIRMAN

Tan Sri Dato' Dr. Mohd Munir Abdul Majid is the Chairman of Bank Muamalat and was appointed to the Board of Bank Muamalat on 3 June 2008.

He obtained a B.Sc (Econ) from the London School of Economics and Political Science (LSE) in 1971 where he also obtained his Ph.D in International Relations in 1978. He taught at the Department of International Relations in LSE from 1972-1975. He was a research analyst for Daiwa Europe NV in London from 1975-1978.

Dr. Munir joined the New Straits Times (NST) at the end of 1978 as leader writer and progressed to become the Group Editor. During his time at NST, he published numerous articles on national and international politics, and economics. He left NST in 1986 to become the CEO of a small merchant bank, Pertanian Baring Sanwa (PBS), whose name he changed to Commerce International Merchant Bankers (CIMB) which was then transformed into one of Malaysia's leading merchant banks. He was invited by the Government of Malaysia to establish and become the first and founding Executive Chairman of the Securities Commission in 1993, where he served for two terms until 1999.

As the founding Executive Chairman he was instrumental in shaping the legal and regulatory framework of the capital markets, as well as introducing the country's first code of corporate governance. During this time, he was the chairman of the emerging markets committee of the International Organisation of Securities Commissions (IOSCO). In 1997, he received the Cranfield Management Excellence award.

After leaving the Securities Commission, he served as a Senior Independent Non-Executive Director of Telekom Malaysia Berhad for 4 years until June 2004, and was the chairman of its mobile subsidiary

Celcom (M) Berhad from 2002-2004. In June 2004, Dr. Munir joined Malaysia Airlines Board of Directors and in August he was appointed its Non-Executive Chairman until July 2011.

In February 2014 Dr. Munir was appointed Chairman of CIMB Asean Research Institute and also joined the board of the Institute of Strategic and International Studies (ISIS) Malaysia. He is Chairman of the Asean Business Advisory Council – Malaysia Chapter and was 2015 chair of the Council region-wide. He is the President of the Asean Business Club. Dr. Munir is also Chairman of the Financial Services Professional Board since 2016. He is a member of the Board of Silverlake Axis Limited.

Dr. Munir was the founder President of the Kuala Lumpur Business Club (2003-2008). In May 2004, he was appointed a member of the Court of Fellows of the Malaysian Institute of Management.

In December 2005, he was made an Honorary Fellow of the LSE and in 2008 he was appointed Visiting Senior Fellow at LSE IDEAS (Centre for International Affairs, Diplomacy and Strategy) where he started the Southeast Asia International Affairs Programme and headed it until 2012. He has written for IDEAS publications and published in International Politics, a British academic journal. A collection of his articles was published in a book, 9/11 and the Attack on Muslims.

Dr. Munir received his early education at St Mark's Primary School in Butterworth and the Bukit Mertajam High School in the state of Penang. He received his upper secondary education at the Royal Military College in Sungei Besi near Kuala Lumpur where he was awarded the Commandant's Prize for being the best all-round student in 1967. He left for London the next year.

**DATO' HAJI MOHD
REDZA SHAH
ABDUL WAHID**

**CHIEF EXECUTIVE
OFFICER/EXECUTIVE
DIRECTOR**



Dato' Haji Mohd Redza Shah Abdul Wahid was appointed to the Board of the Bank on 1 November 2008. He holds a Bachelor of Science in Economics (Industry and Trade) from London School of Economics, University of London and a Master of Science in Economics (International Banking and Finance) from University of Wales, Cardiff. He is also a qualified Chartered Banker.

Dato' Haji Mohd Redza Shah started his career with Touche Ross & Co. London (now known as Deloitte & Touche) in 1988 as Trainee Accountant and qualified as Associate Chartered Accountant (ACA). In 1992 he joined Arab Malaysian Corporation Berhad, in Internal Audit and progressed to become the Corporate Finance Manager. He then joined Khazanah Nasional Berhad when it commenced operations in July

1994 as a Senior Finance Manager and later moved to Silterra Malaysia Sdn Bhd, as Chief Financial Officer. He left Silterra Malaysia Sdn Bhd to spearhead Tradewinds Corporation Berhad as the Group CEO from September 2002 to November 2005. Prior to joining Bank Muamalat, he was the Executive Director and Group Chief Operating Officer of DRB-HICOM from 1 March 2006 till October 2008.

Dato' Haji Mohd Redza Shah is currently the President of the Association of Islamic Banking Institutions Malaysia (AIBIM), and sits on the Board of Islamic Banking & Finance Institute Malaysia (IBFIM) and Raed Holding Sdn Bhd. He also sits on the Board of General Council for Islamic Banks and Financial Institutions (CIBAFI).

BOARD OF DIRECTORS PROFILE



DATO' SRI CHE KHALIB MOHAMAD NOH

**NON-INDEPENDENT
NON-EXECUTIVE
DIRECTOR**

Dato' Sri Che Khalib Mohamad Noh was appointed as Non-Independent Non-Executive Director of Bank Muamalat nominated by DRB-HICOM Berhad on 27 August 2012. He is a member of Nomination and Remuneration, and Veto Committees.

Dato' Sri Che Khalib is currently the Group Managing Director of MMC Corporation Berhad. He was the former President and Chief Executive Officer of Tenaga Nasional Bhd (TNB), prior to his position as the Chief Operating Officer - Finance, Strategy & Planning of DRB-HICOM Berhad. A qualified accountant, Dato' Sri Che Khalib is a member of the Malaysian Institute of Accountants (CA, M) and also a Fellow of the Association of Chartered Certified Accountants (FCCA, UK) United Kingdom.

Dato' Sri Che Khalib began his career with Messrs Ernst & Young in 1989 and later joined Bumiputra Merchant Bankers Berhad. He was previously a member of the Board and the Executive Committee of Khazanah Nasional Berhad from year 2000 to 2004. He also served as a Board member within the United Engineers Malaysia (UEM) Group of companies and Bank Industri & Teknologi Malaysia Berhad. He currently sits on the Board of Gas Malaysia Berhad, Zelan Berhad, Malakoff Corporation Berhad, Johor Port Berhad, MMC Engineering Group Berhad, NCB Holdings Bhd, Aliran Ihsan Resources Berhad, Kontena Nasional Berhad, Northport (Malaysia) Berhad and several private limited companies.

DATO' HAJI MOHD IZANI GHANI

NON-INDEPENDENT
NON-EXECUTIVE
DIRECTOR



Dato' Haji Mohd Izani Ghani was appointed as Non-Independent Non-Executive Director of Bank Muamalat nominated by Khazanah Nasional Berhad (Khazanah), on 1 March 2009. He is a member of Nomination and Remuneration, and Board Risk Management Committees of the Bank. He graduated from the London School of Economics and Political Science in 1991 with BSc (Economics) specialising in Accounting and Finance. After graduating from LSE, he pursued his professional accounting qualification from the Association of Chartered Certified Accountants and admitted to fellowship in 2000.

He is also a member of Malaysian Institute of Accountants. He was previously the Chief Financial Officer of Khazanah for seven years before assuming a new role as Executive Director of Investments in June 2017. He also oversees Khazanah's regional office in Istanbul.

Apart from Bank Muamalat, he sits on the Board of Malaysia Airports Holdings Berhad and Fajr Capital Limited and chairs Istanbul Sabiha Gokcen Airport.

BOARD OF DIRECTORS PROFILE



TENGKU DATO' SERI HASMUDDIN TENGKU OTHMAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Tengku Dato' Seri Hasmuiddin Tengku Othman was appointed as a Non-Independent Non-Executive Director of Bank Muamalat since 18 April, 2006 and was subsequently redesignated to Independent Non-Executive Director by Bank Negara Malaysia on 16 February, 2009. He is the Chairman of Nomination and Remuneration Committee, a member of Board Audit and Risk Management Committees.

He graduated from the University of Malaya with a Bachelor of Law (Honours) degree in 1986. He is a practising advocate and solicitor having been admitted to the Malaysian Bar on 14 July 1987. His main areas of practice are corporate and commercial law and Islamic banking and finance. Tengku Dato' Seri Hasmuiddin is among the legal counsel involved in framing the structural framework for Islamic banking documentation in the early stages of that sector's development in Malaysia. He is a member of the Association of Chartered Islamic Finance Professionals (ACIFP) since 2009. He continues to play an active role in the development of this

area of law through his involvement in the organisation of Kuala Lumpur Islamic Finance Forum (KLIFF), an annual forum that gathers prominent personalities, practitioners and industry players of Islamic Finance as well as by presenting papers on the subject both locally and internationally.

Currently Tengku Dato' Seri Hasmuiddin sits on the boards of Institut Jantung Negara Sdn Bhd, IJN Holdings Sdn. Bhd., Aliran Ihsan Resources Berhad, Serba Dinamik Holdings Berhad, HSK Corporate Advisory & Consultancy and Rangkaian Hotel Seri Malaysia Sdn Bhd. He is also a member of Jawatankuasa Pemantauan dan Pengawasan Syarikat Jaminan Pembiayaan Perniagaan Berhad.

Tengku Dato' Seri Hasmuiddin is also involved in charitable organisations in his capacity as trustee to Tuanku Najihah Foundation, Yayasan Institut Al Quran Kuala Lumpur, Tabung Amanah Pesakit Malaysia, Institut Quran Tuanku Jaafar, Yayasan Kolej Islam Sultan Alam Shah and Yayasan Munarah.

DATO' AZMI ABDULLAH

INDEPENDENT NON-EXECUTIVE DIRECTOR



Dato' Azmi Abdullah was appointed as Independent Non-Executive Director of Bank Muamalat since 16 September 2009. He is the Chairman of Board Risk Management Committees and member of Nomination and Remuneration, Board Audit and Veto Committees. Prior to joining the Bank, he was the First Managing Director/Chief Executive Officer of SME Bank for over 4 years and the Managing Director/Chief Executive Officer of Bumiputera-Commerce Bank Berhad, where he served for more than 26 years in

various departments. Dato' Azmi graduated with a B.A. (Hons) Degree in Economics from Universiti Kebangsaan Malaysia (UKM) in 1974. He was conferred Honorary Doctorate in Business Administration from Universiti Kebangsaan Malaysia in 2006. He also sits as a Director in Kumpulan Wang Persaraan (Diperbadankan), ECS Solution Sdn Bhd, Trans National Insurance Broker Sdn Bhd, Ireka Corporation Berhad and a member of the Board and Investment Committee of Amanah Raya Berhad.

BOARD OF DIRECTORS PROFILE



DATO' HAJI KAMIL KHALID ARIFF

INDEPENDENT
NON-EXECUTIVE
DIRECTOR

Dato' Haji Kamil Khalid Ariff was appointed as Independent Non-Executive Director of Bank Muamalat on 29 September 2011. He is the Chairman of Veto Committee and member of Board Risk Management, Digital Banking Board and Board Audit Committees. He graduated with MBA in International Business from Michigan, USA in 1979. Prior to this, he obtained Bsc in Management from Syracuse University, New York and the Diploma in Public Administration from ITM. His last position was as Managing Director/Chief Executive Officer of Mahkota Technologies Sdn. Bhd. (formerly known as General Electric Company of the UK) – dealing mainly in the electrical engineering/ supply Industry. Upon his recent retirement, he has been retained as Advisor to the Mahkota Group. He is also a

Chairman/Director of several other private companies. In the last 30 years, he served in numerous Management and Board positions in several large corporate entities viz, The New Straits Times, Kumpulan Perangsang Selangor Bhd, Kumpulan Guthrie Bhd. and Idris Hydraulic Bhd. During this time, he was exposed to various multi facet industries viz Advertising & Publishing, Trading, Manufacturing and Engineering. He was also a founder Director of the Kuala Lumpur Tin Market, which he, as part of a Government Steering Committee, help set up in the mid 1980s. Dato' Haji Kamil Khalid is also Chairman of Liberty Insurance Berhad, Gibraltar BSN Life Insurance Berhad, Director of Pramerica BSN Holdings Sdn. Bhd. Awan Inspirasi Sdn Bhd and several other private companies.

**DR. AZURA
OTHMAN**
INDEPENDENT
NON-EXECUTIVE
DIRECTOR



Dr. Azura was appointed as Independent Non-Executive Director of Bank Muamalat on 24 April 2015. She is the chairman of Board Audit and a member of Board Risk Management Committees. Dr Azura graduated with a degree in Accounting and Finance from the London School of Economics and Political Science. She is also a Fellow of ACCA (UK), a member of Malaysian Institute of Accountant and a chartered member of the Institute of Chartered Islamic Finance Professionals (CIIF). She received her PhD in Islamic Finance from the International Centre of Education in Islamic Finance (INCEIF). Currently, she is

the Chief Executive Officer of the Chartered Institute of Islamic Finance Professionals (CIIF), a professional standard setting body for Islamic finance practitioners. She was a former Executive Director of Pricewaterhouse Coopers Taxation Services, Malaysia. She has over 19 years of experience as a tax consultant and in engagements relating to Islamic Finance, working together with the Malaysian Ministry of Finance, Inland Revenue Board and BNM. Her major assignments include formulating the tax incentives for Malaysia as the International Islamic Financial Centre (MIIFC).

BOARD OF DIRECTORS PROFILE



GHAZALI HAJI DARMAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ghazali Haji Darman was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 4 January 2017. He is the Chairman of Digital Banking Board Committee and a member of Nomination and Remuneration and Board Audit Committees of the Bank.

He graduated with a Bachelor of Arts in Accounting from University of Canberra, Australia. At present, he is an Independent Non Executive Director of Bursa Malaysia Berhad and a member of the Audit Committee, Risk Management Committee, Market Participation Committee (regulatory committee) and IT Project Steering Committee.

Previously, he was the Global Head of Domain for Transportation and System Integration and member of Senior Management Team for DHL IT Services, based in Cyberjaya. His responsibilities covered all four shared IT service centers for DHL Global Operations (located in Cyberjaya, Bonn, Prague and Scottsdale, USA). He was a world-wide partner and director in Accenture, specializing in financial industry and later leads the government market practice.

He was the Commissioner for PT Praisindo Teknologi, Jakarta which specialises in Wealth Management and IT Security. He was also an advisor to Outsourcing Malaysia, an initiative of the outsourcing industry and a chapter of PIKOM – the country's national ICT industry association, is envisioned to promote and develop Malaysia's outsourcing services industry as a global hub for high-value outsourcing.



*Dom kito
berwakaf...*



SHARIAH COMMITTEE



Ustaz Haji Azizi Che Seman

Ustaz Engku Ahmad Fadzil
Engku Ali

Prof. Madya
Dr. Mohamad Sabri Haron

Dr. Ab Halim Muhammad

SS Datuk Dr. Zulkifli Mohamad Al-Bakri

Dr. Wan Marhaini
Wan Ahmad

USTAZ HAJI AZIZI CHE SEMAN CHAIRMAN

Ustaz Haji Azizi Che Seman is currently a lecturer at the Islamic Studies Academy, University of Malaya, a position he has held since 2002. He has been with Bank Muamalat since 1 April 2005. Until now, he is entrusted to be the Chairman for Bank Muamalat's Shariah Committee. He has also been appointed as Shariah Advisor of AIBIM. In terms of qualification, he is now pursuing his studies in the field of Islamic capital market. He holds a Masters Degree in Economics from International Islamic University of Malaysia in 2001 and a Bachelor of Islamic Studies from University Malaya in 1996. His specialisation areas are in Islamic Capital Market, Islamic Economics, Fiqh Muamalat and Islamic Research Methodology. Besides his function in Shariah advisory, he also contributes his ideas and experiences in the development of Bank Muamalat's IT system.

USTAZ ENSKU AHMAD FADZIL ENSKU ALI

Ustaz Engku Ahmad Fadzil Engku Ali has obtained his early education at The Malay College Kuala Kangsar from 1982 until 1986. He later furthered his study in Law and successfully obtained his Bachelor's Degree in Laws (Second Class Honors Upper) from The International Islamic University of Malaysia in 1993. In the subsequent year, he graduated from the same university with a Bachelor's Degree in Shariah Law (First Class Honors). He was called to the bar, admitted and enrolled as an Advocate and Solicitor of The High Court of Malaya in 1995. He then pursued his studies at Jordan University and in the year 2000, he successfully obtained a Masters Degree in Islamic Judiciary. Since then until October 2014, he served as a lecturer at the International Islamic University of Malaysia. Some of the subjects that he taught at the university were Probate and the Law of Successions (both Islamic and Civil), Islamic Jurisprudence, Islamic Criminal Law and Malaysian Legal System. He is, since August 2015, a Senior Fellow at Institut Kajian Strategik Islam Malaysia (IKSIM). He has been a member of Bank Muamalat's Shariah Committee since 2005.

PROF. MADYA DR. MOHAMAD SABRI HARON

Prof. Madya Dr. Mohamad Sabri bin Haron is a lecturer at Pusat Citra Universiti, National University of Malaysia. He is also a Senior Fellow at The Institute of Malaysian and International Studies (IKMAS) as well as a Senior Fellow of The Institute of Islam Hadhari. He obtained a Diploma in Islamic Studies from Kolej Sultan Zainal Abidin in 1985 and Bachelor of Islamic Studies (al-Quran and al-Sunnah) from National University of Malaysia in 1988. He has completed his Master of Comparative Law at International Islamic University of Malaysia in 1993. He succeeded in obtaining his PhD. in Islamic Law (Fiqh and Usul Fiqh) in 1998 from University of Jordan. He has been with Bank Muamalat since December 2003. His specialization areas are in Islamic Economics and Islamic Civilization. He has also been seconded to the Securities Commission as the Senior Manager in Islamic Capital market starting from 1 June 2009 until 31 May 2010. Currently he is also appointed as a Chairman of Shariah Committee for Apex Investment Services Berhad (Islamic Fund) and also as a Member of Shariah Committee for Koperasi ANGKASA. In addition to that, he serves as a Member of Shariah Committee for Koperasi Pos (KOPONAS) and a Member of Shariah Committee for Koperasi Universiti Kebangsaan Malaysia (Koperasi UNIKER). He is also active in social and charitable activities and has been appointed as Chairman of Rukun Tetangga Al-Ehsan, Bandar Baru Bangi as well as a committee member to construct Masjid Al-Umm at Bandar Baru Bangi, Bangi selangor.

DR. AB. HALIM MUHAMMAD

Dr. Ab. Halim Muhammad graduated in 1972 with a Bachelor's Degree of Shari'ah from Al-Azhar University, Cairo Egypt and completed his studies in PhD. of Shari'ah at St. Andrews University Scotland in 1977. He served as a lecturer and became the Head of Department of Quran & Sunnah, Faculty of Islamic Studies Universiti Kebangsaan Malaysia. Some of the subjects that he taught were Islamic Jurisprudence (Muamalat, Islamic Banking & Islamic Finance and Takaful), Principles of Islamic Jurisprudence and Islamic Criminal Laws. He was the first Chairman of Shariah Committee of Bank Muamalat prior to joining National Shariah Advisory Council of Bank Negara Malaysia in 2004. He has been re-appointed as a member of Bank Muamalat's Shariah Committee since 30 November 2009. He was also a member of Shariah Committee of Securities Commission and currently he is Shariah Committee of ASDI Unit Trust Terengganu, Apex Unit Trust and Reit Johor. Recently, he has been appointed as Ahli Jamaah Ulama' Majlis Agama Islam Negeri Kelantan.

YBHG. SS DATUK DR. ZULKIFLI B. MOHAMAD AL-BAKRI

YBhg. SS Datuk Dr. Zulkifli B. Mohamad Al-Bakri is a scholar in Malaysia. He obtained his early education at Sek. Men. Agama (Atas) Sultan Zainal Abidin, Terengganu and furthered his study in a Bachelor's Degree at Universiti Islam Madinah, Arab Saudi prior to entering Universiti Ilmu-Ilmu Islam Dan Arab, Syria to finish his Masters. He succeeded in obtaining his PhD at USM, Pulau Pinang in 2004. He served as a lecturer in Universiti Sains Islam Malaysia from 2006-2009. He is now focusing more on writing and has written many books in Fatwa, Islamic Law and Islamic Jurisprudence. He has a vast experience in Islamic Banking as he was formerly the Chairman of Shariah Committee of Bank Pertanian Malaysia prior to joining Bank on 1 April 2011. He is also an expert and capable in providing fatwa, as he served as a member of Fatwa's Committee for state of Negeri Sembilan and the Chairman for Shariah Committee in World Fatwa Management and Research Institute (INFAD) at USIM. YBhg. Datuk Dr. Zulkifli B. Mohamad Al-Bakri was proclaimed as Mufti Wilayah Persekutuan on 20 June 2014. However he has resigned from Shariah Committee of BMMB with effect from 31 October 2016 due to being called by Bank Negara Malaysia to serve as Shariah Advisory Council of BNM.

DR. WAN MARHAINI WAN AHMAD

Dr. Wan Marhaini Wan Ahmad is currently a senior lecturer at the Finance and Banking Department, University of Malaya, a position she has held since 2002. She completed her doctorate in Zakat Investment at the University of Edinburgh, United Kingdom in 2012. She received a Master Degree in Economics from International Islamic University of Malaysia in 2002 and has a degree in Shariah from the Academy of Islamic Studies University of Malaya in 1996. Her research interests lie in the area of Fiqh Muamalat, Islamic Economics, Islamic Finance and Banking. In the University of Malaya, she has experiences teaching both Islamic and conventional economics and finance for both undergraduate and Masters programmes (MBA and MM). Currently, she teaches principles of Islamic economics and Islamic finance as well as the applications of modern Islamic banking, takaful and Islamic capital market. Prior to joining Bank Muamalat Malaysia Berhad, she has served as a Shariah Committee member for EONCAP Islamic Bank Berhad for tenure of April until November 2011.

BANK MUAMALAT TRADE FINANCE YOUR ISLAMIC BUSINESS SOLUTION NEEDS

FINANCING PRODUCTS

- Bankers Acceptance
- Murabahah Working Capital Financing
- Bai' Al-Dayn Working Capital Financing
- Foreign Currency Trade Financing
- Foreign and Domestic Bill Purchased

SERVICES

- Payment and Receivable Management
- Bills for Collection (Inward/Outward)

CONTINGENT LIABILITY PRODUCTS

- Letter of Credit Confirmation
- Bank Guarantee
- Fully Secured Bank Guarantee
- Letter of Credit
- Shipping Guarantee



“We facilitate and tailor your banking needs with tailor made services”

tradefinanceall@muamalat.com.my

SHARIAH COMMITTEE TERMS OF REFERENCE

OBJECTIVE/PURPOSE

These terms of references were prepared to inform and notify the appointed Shariah Committee on all relevant matters pertaining to their duties, processes and procedures.

AUTHORITY

These terms of references are governed by the IFSA 2013 (including any amendment that will be made from time to time) ("Laws and Regulations").

DUTIES, RESPONSIBILITIES & ACCOUNTABILITY OF THE SHARIAH COMMITTEE

The main duties and responsibilities of the Shariah Committee are as follows:

(1) **Responsibility and accountability**

The Shariah Committee is expected to understand that in the course of discharging the duties and responsibilities as a Shariah Committee member must be in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee member, and responsible and accountable for all Shariah decisions, opinions and views provided by them.

(2) **Advise to the Board and Bank Muamalat including Bank Muamalat's subsidiaries**

The Shariah Committee is expected to advise the Board, Management including Bank Muamalat's subsidiaries and provide input to Bank Muamalat on Shariah matters in order for Bank Muamalat to comply with Shariah principles at all times.

(3) **Endorse Shariah policies and procedures**

The Shariah Committee is expected to endorse Shariah policies and procedures prepared by Bank Muamalat and to ensure that the contents do not contain any element which is not in line with Shariah.

(4) **Endorse and validate relevant documentations**

To ensure that the products of Bank Muamalat comply with Shariah principles, the Shariah Committee must approve:

- i. the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
- ii. the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

(5) **Assess work carried out by Shariah review and Shariah audit**

To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

(6) **Assist related parties on Shariah matters**

The related parties of Bank Muamalat such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the Shariah Committee and the Shariah Committee is expected to provide the necessary assistance to the requesting party.

(7) **Shariah Advisory Council, Bank Negara Malaysia**

The Shariah Committee may advise Bank Muamalat to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC) on Shariah matters that could not be resolved.

In cases where there are uncertainties and differences of opinions, Bank Muamalat may seek advice and refer for a ruling from the SAC. The request for advice shall be communicated through the Secretariat of the SAC.

Members of the Shariah Committee must not act in a manner that would undermine the rulings and decisions made by the SAC or the committee they represent. They are required to respect and observe the published Shariah rulings issued by the SAC and shall not go against the decisions of the committee that they represent in public.

In cases of disputes and court proceedings related to Islamic financial business or any Shariah issues arising from Bank Muamalat's business operations, both the court and the arbitrator shall take into consideration the published rulings of the SAC or refer such issues to the SAC for its ruling. Any ruling made by the SAC arising from a reference made shall be binding on Bank Muamalat and the court or the arbitrator. In the event where the decision given by Bank Muamalat's Shariah Committee is different from the ruling given by the SAC, the rulings of the SAC shall prevail. However, the Shariah Committee is allowed to adopt a more stringent Shariah decision.

(8) **Provide Written Shariah Opinions**

The Shariah Committee is required to provide written Shariah opinions in circumstances where Bank Muamalat makes reference to the SAC for further deliberation, or where Bank Muamalat submits applications to SAC for new product approval.

(9) **Provide Bank Muamalat with guidelines and advice on religious matters to ensure that Bank Muamalat's overall activities are in line with Shariah.**

(10) **Make decisions on matters arising from existing and future activities of Bank Muamalat which have religious repercussions.**

- (11) Report to the shareholders and the depositors that all Bank Muamalat's activities are in accordance with Shariah.
- (12) Provide Shariah advisory and consultancy services in all matters relating to Bank Muamalat's products, transactions and activities as well as other businesses involving Bank Muamalat.
- (13) Scrutinise and endorse the annual financial report of Bank Muamalat.
- (14) Provide training to the staff as well as notes or relevant materials for their reference.
- (15) Represent Bank Muamalat or to attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to Bank Muamalat.
- (16) The Shariah Committee shall maintain the confidentiality of Bank Muamalat's internal information and shall be responsible for the safe guarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorised by Bank Muamalat or required by law.
- (17) The Shariah Committee shall ensure the quality and consistency of the Shariah decisions.

Most of the issues submitted to the Shariah Committee for deliberation are resolved via meeting. For FYE March 2017, 13 meetings were held. The details of their attendance are as follows:

Shariah Committee Member	Attendance
Tn. Hj. Azizi Che Seman	13/13
YM Engku Ahmad Fadzil Engku Ali	12/13
Prof. Madya Dr Mohamad Sabri Haron	13/13
Dr Ab Halim Muhammad	12/13
Datuk Dr. Zulkifli B. Mohamad Al-Bakri	1/6
Dr Marhaini Wan Ahmad	12/13



“We would like to extend our warmest congratulations to the Board of Directors and the Management for their genuine concern and strong passion to ensure not only the productivity and profitability of Bank Muamalat...”

USTAZ HAJI AZIZI CHE SEMAN
CHAIRMAN, SHARIAH COMMITTEE

Statement

from the Chairman of Shariah Committee
In the Name of Allah, the Most Gracious, the Most Merciful

Assalamualaikum Warahmatullahi Wabarakatuh

Alhamdulillah, all praise to Allah SWT, the salutations and greetings to our Prophet Muhammad SAW and his entire family, companions, tabi'in and tabi'i al-tabi'in, and devout Islamic scholars of allegiance to assemble a great contribution in uplifting the religion of Islam to the last blood droplet. With this Annual Report 2017, we can share our activities and the transparency of the Bank in line to keep up the Islamic da'wah via promoting Islamic banking system, In-sha-Allah.

Bank Muamalat Malaysia Berhad (Bank Muamalat) is a full-fledged Islamic Financial Institution operating under the Islamic Financial Services Act 2013 (IFSA), offering Shariah-based financial services and products. As a commercial bank that offers Shariah-based products and services, Bank Muamalat provides a wide range of deposits, financing and various banking products and services to cater the demands of Malaysian market, irrespective of race or religion.

The fact that Shariah compliance is the core and essence of Islamic banking proves that it is essential for the banking and commercial activities to be in line with Shariah principles and guidelines. Among challenges faced are to review current Bank Muamalat's product offerings to assure its compliance as issued in Policy Documents for Shariah contracts by Bank Negara Malaysia throughout the year. With the assistance of Shariah Governance Framework organs within Bank Muamalat, we believe that we have played our role to oversee Shariah matters related to Bank Muamalat's business operations and activities.

Prophet Muhammad SAW said, meaning:

"A Muslim is a brother of another Muslim, so he should not oppress him, nor should he hand him over to an oppressor. Whoever fulfilled the needs of his brother, Allah will fulfill his needs; whoever brought his (Muslim) brother out of a discomfort, Allah will bring him out of the discomforts of the Day of Resurrection, and whoever screened a Muslim, Allah will screen him on the Day of Resurrection."

(Narrated by Al-Bukhari, No.622)

As Shariah Committee of Bank Muamalat, we have given our highest dedication to assure the quality and demonstrated our commitment to ensure Shariah compliance in the products, process, documentations, marketing, IT systems and other related matters.

During Financial Year 2016/2017, the Shariah Committee has endorsed new products and services offered by Bank Muamalat, among others; new collaboration under IAP, CASA Tawarruq, Debit Card, and Structured Financing *Bai Dayn Bi Sila'*. The Muamalat Gold-i has received encouraging response from the public and moving forward Bank Muamalat has planned to expand gold product further through -Muamalat Gold-i Account which allows customers the flexibility to purchase without handling physical gold.

In the context of the economic development, Islam presents integrated and proactive approaches for developing and promoting wakaf institutions particularly in collaboration with the financial institutions as the new initiative. Being an ethical bank, Bank Muamalat has been cooperating with Perbadanan Wakaf Selangor (PWS) in managing Wakaf Selangor Muamalat (WSM) to implement cash waqf. Moving forward, Bank Muamalat has also planned to initiate new collaborations with other states in the next financial year, In-sha-Allah.

We would like to extend our warmest congratulations to the Board of Directors and the Management for their genuine concern and strong passion to ensure not only the productivity and profitability of Bank Muamalat, but also to assure the dictates and requirements of Shariah are properly observed and adhered to. We are also very thankful to the staff for the cooperation in providing us adequate information in ensuring our deliberations on each and every issue would be resolved accordingly.

In-sha-Allah, with a good and excellent banking system, we are able to channel da'wah and call out and attract the people in using Islamic banking and then towards the implementation of the entire Islamic system. Hopefully, good attitude and services to customers will make Bank Muamalat a leader in quality Islamic banking without undermining the never-ending quest for the ultimate goal of gaining Allah's blessing and pleasure.

Thank you

Regards

Chairman
Shariah Committee

SENIOR MANAGEMENT

**Tuan Haji
PeerMohamed Ibramsha**
Chief Operating Officer,
Retail Business & Operations



Haji Ismail Ibrahim
Executive Vice President,
Credit Management Division



Adinor Mohamed Yunus
Chief Risk Officer



Syed Alwi Mohamed Sultan
Executive Vice President,
Corporate Services Division



Hafni Mohd Said
Executive Vice President,
Finance Division



**Nor Hamidah
Abu Bakar**
Senior Vice President,
(Business Banking Division)



Azliza Abdul Rahman
Executive Vice President,
Human Capital Division



**Abdul Razak
Mohamed Ismail**
Chief Technology Officer,
ICT Division



SENIOR MANAGEMENT PROFILE



TUAN HAJI PEERMOHAMED IBRAMSHA

CHIEF OPERATING OFFICER,
RETAIL BUSINESS &
OPERATIONS

PeerMohamed Ibramsha was appointed as the Chief Operating Officer for Retail Business & Operations since December 2016 and his current portfolio covers Operations Division, Consumer Banking Division, Affluent Banking Services, Card Business, Deposit and Wealth Management. He holds a Bachelor's Degree in Accountancy and is also a member of Malaysian Institute of Accountant and a Fellow Certified Practising Accountant (FCPA) with CPA

Australia. He has been with Bank Muamalat since November 2008 and before his current position, he was the Chief Financial Officer (CFO) of Bank Muamalat until October 2014 and Chief Operating Officer – Operations until November 2016. Prior to this, he was the CFO of Alam Flora Sdn Bhd for approximately 2 years and CFO of Glenmarie Properties Sdn Bhd and its group of companies for approximately 10 years.

HAJI ISMAIL IBRAHIM

EXECUTIVE VICE PRESIDENT, CREDIT MANAGEMENT



Haji Ismail Ibrahim joined Bank Muamalat as an Executive Vice President, CEO's Office in April 2012 and was subsequently redesignated to Executive Vice President, Operations on 1 February 2013 with direct oversight of Business Process & Transformation, Credit Operation, Document Management, Compliance, Treasury Processing & Settlement and Trade Finance Departments. He was redesignated to Executive Vice President, Credit Management Division since 9 September 2014. With this designation he oversees Credit Operations, Collection & Recovery, Document Management, Customer Service, Call Centre and IT Project Management.

Prior to joining Bank Muamalat, Haji Ismail was on the Board of Kuwait Finance House (Malaysia) Berhad as an Independent Non-Executive Director.

He started his career in Agro Bank Malaysia Berhad (formerly known as Bank Pertanian Malaysia Berhad), and later moved to United Overseas Bank (Malaysia) Berhad and Affin Bank Berhad.

In 1992, he joined Public Bank Berhad as the Director, Credit Operations overseeing credit evaluation, credit administration and loan recovery. He was also the pioneer staff in the development of Islamic banking in Public Bank Berhad and played a key role in the establishment of Public Islamic Bank Berhad.

He was appointed as the Chief Executive Officer of Public Islamic Bank and remained on the post until his retirement in January 2011. Haji Ismail brings with him a wealth of 44 years of banking experience in areas of credit evaluation, loan recovery, credit administration, branch management and Islamic banking operation.

SENIOR MANAGEMENT PROFILE



**ADINOR
MOHAMED YUNUS**
CHIEF RISK OFFICER

A dinor Mohamed Yunus is currently the Chief Risk Officer with direct oversight of Risk Management, Credit Assessment and Retail Approving Center. He is the Chairman for Operational Risk Management Committee, Business Continuity Management Committee and attends the Board Audit Committee and Board Risk Management Committee. He also serves as a member of the Management Committee, Executive Risk Management Committee, IT Steering Committee, Asset Liability Management Committee and Management Audit Committee. As a permanent invitee of the Credit Committee and Investment

Committee, he provides the necessary risk oversight and assurance over the decision-making process.

He has spent more than 20 years in the Treasury and Capital Markets at various banks in Kuala Lumpur and Jakarta. His last appointment was the Head of Group Treasury at Bank Pembangunan Malaysia Berhad, prior to joining Bank Muamalat in 2011.

He holds a Bachelor' of Business Administration (Accounting and Finance) and a Master of Business Administration from Loyola University, USA

SYED ALWI MOHAMED SULTAN

EXECUTIVE VICE PRESIDENT, STRATEGIC PLANNING AND SERVICES DIVISION



Syed Alwi is the Executive Vice President, Strategic Planning and Services Division at Bank Muamalat. The Strategic Planning and Services Division's scope covers strategic planning and support services covering all business aspects of the bank including consumer banking, business banking, treasury and investment banking with the responsibility to design, structure, innovate, implement, monitor and supervise all products, services, transactions and business offerings of the bank, including managing Shariah advisory services. The division has direct oversight of Strategy, Product Development and Innovation Department and Shariah Department.

Syed Alwi also serves as a member of the Management Committee, Executive Risk Management Committee, Investment Committee, Management Audit Committee and Asset-Liability Committee (ALCO). He is the management

representative in the Shariah Committee and has direct oversight on all Shariah governance matters. He also sits as a Board member of Muamalat Ventures Sdn Bhd, a wholly owned subsidiary of Bank Muamalat involved in private equity and investments.

Prior to joining Bank Muamalat, Syed Alwi served as Managing Director and Head of Islamic Banking, Asia Pacific at BNP Paribas, Director of Islamic Origination at Standard Chartered Saadiq Malaysia Berhad and Vice President, Corporate Banking-Asia at The Islamic Bank of Asia Limited, Singapore. Syed Alwi has more than eighteen (18) years of working experience in the Islamic financial services industry, both as a consultant and a banker.

He is an Accounting graduate and also holds a MBA-Islamic Finance (First Class) from the International Islamic University Malaysia (IIUM).

SENIOR MANAGEMENT PROFILE



HAFNI MOHD SAID EXECUTIVE VICE PRESIDENT, FINANCE DIVISION

Hafni Mohd Said is currently the Executive Vice President (EVP) of Finance Division, Bank Muamalat. He holds a Bachelor of Commerce (Accounting) from Dalhousie University, Halifax, Canada, and in 2008 he completed his Master in Business Administration (Finance) from Universiti Putra Malaysia.

Prior to joining Bank Muamalat, Hafni started his working career with RHB Bank Berhad as a Management Trainee upon completing his bachelor degree in 1992, and his last position at RHB Bank Berhad was as the Vice President, Head of Islamic Banking & Subsidiaries Audit Department.

Hafni joined Bank Muamalat Malaysia Berhad in July 2010 as the Chief Internal Auditor and has been given a new role in Finance Division of the Bank since October 2014. The operational functions involving tax management, regulatory and financial reporting, management of General Ledgers and management accounts, BASEL and liquidity reporting, financial planning and analysis, and reporting and monitoring of the Bank's strategies are currently under the purview of EVP, Finance. In December 2016, the functions of Treasury Processing and Settlement as well as Data Quality have also been assigned to report under the purview of EVP, Finance.

ABDUL RAZAK BIN MOHAMED ISMAIL

CHIEF TECHNOLOGY
OFFICER, INFORMATION
COMMUNICATION
TECHNOLOGY DIVISION



Abdul Razak joined Bank Muamalat in May 2016 as the Chief Technology Officer, Information Communication Technology Division.

Abdul Razak also serves as a member of Management Committee (MANCO) and Information Technology Steering Committee (ITSC).

Abdul Razak started his career in Bank of America Singapore from 1982 till 1996. In 1996 he joined RHB Bank Malaysia (DCB Bank then) until 2015. During this period, he served as Head of Information Technology Division for about 8 years. His last position at RHB Bank Malaysia was Executive Vice President of Project Monitoring Office. He brings with him thirty four (34) years of working experience in the area of Information Technology (IT).

SENIOR MANAGEMENT PROFILE



AZLIZA ABDUL RAHMAN

EXECUTIVE VICE PRESIDENT,
HUMAN CAPITAL DIVISION

Puan Azliza Abdul Rahman joined Bank Muamalat on 1st June 2016. She holds a Master of Arts in Human Resource Management from the University of Hull, United Kingdom in 1996 and obtained an Advanced Diploma in Business Administration (Transport) from Universiti Teknologi MARA (UiTM) in 1985. Azliza garnered 27 years of solid experience in Human Resources Management, covering HR Strategy and Communications, Total Remuneration Management, Succession Planning and Leadership Development.

Prior to joining Bank Muamalat, Puan Azliza was the Group Head-Human Capital KLAS Group (now known as Pos Aviation Sdn Bhd), a subsidiary of DRB HICOM, from 2014 to 2016. She held the position of General Manager of Human Capital of DRB HICOM Group from 2012 to 2014 and was responsible in supervising Human Capital of subsidiaries in the sectors of

Manufacturing, Automotive, Properties, Services, Education and Aviation & Defence, spanning more than 60 companies and 60,000 employees. She was a member of the Group Risk Management Committee, OSH Council and Steering Committee for International College of Automotive Malaysia (ICAM) (now known as DRB-HICOM University of Automotive Malaysia).

From 1997 to 2011, Puan Azliza was the Head of Human Resources & Administration with Uni Asia Life Assurance Berhad (now known as Gibraltar BSN Life Berhad). Puan Azliza started her career in the automotive industry as a Management Trainee with Federal Auto Holdings Berhad in 1985 and was the Head Human Resources and Administration before she left the company in 1995.

NOR HAMIDAH BINTI ABU BAKAR

SENIOR VICE
PRESIDENT, BUSINESS
BANKING DIVISION



Nor Hamidah graduated from International Islamic University, Malaysia with a Bachelor's Degree in Economics. She has over 20 years experience in banking, with a career starting in RHB Bank Berhad Corporate Banking Division.

She joined Bank Muamalat as Head, Syndication, a section that was set-up on her arrival where she successfully

structured and arranged syndicated and club deals in excess of RM2.1 billion. She progressed to become the Acting Head of Business Banking Division in 2015 and was subsequently promoted to Head, Business Banking Division in 2016 and now oversees 5 departments, namely Corporate Banking, Regional & Commercial Banking, Trade Finance, Investment Banking and Business Development, Strategic Liaison and Cooperative.

INSIGHTS





CHAIRMAN'S STATEMENT



**TAN SRI DATO' DR.
MOHD MUNIR
ABDUL MAJID**
CHAIRMAN

Dear Stakeholders,

I am heartened to share with you the performance of Bank Muamalat Malaysia Berhad for the Financial Year ended March 31, 2017. Bank Muamalat has demonstrated its resilience during these trying times and delivered a respectable financial result despite the challenging domestic and global economic environment.

The global economy in 2016 continued to experience uncertainty and volatility caused by fundamental shifts in political and social dynamics as seen in the US Presidential Election, referendum for UK to exit EU (Brexit) and China's economic rebalancing initiatives. These events have added to the existing risks prevailing in the domestic financial sector which has been experiencing thinning margins, rising costs, heightened requirements on compliance, all of which have had a dragging effect on yields and returns.

Malaysia's economic growth in 2016 edged lower to 4.2% (2015: 5.0%), dragged down by slower growth prolonged low oil prices, lackluster global demand, volatile international financial markets and weakened ringgit exchange rate. Inflation rate remained at 2.1% in 2016, an impact from lower global energy and commodity prices, offsetting the effects from the government's Goods & Services Tax (GST).

Whilst the banking sector remained intact with strong capital and liquidity buffers, consumer sentiment was pessimistic and the business sector continued to be cautious in expanding their business capacity, reflecting weak economic factors and the depreciating value of the Malaysian Ringgit (MYR). Growth in the banking system's loans and financing for 2016 had moderated to 5.3% (2015: 7.9%). To support liquidity in the domestic financial markets, the Statutory Reserve Rates (SRR) was reduced from 4.00% to 3.50% in February 2016 which helped to ease conditions in the interbank markets. Furthermore, monetary policy rate was adjusted to 3.00% in July 2016 from 3.25% to support the Malaysian economy while maintaining price stability.

The Islamic financing sector continued to be resilient with total Islamic banking sector assets (including DFIs) growing by 11.4% to account for 26.8% of total banking system assets in 2016. Total financing also grew strongly by 15.7% to RM495 billion, accounting for 31.3% of total banking system.

FINANCIAL PERFORMANCE

While facing a dynamic and challenging operating environment in 2016, I am pleased to report that Bank Muamalat Malaysia Berhad nevertheless recorded a respectable performance with Profit Before Tax (PBT) edging up slightly by 2% from the year before at RM170.5 million (FY2016: RM 167.2 million), on the back of total revenue of RM1.2 billion. Total assets remained above RM20 billion with the financing base growing to RM14.9 billion during the financial year.

In terms of capital adequacy measures, Bank Muamalat's key capital ratio remained at a healthy level, with core capital ratio at 14.44% and total capital ratio at 16.68%, both of which remained above the industry average of 13.0% and 16.6% respectively.



I would also like to extend my gratitude to our customers for their continued support and loyalty. May Allah bless our efforts and provide us with His continued sustenance.”

KEY DEVELOPMENTS

For the year 2016, in promoting a cashless society, Bank Muamalat had successfully launched a unique Shariah compliant Waqf Debit Card named “Aisya”, after the Prophet Muhammad (SAW)’s wife, Saidatina Aisya. The card comes with the unique feature of Waqf where a portion of the fee income which the bank earns from the card utilisation will be channeled to the Wakaf Selangor Muamalat fund. It is the first-of-its-kind Waqf debit card to be launched, incorporating elements of social responsibility in financial transactions. This reflects Bank Muamalat’s innate belief system in championing socio-economic distributive justice and a sustainable environment.

As recognition of our initiatives, Bank Muamalat was awarded two prestigious awards during the year. In June 2016, Bank Muamalat was awarded with the “Best Private Bank (Malaysia) - Editor’s Award” held in Singapore by ClearView Financial Media, a leading news provider of business intelligence. This was recognition of our ground-breaking initiatives in growing our wealth management business and investment solutions.

In October 2016, Bank Muamalat was awarded the “Pioneer of Islamic Banking Award 2016” by Global Islamic Finance Awards (GIFA) held in Jakarta, an event which was attended by His Excellency President Joko Widodo. The objective of GIFA is to highlight best practices in Islamic banking and celebrate the success of institutions in promoting social responsibility and commitment to Islamic banking. Bank Muamalat’s pioneering initiatives in launching the first ever Investment Account Platform (IAP) deal, the innovative CASA Tawarruq product, first ever Waqf-based Debit Card and efforts in promoting Muamalat Gold-i, were credited for this prestigious recognition.

Bank Muamalat continued to expand its operations in Ar-Rahnu business by enabling all branches within the bank’s branch network to offer Ar-Rahnu financial services to our customers. Additionally during the year, Bank Muamalat opened three new branches; one each in Tanah Merah and Gua Musang in Kelantan and one in Gemas, Negeri Sembilan. This reflects Bank Muamalat’s mission to be the banker of choice for the communities that we serve by enhancing accessibility to our target markets.

PROSPECTS

Since October 2016, Bank Muamalat embarked on its 5-Year Strategic Business Plan 2017-2021 based on five main pillars – harnessing digital technologies, becoming the preferred investment solutions provider, positioning Bank Muamalat as the banker of choice for localised communities, being recognised as a socially responsible bank and winning at customer service excellence. We have outlined several action plans and initiatives that will be geared towards improving cost efficiencies, enhancing yield through asset quality improvements, identifying newer sources of fee-based income and diversification of sources of funding and liquidity.

With the Malaysian economy expected to grow its 4%-5% for 2017 (GDP growth was 5.8% in Q2 2017), the domestic banking sector is expected to remain resilient though the operating environment remains intense and tough.

ACKNOWLEDGEMENT

In July 2016, Dato’ Ahmad Fuaad Mohd Kenali resigned from the board following his appointment as the Chief Executive Officer (CEO) of Proton Holdings Berhad which demanded more of his time and attention. We wish him the best in his new endeavour.

In October 2016, Tn Hj Abdul Jabbar bin Abdul Majid retired as a member of the Board upon the end of his term. We have benefited from his vast experience and expertise in the fields of finance, accounting and audit. Our deep appreciation goes to him for his immense contributions.

We have fortified the Board with one new director, En. Ghazali Hj Darman, whose tenure as Independent Non-Executive Director was effective beginning January 2017. We are fortunate to benefit from his experience of more than 20 years in the fields of technology and digital business consultancy.

On behalf of the Board, I like to sincerely express thanks to the management team and all members of staff for their leadership, commitment and dedication in the mission to make Bank Muamalat the preferred Islamic financial institution and a premier financial services provider. I am counting on them for their continued contribution in the years ahead. I would also like to record my appreciation to my fellow Board members for their counsel, insights and support.

I wish to thank the relevant authorities, in particular Bank Negara Malaysia, the Securities Commission and the Ministry of Finance for their guidance and assistance.

I would also like to extend my gratitude to our customers for their continued support and loyalty. May Allah bless our efforts and provide us with His continued sustenance.

Yours Sincerely,

Tan Sri Dato’ Dr. Mohd Munir Abdul Majid



DATO' HAJI MOHD REDZA SHAH ABDUL WAHID CHIEF EXECUTIVE OFFICER

APR-16 **TOUGH TIMES DON'T LAST, TOUGH PEOPLE DO**

There is an old Chinese saying that goes: "If you live with a problem long enough, it could eventually become a blessing." Within every adversity in life, there is always a seed of an equivalent or greater benefit. Here is an extract from the book "Tough times don't last, tough people do". Another fabulous read I can recommend.

"People are like potatoes. After they have been harvested they have to be spread out and sorted in order to get the maximum market dollar. They are divided according to size. It is only after potatoes have been sorted and bagged that they are loaded onto trucks. This is the method that all Idaho potato farmers use, all but one. One farmer never bothered to sort the potatoes. Yet he seemed to be making the most money. When asked what is his secret he said, "It's simple. I just load up the wagon with potatoes and take the roughest road to town. During the eight mile trip, the little potatoes always fall to the bottom. The medium ones land in the middle while the big potatoes rise to the top."

That is not only true of potatoes. It is a law of life. Big potatoes rise to the top on rough roads, and tough people rise to the top in rough times.

Tough times never last, but tough people do.

JUNE-16 **AKU BENCI ABANG - A SHORT STORY DEDICATED TO BROTHER REDZUAN**

When Holy months of Ramadhan and Syawal come, often it is a time for us to not only step up our prayers but remember the unfortunate. The orphans, the handicapped, the single mothers and our parents are often the remembered ones but not usually the siblings, your own brother or sisters. The story of Abang Redzuan is a reminder for all of us to do this...

We, at the Bank, were inspired to do this video after our trip to Langkawi 2 months ago to give a specially made wheelchair for him. Redzuan lost his mother in 2012, then the following year his dad passed away. Subsequently, he met with a motorcycle accident and is now paralysed from shoulder below. He and his siblings are taken care of by his grandmother and uncle, whose job is selling kueh.

Despite his disability, Redzuan, 20, is a cheerful character, thanks to the motivation by people around him especially The Pink Squad Charity Team. When I asked him of his ambition, he said it is to complete his higher education. The wheelchair gift by Tabung Mawaddah is meant to help him be more independent and meet his goal.

The story of Redzuan is one of determination and willpower in facing adversity. Not many of us, including myself could

possibly face the challenges that Allah has given to him. Indeed he is an inspiration to all of us.

The official video is released today on our Facebook - Bank Muamalat Malaysia Berhad. Please take time to not only LIKE it but SHARE this with friends and relatives during this holy month. We would like to see this video trending and go viral in the cyberspace.

Many thanks to the Corporate Communications staff and The Tabung Mawaddah team who has eased the burden of Redzuan. Also a special mention to Saudara Saiful Nang and his team to make this first Social Media Project of us a reality.

#AkuBenciAbang

AUGUST-16 **CASA TAWARRUQ | A GAME CHANGER**

The most basic service a bank can provide to members of the public is to act as a depository for their moneys. This is the essence of commercial banking. The public generally holds its deposits with banks in the form of accounts. The most basic account is the savings account and the current account.

In Malaysia, under the previous Islamic Banking Act (IBA 1983), Islamic banks used to offer demand deposit accounts through two Shariah contracts, the Mudarabah and Wadiah Yad Dhamanah. However, with the coming into effect of the Islamic Financial Services Act (IFSA) in 2013, Mudarabah has been phased out from being offered as a deposit product whilst Wadiah Yad Dhamanah will be phased out by July 2018 (refer to the Shariah Policy Document on Qard dated August 3, 2016).

Pursuant to that, I am pleased to note that the Product Development and Innovation Department together with the Deposit Department supported by all internal stakeholders especially the IT Department and Branch Operations have worked laboriously over the past 6 months to develop and launch an innovative current account and savings account product which is based on the contract of Tawarruq. These products are going to be simply called Savings Account-i Tawarruq and Current Account-i Tawarruq, however the simplicity elements end there.

The Tawarruq-based CASA product is actually ground-breaking and quite remarkable for its diligent structuring and design that allows us to scale up our CASA strategy and strike a balance between commercial viability and Shariah and regulatory compliance. We can expect the Deposit Department to roll-out innovative deposit campaigns and promotions following the launch of this product and I encourage all of you to subscribe to and become ambassadors in promoting this product through friends and relatives and social media. Of course, please make sure

that you consult with the respective product specialists or download the product disclosure sheet to understand the product design and features better.

This is part of our on-going strategy to roll-out new, innovative and relevant products to the market to enable us to cater for and capture newer markets and customer segments while retaining existing customer base. The Tawarruq-based CASA will possibly be a game changer in the Islamic banking industry. I can confidently say that Malaysia has pioneered the Tawarruq-based CASA and Bank Muamalat is among the very few banks that has launched this product.

Well done to the working committee involved in making this happen, now let's make the best out of this new product launch!

NOV-16 **DIGITALIZATION - WHAT'S IN IT FOR ME?**

Did you know that our WHOLE lives are already digital?

We used to use calculators, alarm clocks, compasses, radios, Walkmans, cameras, notebooks, diaries, torchlight, photo albums and prayer time calendars to make our lives easier.

Now we carry ALL that in just ONE device! What are left are our wallets and purses!

In order for us to be better as employees and thus more importantly, better care-givers to our families, we must try our very best to embrace technology in every way so that we can do better for our lives and our family.

We are currently going through a transformation; to a digital era by changing processes that we use here in the Bank from manual to automation and digital solution of the future.

Don't worry, as we move forward on our digital journey, adequate training will be provided. We understand the importance of providing education and we assure that no staff will be left behind.

With that in mind; Do you like shopping? I hear; in fact I know that many of us do! I do too.

I am sure that at some point, some of you have looked at popular shopping websites and applications like MUDAH, Lazada and Zalora, just to name a few.

Some of us buy and some of us just tengok-tengok sahaja.

How would YOU feel if you had the chance to easily do your own tiny internet-based business, without disrupting your day-job?

Exciting, kan?

Let's make our lives better by participating in our new digital initiative.

Details coming soon!

DEC-16 **GOODBYE GOD BLESS..!**

The last weeks of December is always a busy period as we clear our desks to hastily take the final days of the year off and think of our New Year resolutions. A busy year indeed as we had a Business Plan to prepare and new regulations to meet. At the same time managing the year end turbulence where corporates try to scramble the best rates and some Banks attempt to window dress their Balance Sheet. Added to that is the unexpected water woes in the Klang valley that needed to be managed in each household.

The whatsapp messages keeps pounding in till the noise becomes irritating. Finally, I decided to read them. Surprisingly, one of the many was from Rohaida in the HOD group that informed us a major accident had occurred in Slim River and it involved fatalities to our staff. Reading through the message it then hit to me that we had lost Intan Maizura, our Assistant Manager, Compliance. The heart sank and the eyes drooled. The planned goodbye to 2016 had turned to an unplanned goodbye to a young and hardworking staff. To know that her husband who was from POS Malaysia also passed away made it even more sad as two staff from our DRB-HICOM family departed at the same time.

Her family said they were on the way back from her dad's Thalil arwah when a lorry crossed from the opposite side and hit their car head on at the NKVE. Such is Allah's fate, one minute you are praying for the dead, and next you suddenly join them. It brings to reality the objective of life. What are we here for and where are we heading....? Whilst we spend our daily lives over work and family, how much time is spent towards pleasing the Almighty. If our lives were taken, how ready are we to face the hereafter and leave our loved ones to care for their own...? The departure of Intan Maizura would certainly put a pause in our lives as we really have not planned for an unexpected but certain event. As we say Goodbye to 2016 perhaps we should plan for the unexpected and be better citizens of the world and leave a mark by contributing to Islamic Banking industry, for this is the place where our expertise is and the arena where the good deeds would be counted in the Hereafter. This is our Jihad to make this world a better place, perhaps that could

answer the reasons as to why we are here for.

As for Arwah Intan Maizura, she always remarked that she is so lucky as she has the best husband she could ask for. She is buried now in a grave with her most loved one side by side, could you get anything closer than this...? Allahu Akbar, May the two of them be at peace in Barzagh. Intan Maizura ...Terima Kasih for your contributions to the Bankfrom all of us Goodbye God Bless...!



We are currently going through a transformation; to a digital era by changing processes that we use here in the Bank from manual to automation and digital solution of the future."

MUAMALAT *Gold-i* ACCOUNT



**is all you need to start building a
brighter future with gold**

Owning gold has never been this easy!

Introducing the new **Muamalat Gold-i Account**
which gives you the flexibility to purchase



Gold from
as low as



**What's
more? +**

We even safe keep
your gold for
FREE!

Hurry to our nearest branch or
call **1-300-88-8787** now for more information.

*Terms and Conditions Applies

CONSUMER BANKING IN FY2017

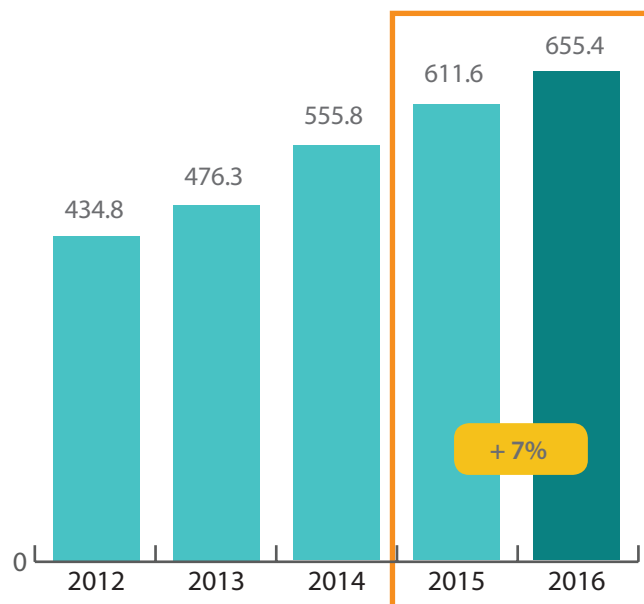
The past few years have proven challenging for the banking sector. The year 2016 was no exception. During this time of global economic uncertainty and domestic challenges, the sector experienced very modest growth. The introduction of new regulations together with funding pressures has compelled banks especially Consumer Banking to implement competitive pricing on deposits. At the same time, banks have had to intensify competitive pricing on financings due to the need to grow in a market that is constrained.

Consumer Banking's revenue increased by RM43.7 million or 7% driven by an 8% growth in funded income.

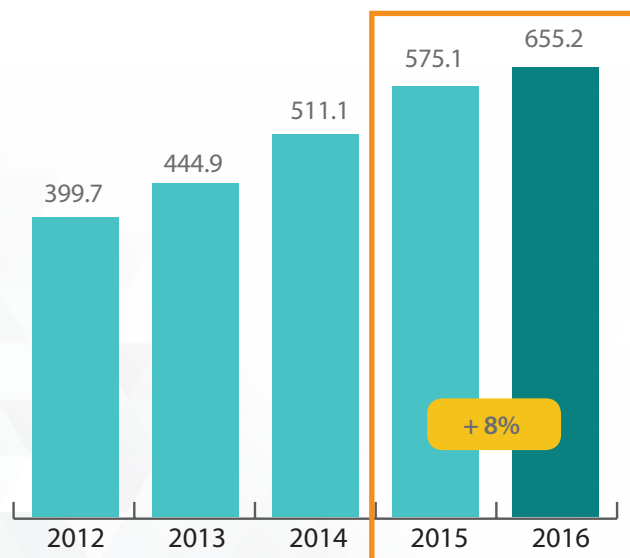
The growth in funded income was primarily attributed to the 8% growth in financing income mainly from personal and mortgage products following the introduction of several initiatives in personal financing under 3PS in May 2016 and mortgage financing under SMART Mortgage in July 2016.

A significant growth of 58.2% y-o-y in Ar-Rahnu income from RM6.7 to RM10.6 million in FY2017 has also contributed to the achievement of Non Funded Income. However, overall Non Funded Income for FY2017 decreased by RM1.4 million or 4% due to lower fee income from Wealth Management & Banking Transaction Services Commission.

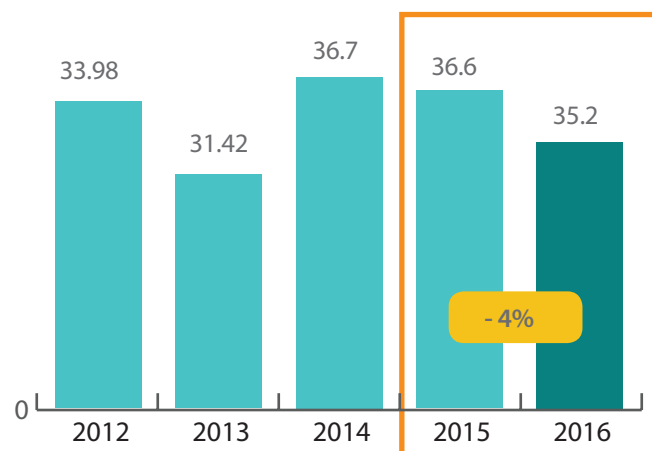
REVENUE (IN RM MILLION)



FINANCING INCOME (IN RM MILLION)



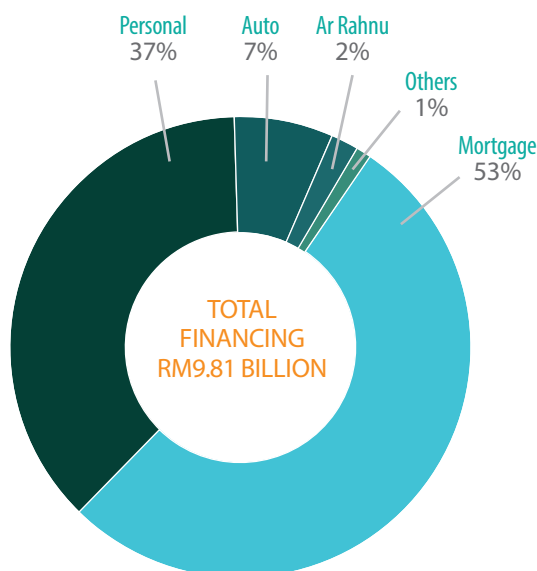
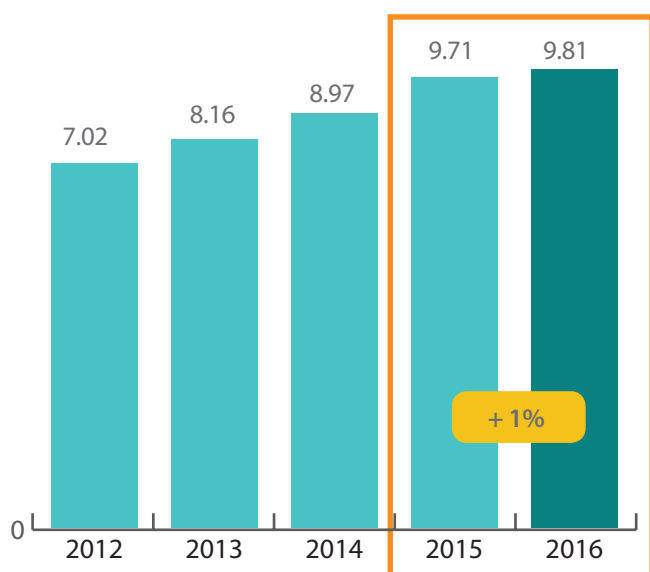
NON-FUNDED INCOME (IN RM MILLION)



CONSUMER FINANCING

Despite the challenging market conditions underpinned by intense competition and margin erosion, consumer banking experiences a slight financing growth of 1% YoY. With total assets of RM9.81 billion, consumer banking remain the biggest contributor to Bank Muamalat both in asset and as well as income portfolio. Mortgage financing continued to be the biggest portion of consumer banking financing asset with 53% share followed by personal financing of 37% share.

TOTAL FINANCING ASSET (IN RM MILLION)



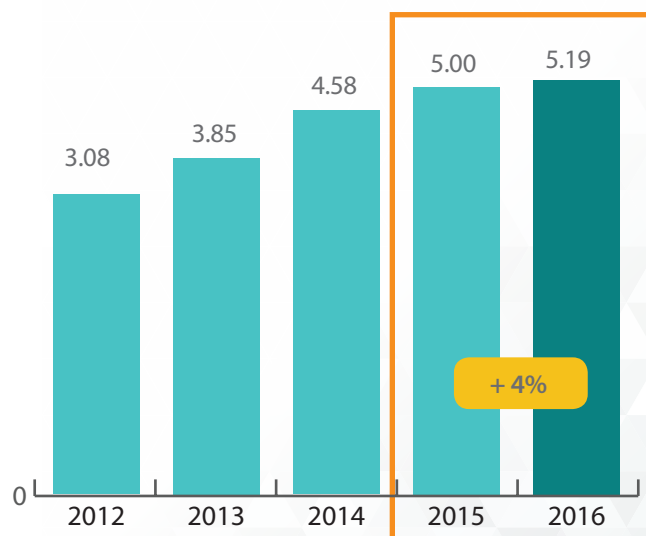
MORTGAGE FINANCING

In the property sector, the demand for properties experienced slower growth following various property cooling measures introduced by the Government, responsible financing guidelines issued by Bank Negara Malaysia ("BNM") to promote sustainable household debts, and the subdued consumer sentiment as a result of the implementation of Goods and Services Tax ("GST"), higher cost of living and the weakened ringgit.

Notwithstanding stiff competition, narrowing margins and stricter regulations, Bank Muamalat's domestic lending to the residential property sector grew by 4% from RM5.01 billion to RM5.19 billion for FY2017, accounting for 53% of the consumer's total financing asset portfolio.

Bank Muamalat remained focused on the lower risk mass market segment with the majority of the mortgage financings extended for financing of residential properties is costing between RM150,000 to RM500,000. Notwithstanding the market dynamics, we remained focused on our segment-led approach and continued to target the mass affluent segment through SMART 1Hutang product. This is a mortgage financing consolidation proposition that gives customers the control, convenience, and flexibility over their monthly financing obligations. By consolidating their various financings into this one mortgage account, customers now have the option of paying less each month, saving on total profit or financing costs, or having more cash in hand.

MORTGAGE FINANCING OUTSTANDING (IN RM MILLION)



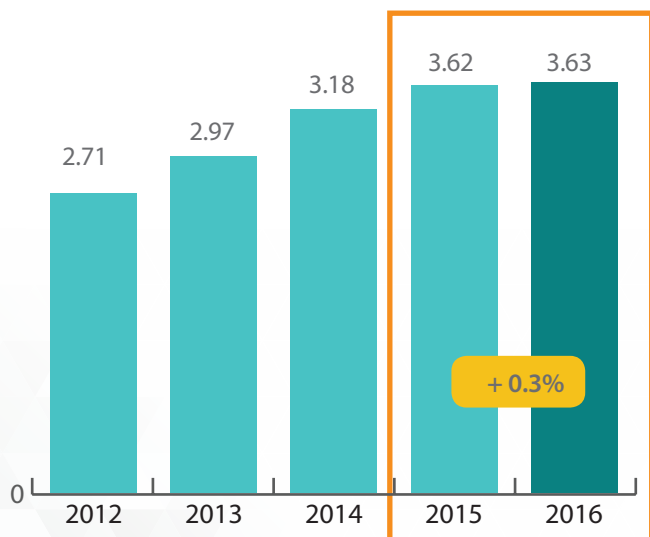
PERSONAL FINANCING

Bank Muamalat's personal financing is mainly driven by Pembiayaan Pengurusan Kewangan (PPK) and Pembiayaan Pengurusan Persaraan (3P) products. Both products are tailored for staff of government agencies, statutory bodies, government linked corporations and large corporations.

In recent years, new policies and guidelines introduced by BNM which are designed to reign in household debt have continued to shape the personal financing segment. For FY2017, total personal financing outstanding stood at RM3.63 billion, a 0.3% rise from FY2016 in line with Bank Muamalat's adopting more stringent lending criteria which is consistent with BNM's prudential measures.

Bank Muamalat will continue to support personal financing products with marketing and awareness campaigns to ensure our competitive edge. Consumer banking will also work on developing personal financial education programmes to highlight the importance of managing personal finances.

PERSONAL FINANCING OUTSTANDING (IN RM MILLION)



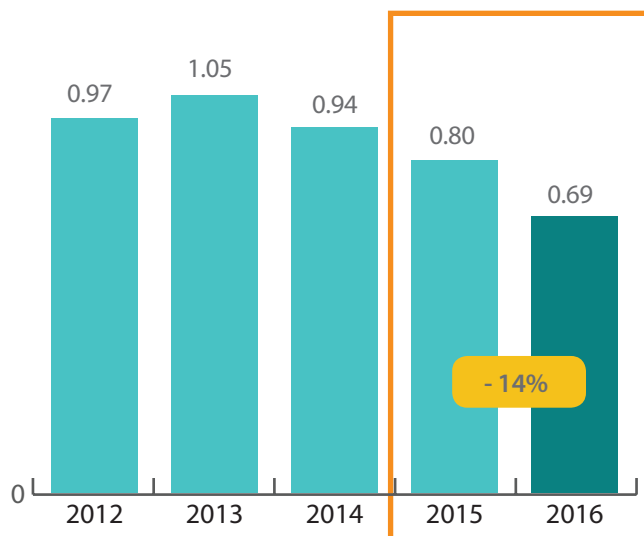
AUTOMOBILE FINANCING

Bank Muamalat's passenger vehicle hire purchase financing portfolio continued to shrink from last 3 years in line with Bank Muamalat's strategy to balance the asset profile, improve financing yield with more selective financing acquisitions and maximising funding allocation. In FY2017, auto finance disbursements were only at RM84.3 million as compared to FY2016 at RM96.2 million. Total auto finance outstanding stood at RM694 million, 14% lower from RM803 million than recorded in FY2016.

Bank Muamalat continued to drive volume and business through marketing initiatives and business collaborations with DRB Group Automotive business especially our national car, PROTON and several programmes with reputable and established big bike dealers to generate business referrals in order to achieve business growth.

The automotive industry remained challenging with sluggish market sentiment affecting the business community as a result of global and domestic issues whilst consumer sentiment remain dampened, especially the middle and low-income groups, due to higher cost of living. Most car distributors have also announced imminent rise in vehicle prices in 2016 amid the weakening ringgit and higher cost environment. Despite the challenging operating environment, we believed that the execution of Bank Muamalat's new business strategy will continue to drive domestic vehicle hire purchase financing growth.

AUTOMOBILE FINANCING OUTSTANDING (IN RM MILLION)



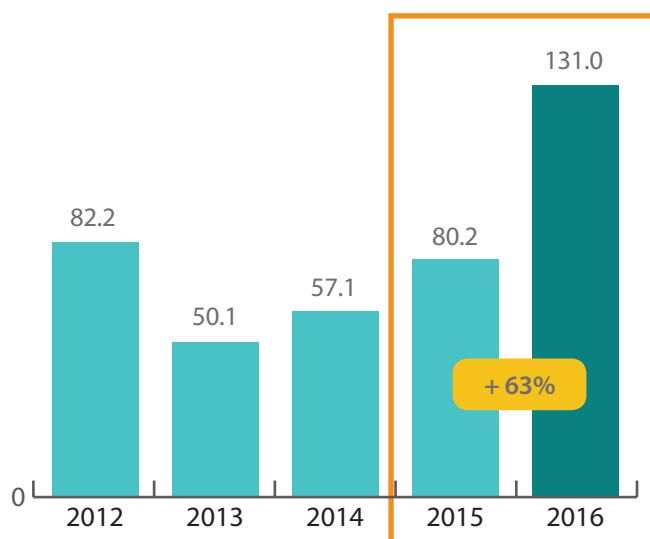
AR RAHNU

Ar Rahnu is a micro credit instrument for individual, small business operators and small traders with low credit standing particularly those in financial predicament who are in urgent need for cash and capital. Only gold and jewelry made of gold can be pawned.

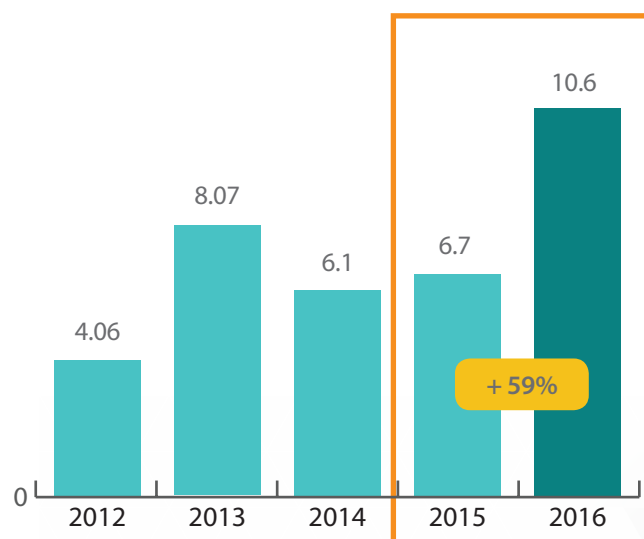
The Ar-Rahnu industry has been established since 25 years ago and is currently regulated by the Pawnbrokers Act which was enacted in 1972 and Malaysia government has regulated the Islamic Pawnbroking industry under Ar-Rahnu Act. In 2016, the total Islamic pawn broking transaction industry in Malaysia has grown almost RM5 billion a year.

Bank Muamalat's Ar Rahnu marhun outstanding grew by 63% to stand at RM131.0 million in FY2017 and contributed a significant growth to Ar Rahnu income which expanded 58.2% y-o-y or by RM10.6 million. Ar-Rahnu services were available at 47 branches out of 62 Bank Muamalat's branches for FY2017. The acceptance of Gold Bar for Ar Rahnu services in FY2017 has also contributed to the significant growth of overall Ar Rahnu Marhun and Income. Available to locals and foreigners, Muslims and Non-Muslims alike the loan tenures could range from 6-18 months. Borrowers have a choice to either repay of safekeeping fee via lump sum or by monthly installments. Currently, the margin of loan is up to 80% of the value of the gold.

AR RAHNU MARHUN OUSTANDING (IN RM MILLION)



AR RAHNU INCOME (IN RM MILLION)



Moving forward, Bank Muamalat plans to enhance the business model of the existing Ar Rahnu business by exploring into a one-stop gold centre, which would enable customer to buy and sell gold bars and to do Ar Rahnu transactions online.

BUSINESS BANKING DIVISION

Business Banking Division (“BBD”) revamped its strategy in FY2017 to reprioritise and focus on short term facilities, with Trade Finance and Forex facilities in particular as well as to reposition Bank Muamalat as the preferred choice within the local community. The shift in strategy included concentrating on shorter term facilities with better asset quality and higher yields and non-fund based income in line with the Bank’s funding strategy. This resulted in improvements in overall fee income and improved overall profitability. This was a commendable achievement given the continuing challenges arising from weak economy in FY2017, which caused Bank Muamalat to remain selective in its new financing and concentration on customers and industries.

FOCUS SHIFT

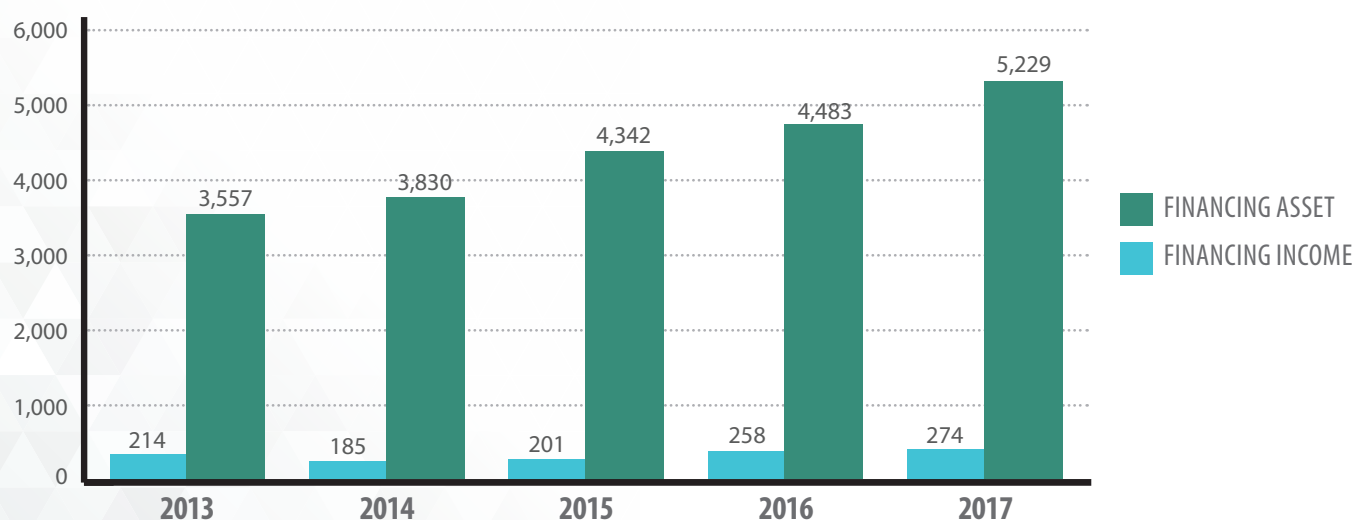
FY2017 represented a major shift in BBD’s focus towards expanding its Trade Finance and Forex business. The strategies implemented to achieve this included balanced marketing of funded and non-funded products, staff training to improve proficiency in trade products and to develop trade specialists, synergising marketing with regional offices to improve reach and effectiveness as well as marketing to Bank Muamalat’s wider holding group customers. The improvement arising from the strategy was reflected by a rise in Trade Finance Income by 26% to RM7.3 million in FY2017 compared to RM5.8 million in FY2016 and a highly commendable 57.7% increase in Fee Income to RM15.3 million in FY2017, rising from RM9.7 million in FY2016. BBD plans to continue the focus on Trade Finance and Forex alongside its traditionally profitable financing business in FY2018 and beyond.

FINANCING ASSETS AND INCOME YIELD

In consideration of economic conditions and Bank Muamalat’s less aggressive stance on financing in FY2017, BBD achieved praiseworthy performance with an 8% increase in revenue to RM289 million, up from RM268 million in FY2016. From the revenue, financing income rose 6% from RM257.9 million to RM274 million in FY2017 while total fee income was RM15.3 million, up 57.7% as aforementioned. The revenue was made from total performing assets which finished at RM5.23 billion as at FY2017, up 6.3% from RM4.92 billion as at FY2016. This showed that despite the lower increase in financing assets compared to FY2016, yield based on gross average monthly financing assets continued to improve to 5.57% in FY2017, reflecting improvements in the profitability of the financing assets as a result of the BBD’s strategies. Previously in FY2016, there was a 10% increase in financing assets; however, the yield was lower at 5.45%.

Financing assets have been improving since 2013, with a compounded annual growth rate of 10.1% p.a. In FY2017, the increment was mainly due to new disbursements from bilateral relationships and some big ticket syndicated financing disbursements. Financing income has also been rising with improvements in yield since FY2016. Notwithstanding, BBD’s focus on trade financing and non-fund base revenue has complemented the growth and not resulted in hampered growth in financing assets. BBD continues to actively look for financing opportunities in infrastructure, project and contract financing in order to book quality long term assets with minimal risk of non-completion, while also having a keen eye for customers in the manufacturing, education, healthcare and consumer (food and beverage) sectors.

FINANCING ASSETS AND FINANCING INCOME (IN RM MILLION)



DEPOSIT BASE

BBD's total deposit base experienced a contraction in FY2017, shrinking 17% from RM3.04 billion to RM2.52 billion in FY2017. The main factors for this were reduction by 31% in Corporate Current Account and Savings Account ("CASA") deposits in FY2017 and contraction of 50% in General Investment Account ("GIA") deposits and unforeseen decrease in Commercial Fixed Term Accounts ("FTA"), which dipped from RM424 million to RM183 million. Nonetheless, Bank Muamalat continued to support BBD by promoting the Bank's Corporate Internet Banking, cultivating relationships with customers and assisting them with their cash management.

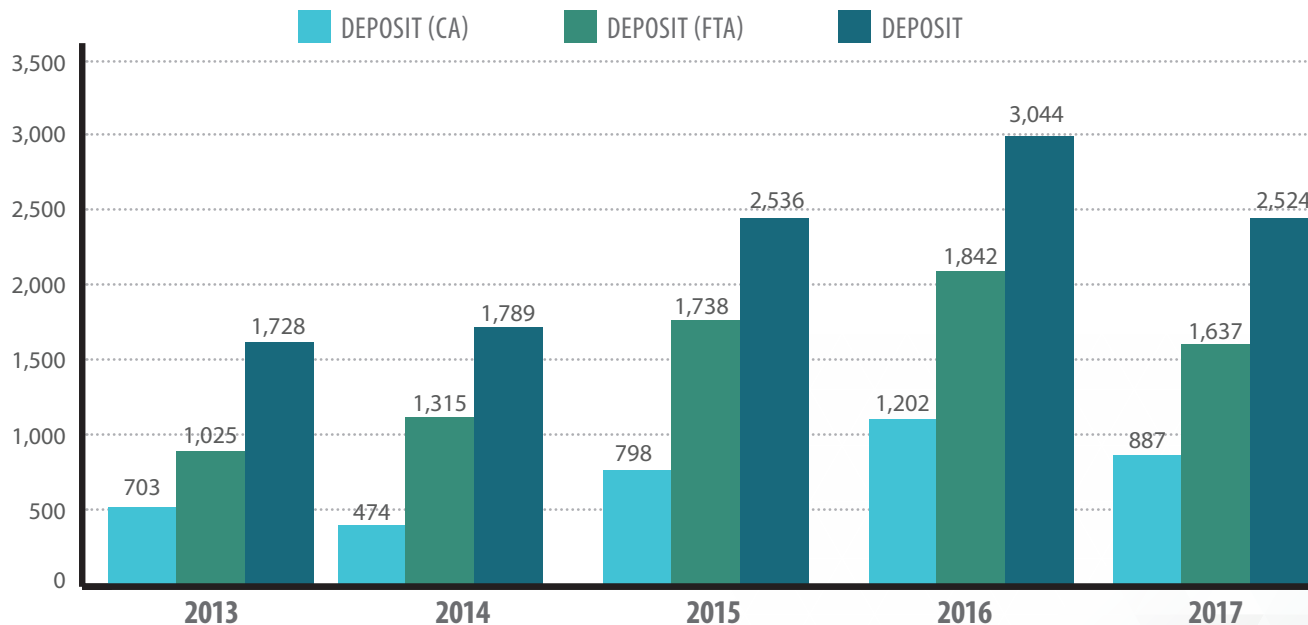
FINANCING SECTORS

As with FY2016, the main sectors in BBD's Corporate Financing were Finance, Insurance, Real Estate and Business Services (40.4%), Education, Healthcare and Others (16.3%) and Manufacturing (13.5%). Commercial Financing was

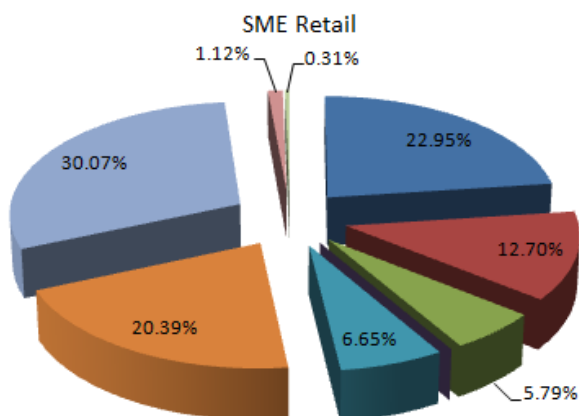
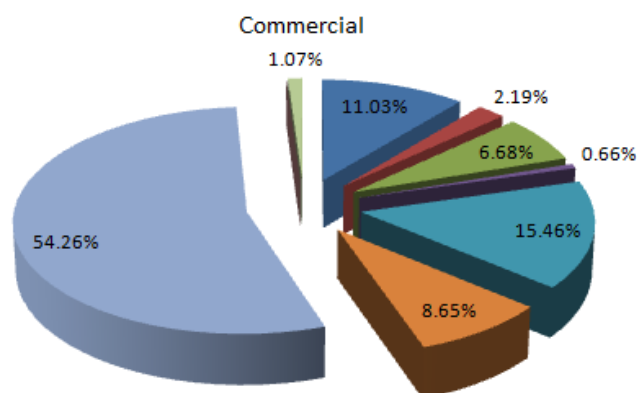
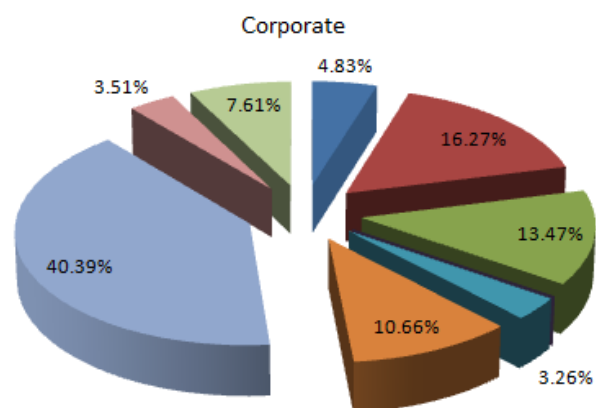
also mostly focused on Finance, Insurance, Real Estate and Business Services (54.3%), followed by Transport, Storage and Communication (15.5%) and Construction (11.0%). As with Corporate and Commercial Financing, SME Retail concentration was also in Finance, Insurance, Real Estate and Business Services (30.1%), with Construction (23.0%) and Wholesale and Retail Trade (20.4%) coming thereafter.

For Corporate Banking, the real estate exposure increased to 35.7% of total financing assets in FY2017, up from 27.0% in FY2016. Although there is some concentration in the Finance, Insurance, Real Estate and Business Services sector, BBD's policy is to be selective in its real estate exposure, concentrating mainly on the lower risk affordable residential and township properties in high growth regions such as the Central Region and Penang. Increase in real estate exposure in FY2017 included progressive disbursements under existing exposures booked in previous financial years.

DEPOSITS (IN RM MILLION)



FINANCING BY SECTORS



- Construction
- Manufacturing
- Transport, Storage and Communication
- Finance, Insurance, Real Estate and Business Services
- Primary Agriculture
- Education, Health and Others
- Mining and Quarrying
- Wholesale and Retail Trade and Restaurants and Hotels
- Electricity, Gas and Water Supply
- Sector NEC

UTILISATION RATE AND ASSET QUALITY

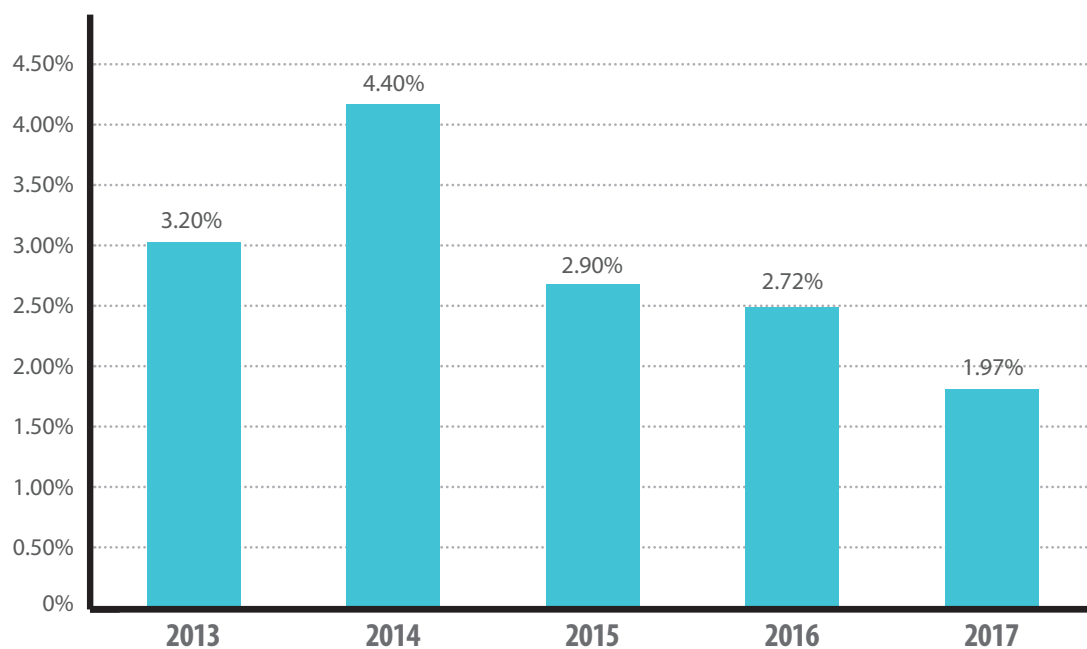
Despite the utilisation rate of BBD deteriorating to 74% in FY2017 compared to 85% in FY2016, Bank Muamalat managed to improve the quality of utilisation as shown by the higher yield of 5.57%. Non Performing Financing ("NPF") ratio has been on a reducing trend since FY2014 as BBD has been giving high importance to asset quality over the past few financial years. NPF was 1.97% in FY2017, down from 2.72% in FY2016 while the delinquent ratio has been improving since FY2013 to 0.14%.

MOVING FORWARD

For FY2018, BBD will continue to concentrate on Trade Financing, Forex and non-fund based products alongside cautious and selective expansion while balancing risks versus returns. Although this may lead to minimal financing assets growth, BBD will continue its focus on asset quality and efficient use of capital and look to improve revenue

and yield from existing and new accounts. The focus sectors include construction and infrastructure, manufacturing, education, healthcare and consumer (food and beverage) sectors, with a keen interest in exporters as Bank Muamalat looks to increase its holding in foreign currencies, in line with the current economic conditions. This strategy is expected to boost profitability, protect BBD's current portfolio against delinquencies and maintain low NPF ratios.

NON PERFORMING FINANCING (IN %)



TREASURY CAPITAL MARKET

Treasury & Capital Markets performed reasonably well in a year that was fraught with challenges. Global financial markets continued to be volatile amid uncertainty over the policy direction of the U.S. Federal Reserve. Despite falling revenue from a weaker commodities market and concerns over political uncertainty, Malaysia's economy maintained a steady growth rate in 2016.

US political uncertainty following President-elect Donald Trump's win and fears over the impact of an expected US rate hike pressured the ringgit late in the year, with the currency coming close to a 19-year low in late November, when its value fell by 6.5% to RM4.46:USD1.

Bank Muamalat's wholesale funding costs moderated from the previous year after a cut in the overnight policy rate (OPR) by 25 basis points in July 2016. The Bank's liquidity position saw significant improvements in the year under review with liquidity coverage ratio ("LCR") well above regulatory levels and net stable funding ratio ("NSFR") poised to meet requirements by end of 2017.

The local yield curve gapped up significantly after the unexpected results in the US election but has since subsided into the 1st quarter of 2017 although the belly of the curve is still at higher levels compound to 1st half 2016. Despite this backdrop of volatility, capital gains from sale of securities managed to increase 73% year on year.

Liquidity and capital management was a major focus for the Asset Liability Management ("ALM") function within Treasury particularly towards compliance of NSFR and MFRS 9 by 2018. Key initiatives completed were as follows:-

- Enhanced/revamped incremental product pricing methodology.
- Issuance of Subordinated Sukuk and Senior Sukuk amounting to RM250.0 million and RM505.0 million.
- Cagamas funding.

OUTLOOK FOR 2017/2018

After a lackluster outturn in 2016, global economic activity is projected to pick up pace in 2017 and 2018, especially in emerging markets and developing economies. However, there is a wide dispersion of forecasted outcomes around the projections, given uncertainty surrounding the policy stance of the U.S. administration and its global ramifications.

Improving commodity prices and a weakened Ringgit should be supportive of the Malaysia economy this year with GDP expected to expand around 4.8%. We expect Bank Negara Malaysia ("BNM") to maintain an accommodative stance in its monetary policy but with firmer bias into 2nd half 2017 in tandem with expected tightening by the Federal Reserve. Our strategy of 'short duration' and emphasis on funding and asset liquidity will be maintained while trading activities will continue to focus on customer flows.

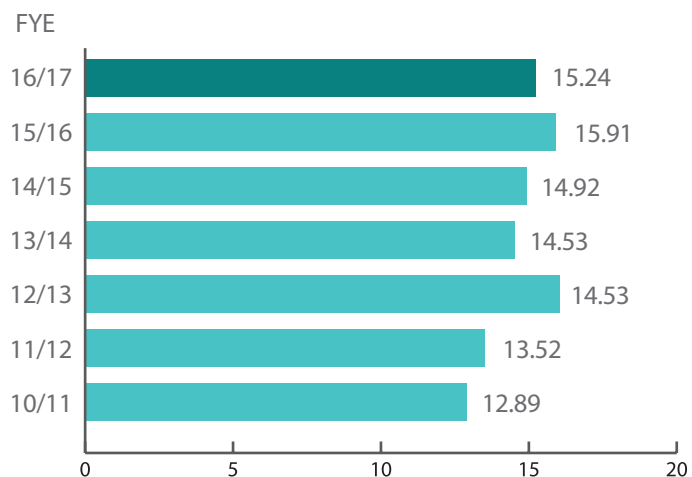


DEPOSITS

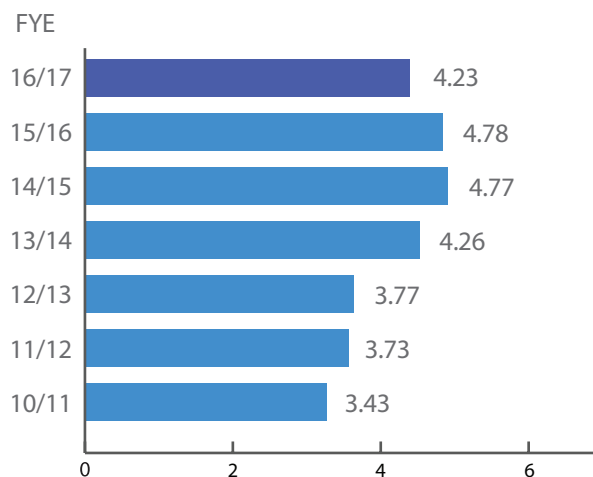
FY2017 saw a mixed performance of Bank Muamalat's core deposits during the 1st and 2nd halves of the period under review. For the first 6 months, Current Account ("CA") and Fixed Term Account-i ("FTA-I") registered a drop of 19.06% and 0.67% respectively. Savings Account ("SA"), on the other hand, increased by 4.08%. The deposit performances improved in the 2nd half period, albeit modestly with CA narrowing the decreasing gap to 2.78% while SA continued to show increment of 1.67%. Overall, core deposits registered a decrease of 4.21% from the opening balance of FYE2016/2017, i.e. from RM15.911 billion to RM15.242 billion.

Several factors can be attributed to the above performances. On the macro level, rate wars among competitors continued to dominate the deposit landscape of both the private and government sectors. Replacement of Wadiah-based products to Mudharabah was completed in September 2016, has rendered CASA to be vulnerable to attritions for the first 6 months of period under review

CORE DEPOSITS (IN RM BILLION)

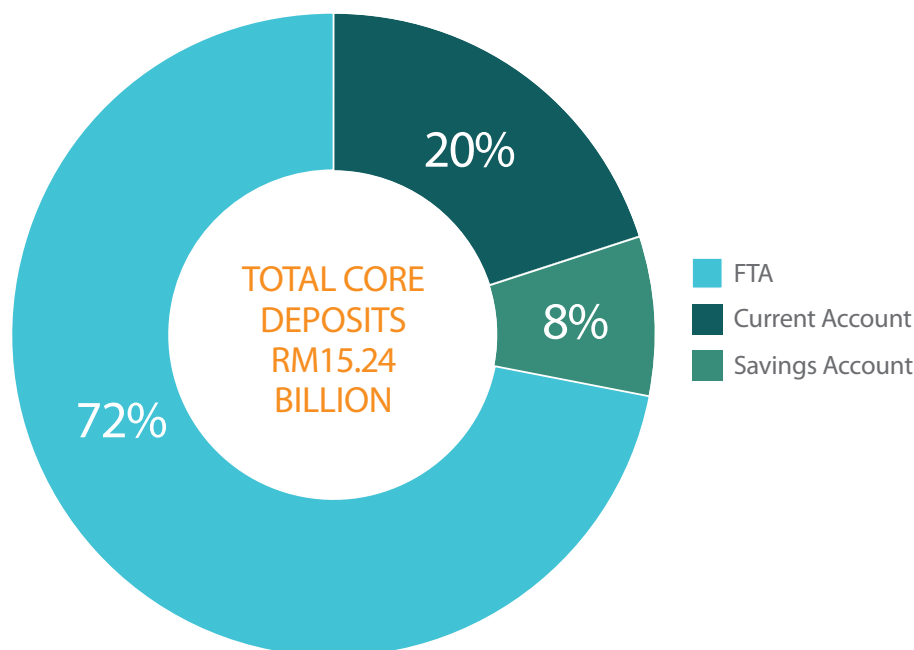


CASA DEPOSITS (IN RM BILLION)



DEPOSITS

CORE DEPOSITS COMPOSITION



Execution of several initiatives was focused on both private and government segments during the period under review to mitigate the anticipated decline of CASA balances. On the government market, we continued to provide value added services to selected agencies in order to strengthen our presence there and to alleviate stiff competitions from other financial institutions aiming a bigger piece of the pie.

A total of 6 marketing initiatives were introduced during the period under review, encompassing campaigns and promotions for all product suite. For FTA-i, the Wang Besar! 3 and 4 series were launched in May 2016 and September 2016 respectively and managed to acquire a total placement of RM814.55 million from the combined target of RM450 million. CASA, on the other hand, offered a different scenario. In relation to the hurdles faced by these products, initiatives performed under the Wadiah contract ambit were limited to those not in contradictions with Islamic Financial Services Act ("IFSA") guidelines, such as Staff Deposit Acquisitions, Project Hijrah and Muamalat Mesra Masjid. Save n Win, a Savings Account campaign was successfully introduced in January 2017, upon the stabilisation of the new CASA Tawarruq product launch.

We anticipate that additional account openings will follow suit in the following financial years with our consistent service and rapport maintenance. Among them are the contributions from the government sector that will be on the opening of new operating accounts by Jabatan Akauntan Negara Malaysia for some of their top ministries.

Our deposit strategies will remain intact for the next financial years, i.e. to create outstanding deposit value propositions that meet our targeted market requirements while minimizing deposit attrition through continuous programs of innovative deposit campaigns, creative marketing productions, improvised and new fin-tech development as well as new market penetration.

Retail deposit will continue be the main focus of growth, to reach a composition level from 27% to 43% in 5 years time, and thus being the catalyst for driving Bank Muamalat's overall deposit growth of RM5.9b or 36.6% within the period.

Wealth Management Department continued its impressive performance from the previous year and on 16 March 2017 took home the highly prestigious and sought after global recognition award for Best Bancassurance Product awarded by Timetric at the 8th Annual Retail Banker International Asia Trailblazer Summit & Awards 2016. Bank Muamalat (triumphed over) excelled above 19 other nominees including the likes of DBS Bank, Standard Chartered and Maybank Group Malaysia to win the award. This recognition is a proof of Bank Muamalat's capability in providing the best product in fulfilling the needs of its customers and the market at large. Keeping our ears to the ground and understanding customer's needs is the secret to achieving great heights and competing with larger financial institutions.

This award recognises the initiative by the Wealth Management Department in developing the revolutionary M-Tiara Golden Age bancatakaful product which addresses the Takaful needs of senior citizens aged 50 and above. This Takaful plan is also the first in the industry which incorporates a Waqaf feature that provides the option for Muslim clients to assign a portion of their sum covered for Waqaf purposes, thereby allowing for continuous charitable endowment even after one's demise. This product is exclusively distributed by the Bank and was jointly developed by Bank Muamalat Malaysia Berhad and Great Eastern Takaful Berhad.

On 24 March 2017, En Mohd Iqbal Bin Ahmad of Sungai Petani Branch and En Muhammad Hakimi Bin Mat Johor of Seri Manjung Branch brought further pride and honour to Bank Muamalat by being named as the country's CHAMPION and 1st RUNNER UP respectively for the prestigious Top Bancatakaful Producer (Bank Sales Staff Category) Award at the Malaysian Takaful Association (MTA) Star Nite Awards ceremony.

The MTA Awards night is an annual event organised to recognise Top Performing individuals and organisations

“**What counts is what you do with your money**”
- Merton Miller

“**Life is a daring adventure or nothing**”
- Helen Keller

that have weathered numerous challenges and emerged victorious in the Takaful Industry. It is an accolade desired by many in the industry and winning this prestigious award is an attestation that Bank Muamalat is committed to drive and grow the Islamic Wealth Management sector and have succeeded in grooming up our people to the national level.

Overall, the Wealth Management business delivered RM6.03 million fee income as at March 2017.

On another impressive note, Bank Muamalat's closed the year by successfully realising sales of 263/kg of Muamalat Gold-I with a corresponding income of RM2.4 million. Total gold sold since inception in January 2016 stands at 335kg, corresponding to an approximate value of RM61.0 million and an income of RM3.0 million.

Moving forward, we foresee Wealth Management Department as an important contributor to the bottom line of the bank through its increasing fee based income. To this end, the department will continue to reinforce and develop its range of products to meet the changing demands of our clients. In the pipeline and expected to come on board in the next financial year, is the setting up of Bank Muamalat's first Affluent Banking Center to cater to the affluent, high net worth market. We are extremely excited at this prospect as this will be the establishment of the industry's first Islamic Affluent Banking Center and anticipate a substantial contribution to Bank Muamalat's deposit based and fee based income. The department is also working closely with major players in the market to strengthen our estate planning product offerings to ensure comprehensive advisory platform for all walk of life. The aim of the present Wealth Management and Affluent Banking Department is to set a milestone of Islamic Financial Advisory era at all. Bank Muamalat branches that hopefully will be the key factor to put forth Bank Muamalat in the mind of the present and future customers who are concerned on managing their assets till eternity.

INVESTMENT BANKING DEPARTMENT

The investment banking arena remained extremely competitive throughout the financial year with a subdued economic and business environment resulting in limited opportunities, mostly emanating from the public sector, Government-linked Companies ("GLC") and large-cap corporate sectors. Given the traditional dominance of the larger local and foreign players in this space, Investment Banking Department ("IBD") faced considerable challenges in establishing deal flows to further our aspiration to become one of the leading Islamic investment banking houses in the country.

Notwithstanding, IBD managed to turn in commendable performance from an Islamic syndicated financing mandate for a telecommunications infrastructure services provider, the conclusion of the maiden issuances of senior and subordinated sukuk programmes jointly arranged by Bank Muamalat, underwriting the initial public offering of Perak Transit Berhad ("PTB"), an integrated transportation terminal and public transportation services provider based in Ipoh, Perak on the ACE Market of Bursa Malaysia as well as income from additional investments in Ar-Rahnu joint venture business.

Our subsidiary, Muamalat Venture Sdn Bhd, a registered venture capital management corporation with the Securities Commission Malaysia, is one of the substantial shareholders and promoters of PTB. As at 31 March 2017, the value of our investment in PTB has appreciated approximately by 73% since the inception of our investment.

During the financial year, IBD had also embarked and played a meaningful role in fostering the Bank Muamalat's initiatives on Investment Account Platform ("IAP"). IAP, which was officially launched by Bank Negara Malaysia on 17 February 2016, is a centralized multi-bank platform initiated by six Malaysian Islamic banking institutions. IAP allows companies to raise fund for their ventures, while providing opportunities to the investing public and institutions to participate in the growth of the ventures.

Bank Muamalat is pleased to be a part of this important strategic initiative and was the first sponsoring bank having launched the fund-raising of Perak Transit Berhad on IAP's web-based investment platform. The venture debuted in April 2016 (prior to PTB's listing) and successfully raised RM10.0 million for its working capital requirements. Rated by RAM Solutions Sdn Bhd, the 3-year tenured investment via Wakalah Restricted Investment Account (WRIA) currently generates return averaging more than 6.0% with prompt payments of principal and profits.

Moving forward, given the challenging market environment, IBD will continue to focus on our key corporate relationships for deal flows in project and syndicated financing transactions which will increase our portfolio of financing assets and bring in attractive fee-based income, while remaining on the lookout for good investment potential and opportunities. IBD will also continue to focus on steering and supporting the IAP initiative while diversifying its revenue base with new income streams.

Muamalat Invest Sdn Bhd (“MISB”), a wholly owned subsidiary of Bank Muamalat Malaysia Berhad (“Bank Muamalat”), was incorporated on 22 April 1996 with a paid up capital of RM10 million. MISB was accorded an Islamic Fund Management license in September 2010.

MISB provides Shariah compliant investment management services which include:

- Management of discretionary and non-discretionary mandates for asset classes covering equity and sukuk; and
- Provision of wholesale fund products for investments in various asset classes i.e. Islamic money market instruments, equities and sukuk.

For FY2017, MISB continued to grow its Assets under Management (AUM) to approximately RM3.19 billion from RM3.12 billion in FY2016. This translates to an increase of approximately 2% year-on-year. Investments also continued to be made into building infrastructure and resources in order to position itself as a key player in the wholesale Islamic capital market space.

As at March 2017, MISB through its series of Islamic wholesale funds has captured around 9% of the total Islamic wholesale fund Net Asset Value (NAV) based on Summary of Statistic-Wholesale Funds in Malaysia issued by Securities Commission Malaysia.

MISB continues to embark on efforts to diversify asset classes for products offered to cater to the Islamic wholesale institutional and corporate investors.

**NOR AHMADI
SULONG**
CHIEF EXECUTIVE OFFICER



SHARIAH DEPARTMENT ACTIVITIES FOR FY 2017

1. SHARIAH ADVISORY & SECRETARIAT SECTION:

The role of Shariah Secretariat in performing secretariat function to the Shariah Committee ("SC") comprises of providing input and support to the SC which includes coordinating meetings, compiling proposal papers, disseminating Shariah decisions to relevant stakeholders, engaging with relevant parties who seek further deliberations on issues from the SC and ensuring the welfare of SC members is accordingly served.

In terms of Shariah advisory and consultancy roles, the functions are to assist and provide advice to the relevant parties based on the decision of the SC, includes pre-product approval, operation process, documentations, activities of Business Unit, Support Unit, the Bank's subsidiaries and external clients (upon request).

During FY2017, several initiative have been made. We have developed and enhanced several digital resources for quick access of SC's decisions which are Shariah Decision Database (SDD), Product Brief Info (PBI) and Shariah Non-Compliant List (SNCL). We have also formulated a new initiative on Online Signing for relevant and urgent papers.

2. RESEARCH & DEVELOPMENT SECTION:

The role of Shariah Research is to perform in-depth research and studies on Shariah matters, including providing day-to-day Shariah advise and consultancy to relevant parties, especially those involved in the product development process. For FY2017, a total of 16 research papers have been completed comprising Shariah issues, product development and special request by Shariah Committee and other parties.

Additionally, as to comply with Shariah requirement on Bank Muamalat's new products, our section have reviewed and prepared the Summary of Gap Analysis on the Policy Documents which were issued by BNM. Among others were on *wakalah*, *kafalah*, *hibah*, *qard*, *wadi'ah ijarah* and *wa'd*.

Moreover, in collaboration with Human Capital Division and Customer Service Department we have also conducted more than 30 series of Shariah training and awareness to the staff for branches, headquarters, Takaful Specialists and other related institutions.

Collaboration:



Wakaf Selangor Muamalat

Funds collected are channelled towards
the education and health sectors.



www.wakafselangor.muamalat.com.my

CALENDAR OF EVENTS 2017

DATE	DETAILS EVENTS & CSR
16 Apr 16	Golf Muhibbah with ATM
29 Apr 16	Reflex & Donate
03 May 16	Integrity Day
06 May 16	Mother's Day Programme
08 May 16	Branch Launch @ Tanah Merah
10-12 May 16	GIFF 2016
27 May 16	Reflex & Donate
29 May 16	Branch Launch @ Gua Musang
01 Jun 16	Lambaian Kaabah 2016
07 Jun 16	Program Ramadhan - Insan Super
12 Jun 16	Iftar with Underprivileged Children, Special Children and Mahaad Tahfiz @ SDCC
14 Jun 16	Program Ramadhan - Komunikasi
16 Jun 16	Iftar with Mahaad Tahfiz and homeless @ Masjid Jamek
20 Jun 16	Father's Day
24 Jun 16	Reflex & Donate
28 Jun 16	Bubur Lambuk Distribution
20 Jul 16	Corporate Raya & Debit Card Launch
25 Jul 16	Bank Muamalat Raya (Staff)
28 Jul 16	Signing Ceremony between Bank Muamalat Malaysia Berhad and Koperasi Perumahan ATM
29 Jul 16	Reflex & Donate
03 Aug 16	Nostalgia Bank Bumiputra
25 Aug 16	Branch Launch @ Gemas
26 Aug 16	Reflex & Donate
28 Aug 16	Signing Ceremony : UNIMAP
21-22 Sep 16	OSH Day
23 Sep 16	Reflex & Donate
10 -11 Oct 16	Proton Test Drive
13 Oct 16	Bank Muamalat ISO CERT Award
18 Oct 16	Donation by Wakaf Selangor Muamalat to PERKIM Banting
19-20 Oct 16	"Mari Mengaji" Briefing
01 Nov 16	"Mari Mengaji" with Al Baghdadi
06 Nov 16	Cooler Box contribution presentation to Glenmarie Golf & Country Club
08 Nov 16	Motorcycle donation Yayasan Amal Malaysia and Van Donation to mosque at Tanah Merah & Kedah
15 Nov 16	Muamalat Mentorship Programme with UITM
21-23 Nov 16	Kuala Lumpur Islamic Finance Forum 2016
30 Nov 16	Back 2 School Staff
07 Dec 16	Back 2 School Orphanage

14-16 Dec 16	Waqf Workshop
11 Jan 17	Ceramah Perdana Maulidur Rasul
13-15 Jan 17	Karnival Kewangan 2017
14-15 Jan 17	DRB-HICOM Autofest
15 Jan 17	MUAMALAT JOM KAYUH "#fitmuamalat"
17 Jan 17	Scale up Talk : Selling Your Product
24 Jan 17	Chinese New Year Dinner
26 Jan 17	CSR Workplace : Distribution of Karrimor Bag
19 Feb 17	Muamalat Jom Kayuh bersama Amy Search
25 Feb 17	Dinner with Akif student @ SDCC
10 Mar 17	Ziarah Mahabbah, Donation by Wakaf Selangor Muamalat to Ranau
13 Mar 17	Signing Ceremony with RISDA
14 Mar 17	Visit: University of Arizona
25 Mar 17	Launch of Muamalat Sports Recreational Club-Southern



CORPORATE RESPONSIBILITY

Corporate Social Responsibility goes hand in hand with Islamic banking or ethical banking and it is defined as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to the company's effort that goes beyond what may be required by regulators or environmental protection groups. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

At Bank Muamalat Malaysia Berhad, our focus for year 2016 is "Prihatin Muamalat" and this is reflected in our Corporate Social Responsibility for the year 2016.

CR @ THE WORKPLACE

FISHING CONTEST ORGANISED BY KESAN

Bank Muamalat Sports Club (SRC BMMB) participated in a fishing contest organised by Kelab Sukan Jabatan Akauntan Negara Malaysia (KESAN) and Bank Muamalat managed to secure 7 prizes out of 10 prizes. The event was held at Kolam Memancing Taman U, Seri Kembangan on 28 February 2016 with 60 participants. En. Mohd Ilham bin Yusak from KESAN is the winner who managed to catch 3.65kg fish.

The result of the contest is as follows:-

PLACING	NAME	GROUP	WEIGHT
1st Prize	Mohd Ilham bin Yusak	KESAN	3.650
2nd Prize	Anuar Ridzaudin Hassan	SRC BMMB	3.410
3rd Prize	Mohd Nizam Mahat	SRC BMMB	2.850
4th Prize	Raub Osman	KESAN	2.545
5th Prize	Mohd Azuan Ahmad	SRC BMMB	2.440

CATEGORY BY NUMBER OF FISH CAUGHT

PLACING	NAME	GROUP	WEIGHT
1st Prize	Mohd Fazli Khalid	SRC BMMB	5
2nd Prize	Mohd Nizam Mahat	SRC BMMB	3
3rd Prize	Mohd Fariq Ismail	SRC BMMB	3
4th Prize	Mohd Jamal Arif	SRC BMMB	3
5th Prize	Ahmad Fadzil Mohd Saidi	KESAN	2



MOTHER'S DAY

6 May 2016, Bank Muamalat Menara Bumiputra, organised a CR programme to celebrate Mother's Day. 300 roses were distributed to all mothers in the Bank as a symbol of appreciation towards their sacrifice and hard work and another 100 roses were distributed to the general public near Jalan Melaka.



BANK MUAMALAT MALAYSIA RAYA 2016 - JOM BALIK KAMPUNG

Menara Bumiputra, 25 July 2016 - Every year, the bank have a special day to celebrate the joyous Hari Raya occasion with the HQ staff, Board members and Management. The theme of this year's event, was "Jom Balik Kampung". Everybody was dressed up in beautiful traditional outfits to match the theme.

Food stalls were creatively decorated by the staff based on the culture and prominent features of each state within Malaysia. Tasty traditional and western foods were in abundance. Everyone looked radiant with happy and smiling faces everywhere.



CORPORATE RESPONSIBILITY

FATHERS DAY 2016

20 June 2016, Menara Bumiputra: Bank Muamalat organised a Corporate Responsibility programme to celebrate Father's Day. There were 400 pre-packed kuih, drinks and dates distributed to all fathers in HQ. Bank Muamalat also distributed 100 pre-packed food to the general public. The objective of the programme is to instill appreciation towards all fathers for their sacrifice and love.



CR @ COMMUNITY

PROGRAMME WITH BANK MUAMALAT : PERTUBUHAN KEBAJIKAN DAN PENDIDIKAN PERMATA ROHANI

Kuala Lumpur, 27 February 2016, Bank Muamalat Malaysia Berhad (Bank Muamalat) organised a CR programme with children from Rumah Pertubuhan Kebajikan dan Pendidikan Permata Rohani at Fifty4Ferns, Janda Baik, Pahang. There were 40 children involved from ages 7 until 15 years old.

The main idea behind the programme is to create awareness and empathy towards underprivileged children. Some of the activities held were motivational talks and telematch.



MOVIE TREAT "BOBOI BOY THE MOVIE" WITH SPECIAL CHILDREN AND UNDERPRIVILEGED CHILDREN

Tanjung Golden Village (TGV), Sunway Putra, Kuala Lumpur, 17 March 2016 - Bank Muamalat once again took the initiative to treat the special children and underprivileged children to watch "Boboi Boy The Movie". There were 288 children all together from:

- Yayasan Chow Kit
- PPDK 4
- PDK Wahyu
- Keluarga Besar Norlina
- Baitul Ehsan Al-Khairi, Taman Maluri
- Baitul Ehsan Al-Khairi, Batu Caves (Pelajar Lelaki)
- Anak Yatim Attaqwa Putra Perdana



REFLEXOLOGY PROGRAMME (MALAYSIA ASSOCIATION OF THE BLIND) WITH OLD FOLKS HOME AT KUALA KUBU BHARU

Kuala Kubu Bharu- 23 April 2016, Bank Muamalat once again organised a programme at Kuala Kubu Old Folks Home. This programme is a collaboration between Old Folks Home and Malaysian Association for the blinds. The programme was where the blinds perform reflexology to the old folks. The purpose of the programme is to create a close knit relationship between the old folk's homes and blind community. Bank Muamalat also contributed goodies in the form of biscuits, hand towels and box drinks.



CORPORATE RESPONSIBILITY

BANK MUAMALAT CONTRIBUTED A WHEEL CHAIR IN LANGKAWI

Friday, 4 June 2016: In conjunction with the Ramadan month Bank Muamalat donated a wheel chair which was presented by Y.Bhg Dato' Hj Mohd Redza Shah Abdul Wahid, CEO Bank Muamalat Malaysia Berhad to a disable individual. The disable individual is an orphan and living with his grandmother and siblings.



IFTAR WITH UNDERPRIVILEGED CHILDREN

On Sunday, 12 June 2016, was a meaningful day for Bank Muamalat as 250 children from 8 orphanages were invited to a "Break Fast & Furious 3". The Iftar with underprivileged children was held at Sime Darby Convention Centre, Mont Kiara. This is Bank Muamalat's annual Corporate Social Responsibility (CSR) initiative to give back to the community during the holy month of Ramadan.

The eight selected beneficiaries were children from PPR Pantai Dalam, PPR Seri Alam, Rumah At-Taqwa Putra Perdana, Rumah Kebajikan Anak Yatim and Golongan Asnaf Baitul Nurrawdhah Puchong, Pusat Jagaan Budaya Harapan Rawang, KRT Dahlia Tun Teja Rawang, Rumah Anak Yatim Umami Kajang and Anak Yatim Asnaf from SMK Kajang Utama.

Lotus Owners Club (LOC), Spyder Cam-Am & Rokeb were invited to provide joyride for the children and to give the children an unforgettable experience. The children were taken for joyrides around the vicinity of SDCC.

Apart from the joyride, Bank Muamalat also provided a photobooth for the children. There was also a special appearance by Queen Elsa and Pirate Princess. Other activities conducted were pop quiz, colouring contest and tilawah Al-quran. The children also received lucky draw hampers. The evening ended with a sweet note when each child was handed the "duit raya".



IFTAR WITH MAAHAD TAHFIZ AL-BAYAN SCHOOL OF QURAN & HADITH & THE HOMELESS

Masjid Jamek, Kuala Lumpur, Thursday, 16 June 2016
The Bank Muamalat organised an iftar for 400 guests including Mahaad Tahfiz Al-Bayan School of Quran & Hadith and the homeless. Bank Muamalat presented "Duit Raya" and survival kit to the homeless while 'Duit Raya' and backpack to the Mahaad Tahfiz children.



CORPORATE RESPONSIBILITY

JAULAH MAHABBAH TO UJONG PASIR, MELAKA

26 Nov 2016, the Jaulah Mahabbah mission by ROKEB was held at Masjid As-Sa'adah, Ujong Pasir, Melaka. The donation was donated to underprivileged families. The event began with a doa recitation and presentation of donation to the families. The donation is in a form of monetary and basic needs such as rice, cooking oil, sugar and etc.



CR @ MARKETPLACE

MEDIA NIGHT 2016

Kuala Lumpur, 16 December 2016 – For the first time Bank Muamalat organised a media night to celebrate the media and to acknowledge their importance in circulating information and news about Bank Muamalat as well as its products. As an appreciation to the members of the media, Bank Muamalat has awarded them with trophies in three (3) categories which are TV, Radio and Online media. There were also lucky draws and performance by Caliph Buskers.





SUSTAINABILITY REPORT

Being ethical comes hand in hand in the banking industry. Furthermore as an Islamic financial institution, we take pride in upholding these values. We know that sustainability efforts are important in delivering our values as we are largely responsible to the **COMMUNITY, WORKPLACE, MARKETPLACE** as well as the **ENVIRONMENT**.

We may not have all the answers, all the access or all the know-how but we believe our responsibilities towards our community, workplace, marketplace and environment deserves our best interest. With that in mind, we're constantly striving to find and remain committed about making positive as well as lasting social and environmental impact across the nation. And this is all reflected in our SUSTAINABILITY REPORT for the financial year.

RESPONSIBLE TO THE COMMUNITY

Delivering essential values for the community is an ongoing commitment that has been a part of Bank Muamalat's fabric since our early days. We hold strongly to our belief in making a positive and sustainable impact to the communities we operate in. Our business helps support economic growth through the expansion of products and services, employment and the creation of knowledgeable workers. We believe that we can contribute significantly in enhancing the living standards of the community through initiatives such as sponsorships, charitable contributions, and disaster relief efforts.

Wakaf Selangor Muamalat

Wakaf Selangor Muamalat ("WSM") has been in operation for 5 years since its inception on 27 September 2012. Since then, WSM received overwhelming response from the public. As at FY 2017, total wakaf fund collected was RM17,743,164.44 while total collection for FY2017 alone was RM2,719,025.19. To date, WSM through its Joint Management Committee ("JMC") between Bank Muamalat and Perbadanan Wakaf Selangor ("PWS"), has approved RM14,244,212.29 and RM7,576,897.29 was disbursed on wakaf projects.

Chart 1: Monthly collection of WSM Fund from April 2016 to March 2017

MONTH	RM
Apr '16	206,734.85
May '16	241,920.69
Jun '16	285,086.61
Jul '16	241,632.85
Aug '16	210,254.23
Sept '16	215,178.28
Oct '16	210,180.32
Nov '16	230,787.45
Dec '16	232,386.71
Jan '17	199,740.16
Feb '17	208,714.95
Mar '17	236,408.09
TOTAL	2,719,025.19

During the FY2017, WSM contributed a total of RM3,009,974.94 (to various institutions under health and education sectors). The details are described below:

Table 1: List of WSM beneficiaries

No	Beneficiaries	Contribution	Amount (RM)
1	Yayasan Amal Malaysia	Building	994,500.00
2	Beacon Hospital	Mobile Clinic	260,710.48
3	Maahad Muhammadi Gua Musang	KHB workshop equipment	28,618.50
4	SMUA Darul Ulum	Building	468,587.00
5	PERTIWI	School Van	28,000
6	KAFA Integrasi Al Mubarak	Building	157,500.00
7	Hospital Tengku Ampuan Rahimah Klang	Ultrasound Machine	97,997.00
8	Kolej Integrasi Tahfiz Tunas Ilmuwan Sains	Laboratory equipment	26,506.09
9	SAR Al - Falah	Building	41,870.75
10	Hospital Raja Permaisuri Bainun Ipoh	Kidney machine	151,580.00
11	UNIMAPCARE	Dialysis machine	250,000.00
12	Pusat Dialisis Tunku Syed Kangar	Dialysis machine	167,480.00
13	SK Pandamaran Jaya Klang	Canteen tables & chairs	16,000.00
14	St John Ambulan	Propaq monitor machine	27,984.00
15	Persatuan Darul Fitrah Terengganu	Building	124,794.00
16	My Care	Prosthetic Leg	50,000.00
17	PERKIM Banting	Van	117,847.12
Total contribution			3,009,974.94





Picture: WSM Handover Events

- Pic 1: KAFA Integrasi Al Mubarak
- Pic 2: Kolej Integrasi Tahfiz Tunas Sains Ilmuwan
- Pic 3: SRA Bandar Seri Putra
- Pic 4: Pusat Dialisis Tuanku Syed Kangar
- Pic 5: UNIMAPCARE

- Pic 6: SK Pandamaran Jaya Klang
- Pic 7: Hospital Raja Permaisuri Bainun Ipoh
- Pic 8: SAR AI - Falah
- Pic 9: Yayasan Amal Malaysia
- Pic 10: PERKIM Banting

1. Tabung Mawaddah

Tabung Mawaddah (TM) Committee has been actively operating since 2002, dedicated to aid and implement charitable activities to 8 Asnaf recipients (Fakir, Miskin, Amil, Muallaf, Riqab, Gharimin, Fisabillah and Musafir) and non-asnaf recipients. TM is funded by zakat and alms (sadaqah) sources contributed by Bank Muamalat and the staff.

The objectives of TM Committee's establishment are:

- to provide assistance and financial aid to the needy;
- to ensure that each donation, charity and alms reach the targeted groups;
- to carry out Bank Muamalat's corporate social responsibilities;
- to the society on the basis of Maslahah Ammah;
- to instill the spirit and caring nature of Malaysian society creation of a harmonious society; and
- to practice the teachings of Islam in helping the needy.

Besides a one off contribution, TM also provides monthly allocation for:

- Food for homeless programme;
- Micro credit scheme to aid small entrepreneur;
- Masih Ada Yang Sayang (MAYs) community programmes;
- Programme with NGO's; and
- Monthly aid to the Asnaf recipients

The size of TM fund distributed and the trend of TM aids applications for FY2017 are described as below.

Fakir	RM157,800.00
Miskin	RM343,582.20
Fi-Sabilillah	RM1,987,245.41
Gharimin	RM4,919.00
Mualaf	RM500.00
Sadaqah	RM89,502.21

2. Bank Muamalat Mentorship Programme For UiTM Students

In April 2016, Bank Muamalat and UiTM have signed an MOU to collaborate on areas that bring mutual benefit to both organisations.

Arising from this MOU, Bank Muamalat in collaboration with the Faculty Business and Management Puncak Alam Campus has developed a Mentorship Program for the graduating students of the faculty.

This programme involves knowledge sharing by practitioners from Bank Muamalat to UiTM students. It involves a series of lectures and case studies to 240 participating students from the Faculty of Business and Management.

The topics covered under this Mentorship Programme are as follows:

1. A guide for fresh graduate to attend a job interview
2. Career Planning
3. Decision Making
4. Problem Solving
5. Grooming to be an effective manager

The first lecture started on 27 September 2016 and the programme completed on 15 December 2016.

Participants received a certificate of attendance upon completion of this Mentorship Programme.

The programme also included a half day walk through selected departments at Bank Muamalat Head Office to give an exposure to participants and lecturers on actual environment at the work place. On 15 November 2016, 86 participants of the program were given a guided tour to CSD, CCC, MCRC, CFSRD, COD, DMD and Jalan Melaka Branch.

RESPONSIBLE TO THE COMMUNITY

The students were also given a briefing by Shariah Department on “Difference Between Shariah-compliant and Conventional Banking” while Puan Azihan briefed them on the “Bank’s Initiative Toward Paperless Environment”. Bank Muamalat also hosted a lunch for the students and lecturers.

In view of the overwhelming response to this program by the participants, Bank Muamalat may extend the program to all local universities as part of Bank Muamalat’s Corporate Social Responsibility.



3. Back to School Free Market for the Orphanage

Menara Bumiputra, Kuala Lumpur – Bank Muamalat Malaysia Berhad once again organised a Back to School Free Market programme for the orphanage. The donation donated is in the form of school uniform, school equipment, socks, shoes and other school items. Around 193 orphans as well as children from staff earning less than RM3,000 participated in this programme. The orphanage homes involved with the programme are Rumah Permata Rohani, Rumah Baitul Kasih and Rumah Baitul Barokah.



4

RESPONSIBLE TO THE WORKPLACE

Bank Muamalat employees represent a rich and diverse human capital base with skills, competencies, capabilities and experience in delivering growth and sustainability of the Bank in providing the Islamic financial services and solutions to the community.

Since the formalization of the 5-year strategic business plan in October 2016, Bank Muamalat has moved swiftly into implementing, building frameworks for a robust people management practices and embedding the right values and beliefs towards a strong performance oriented corporate culture.

Pursuant to the above, the management of the human capital is guided by the Bank's strategic 5-year business plan. Working in partnership and engaging all stakeholders across the Bank is the key in creating an environment where employees can thrive in delivering sustainable organisational performance. A longer-term strategic priority has been identified for Human Capital in the execution of the strategic business plan:

1. Applying its human capital expertise assertively in supporting the business divisions and support functions in delivering results;
2. Building the leadership pipelines across Bank Muamalat by enhancing capabilities of the leaders, management and staff; in line with the changing business landscape; and
3. Strengthening the human capital analytical ability and the management of the human capital risks in order to maintain sustainable business performance.

Building Agility

During the year, Bank Muamalat has made several changes to the organisational structure, aimed at building a Bank that is nimble and agile. The changes are necessary to align with the business strategies, to establish a focus and dynamic workforce leveraging on the bench strength and competencies of leaders. Additionally, agility is the key in meeting the emergence of competition, by swiftly embracing changes in technology, innovation of products, diversifying into new channels and optimising capacity with clear focus coupled with the right resources.

Talent Acquisition, Internal Mobility and Retention

During the year, Bank Muamalat has decided to in-source its talent acquisition requirements as part of the human capital strategic initiatives in enabling its employees to develop new and necessary skills in assuming new roles. Bank Muamalat actively supports internal cross divisional career mobility by identifying redeployment opportunities, followed by learning and development interventions. 255 employees representing 15% of the total employee population has benefitted from the new expanded roles. This initiative will enable Bank Muamalat in managing its cost against income ratio on human capital whilst improving on the employee retention. Not only such

move would enhance the knowledge of its employees but also to potentially encourage career growth within Bank Muamalat by allowing them to build a more diverse and fulfilling career.

Community Talent Pipeline

Bank Muamalat's hiring strategy includes ensuring a steady pipeline of young talents, including interns. As a socially responsible organisation, Bank Muamalat offers a platform for internship programme to undergraduates and trainees under the "Skim Latihan 1 Malaysia" (SL1M) with opportunity to gain a real life work experience in various functions across Bank Muamalat, thereby enhancing their employability.

Mutual Separation Programme

Aimed at enhancing efficiency on operating cost structures, Bank Muamalat offers an on-going programme on Mutual Separation Scheme which is on voluntary basis. During the year under review, employees with serious medical conditions and nearing retirement age may opt for this programme which allows them to retire early with the opportunity to manage the circumstances around their health with peace of mind.

Managing Human Capital Risk

Managing human capital risk is a new initiative that allows a comprehensive and effective management of the people, supported by statistical figures which shall influence and improve current management practices. The framework for the human capital risk, ready to be rolled out this year, will also include focus on talent and succession planning, retention of key personnel, leadership and management capabilities. The human capital risk management will also address the incentives and rewards structure, ensuring that employees are rewarded for commendable performance within a sound risk management and governance framework.

Talent Management and Succession Planning

Sustainability of Bank Muamalat hinges on the right future leaders who can drive the business plans forward. Our approach to talent management aligns with the 5-year strategic business plan and ends with a refined people and leadership plan. Bank Muamalat has enrolled high potential employees into the talent development programmes in partnership with DRB-HICOM to ensure a ready pool of talent pipeline. Identification of successors as well as competency accreditations has been implemented across Bank Muamalat.

Building Capabilities

In creating a high performance culture, Bank Muamalat places emphasis on strengthening the Performance Management System. Amongst other things, this would include ensuring that the Key Performance Indicators of the business and support divisions are aligned with the 5-year strategic business plan.



Top Talent	MDP	DRB HICOM MTP
1	5	3

MDP - Management Development Programme
MTP - Management Trainee Programme

Subsequent to the above, in accelerating employee capabilities, professional and personal development programmes, continue to be essential components of the Bank Muamalat's people agenda.

Several high performing talents are identified for the Top Talent, Management Development Programme and Executive Development Programme organised by DRB-HICOM. Bank Muamalat is also developing its tailored in-house development programme for Senior Leadership, Management & Executives.



In House MBA programmes

MBA
11

To further enhance the competencies and capabilities of employees, Bank Muamalat partnered with DRB-HICOM University to become the pioneer organisation within the DRB-HICOM Group to initiate the in-house Masters in Business Administration programme commencing in February 2017.



All 62 Branch Managers - accredited Associate Certification in Islamic Finance (AQIF)

Recognising the importance of certification in enhancing the capabilities of our branches in serving and attending to the needs and demands of our customers, Bank Muamalat embarked on a project to certify all Branch Managers and Assistant Branch Managers with the Associate Qualification in Islamic Finance (AQIF), accredited by the Islamic Banking & Finance Institute Malaysia (IBFIM).

RESPONSIBLE TO THE WORKPLACE



Benchmarking all **62** Branch Managers against competency standards

Bank Muamalat had also initiated a programme with Finance Accreditation Agency to benchmark all Branch Managers to measure their level of competencies against global standards. This will enhance the trust and belief of our customers towards the services and products offered by Bank Muamalat.

Moving forward, Bank Muamalat is collaborating with Federation of Investment Managers Malaysia and Malaysian Takaful Association to certify all our Branch Managers and Assistant Branch Managers in both the Unit Trust and Takaful Basic Examination aiming for the branch to deliver higher quality services in a wider range of products.

Bank Muamalat remains committed to people development with an average of 3 training days recorded per staff. In 2016 the Bank invested a total of RM3.4 million on training programmes in the following category:-

Course Category

Regulatory (eg: Anti Money Laundering Counter Finance Terrorism, Islamic Financial Services Act, Foreign Exchange Administration, Shariah regulations)

Leadership Skills

Functional Mastery

Product Knowledge

Personal Mastery

Business Mastery

Health & Wellness

Bank Muamalat initiated various activities aimed to create awareness on the importance of health and fitness. This "Keep Fit Culture", would contribute towards enhancing productivity, resulting in improved work performance.

The Corporate Wellness Programme initiated in early 2017 began with the "Fit Muamalat Campaign". The first activity was "Jom Kayuh" bicycle ride which took place in January 2017 which attracted 250 participants. Subsequently, the "Jom Kayuh" event held in February 2017, attracted an even bigger crowd of 400 participants. Gauging from the overwhelming response, the Management announced the formation of six (6) sports houses under the wing of the bank's Sports and Recreation Club (SRC).

Health Check and Blood Donation Drive

A Health Check and Blood Donation Drive was held at Menara Bumiputra, Kuala Lumpur. The purpose of the programme is to educate Bank Muamalat Staff to practice a healthy lifestyle. Furthermore, it also gives the opportunity for the staff to perform health check and educate them on the importance of staying healthy. The programme is a collaboration between Beacon Hospital, Petaling Jaya and the National Blood Bank. The programme began at 10.00 am until 5.00 pm. There was 400 staff who took part in this programme.



Israk & Mikraj 2016

In celebration of Israk & Mikraj, Bank Muamalat organised a talk for the staff. It was presented by Al-Fadhil Ustadz Zulhazwan, a freelance Islamic speaker. The talk was attended by more than 200 staff.



Lambaian Kaabah 2016

Bank Muamalat, in its effort to appreciate its people, has long introduced Lambaian Kaabah. This programme is a programme that provides an opportunity for the staff to perform their Umrah. This year Bank Muamalat sent a total of 12 participants (including spouses) for the said purpose.

No.	Name	Staff ID	Department	Position
1	Ahmad Faizin Bin Mohammad	101303	Bintulu Branch	Executive
2	Wan Noor Suraya Binti Wan Semail	100800	Kota Bharu Branch	Executive
3	Mohd Hafiz Bin Hamzah	101003	Melaka Branch	Non-Executive
4	Wan Rosli Wan Mansor	100756	Ipoh Branch	Non-Executive
5	Nur Farazella Bte Hussin	102443	Regional Office East Coast	Assistant Manager
6	Noor Akmal Duki	100749	Head Quarters	Executive

RESPONSIBLE TO THE WORKPLACE

Uptown HOD Muamalat

Sports Club & Recreational Bank Muamalat with Corporate Communications Department have introduced Uptown Muamalat which is open for business every Friday from 12.30 pm – 2.30 pm. The initiative was to promote business opportunity for the staff. There were 21 stalls that sold London lamb stew (CEO Office), Tauhu Sumedang Adik Manis (Nasi Mak Dara & Pak Teruna Stall), Pulut Lepa Terengganu (Kampung Central Stall), Churros Chaiwala (Imam Mr Banker), Laksa Sarawak (Pak Mos Stall), Keropok Lekor Terengganu (MISB Stall), Chia Seeds & Munafie (Wonder Le'Gurl Stall), Bantal Tidur (Uke'Lele Stall), Keratan Mulberry (Lady Gaga Stall) and Computer and IT product (ICT Stall). Other Stalls were 'The Juice Service', TPS/Cyber Stall, Mesti Singgah Stall, Nasi Tomato Stall, BBD Stall, Compliance Stall, Cracker Crunch Stall, Beauty Sweetness Café Stall, Bonjour Stall, MISB Stall, SSD Stall, ICT Stall and CBD Stall.

Part of the earnings was donated to Tabung Mawaddah Bank Muamalat Malaysia Berhad for the needy.



Sports and Recreation Club (SRC)

Sports and Recreation Club (SRC), established since 2015, serves as a platform for the employees to participate in sports and recreational activities in Bank Muamalat. Among the main objectives of SRC establishment is to encourage teamwork, to build and cultivate the spirit of togetherness among the employees in Bank Muamalat through SRC activities. The employees not only would be able to show their potential or talent through the sports of their interests but they would also be able to lead a healthy life through sports and recreational activities. In stimulating the spirit of teamwork and cooperation to help escalate the team's name, every employee has been pre-determined of their respective sports houses based on the names of the famous Muslim commanders as below:

1. Red House (Abu Ubaidah Al-Jarrah)
2. Blue House (Saad Abi Waqqas)
3. Green House (Khalid Al-Walid)
4. Yellow House (Sallehuddin Ayyubi)
5. Orange House (Muhammad Al-Fateh)
6. Purple House (Tariq Bin Ziyad)

SRC activities were not only held at the headquarters level but have also been expanded to other areas throughout the country. In bridging the relationship between the employees in DRB HICOM group, SRC is also involved in the sports activities held by DRB HICOM group.

Among the sports and recreational activities held throughout FY2017 were as below:-

Durian Feast

Durian as the 'King of Fruits' received many attention and interests. In conjunction with 'Durian Season' in the month of August 2016, SRC organised Durian Feast on a large scale in the compound of the headquarters and had received a very encouraging response. Not only the staff were able to enjoy the different types of durian, they could also buy them at a very reasonable price.

Futsal, Ping Pong, Netball and Badminton Teams

A tournament between the houses was held for futsal, ping pong and netball games to further encourage teamwork spirit among the staff. In addition to that, the winner will be able to increase the points for respective sports teams as the members would compete to ensure their respective house team succeeds. Each team conducted early training to ensure a quality delivery and skills before they compete.

Purple House is the champion for futsal tournament while Blue house is the champion for ping pong, netball and badminton. The result from their championship allowed them to contribute points which led those teams to hold the 1st and 2nd position.

Expansion of SRC to other region

The initiative to expand the sports and recreational activities to other region has been initialised with the launch of SRC in the Southern Region in Johor Bharu followed by Middle, North and East Malaysia (Sabah & Sarawak). Every region has their own respective SRC committee to make it easier for planning and execution of SRC sports and recreational activities.

Jom Kayuh Mesra Alam

In promoting cycling activity whilst raising awareness in the community on being fit and healthy, Bank Muamalat has collaborated with Proton Holdings Bhd to organise a "Jom Kayuh Mesra Alam" programme. The programme was held at Proton City, Tanjung Malim, Perak and was also attended by famous celebrities namely Siti Nurhaliza and Amy Search.

The event was open for 3 categories which were 30km, 15km and 800m for kids. More than 1,500 avid cyclists and nature lovers were involved in this first ever collaboration programme.

Sports Carnival

As for the highlight of the celebration of sports and recreational activities, SRC is planning to hold a 'Sports Carnival Program' which will be held this November 2017. This highlighted programme will gather all house teams from the headquarters and other regions where selected sports will be competed again.

List of SRC Committees

1. Vice President/Acting President - Hj Zaharuddin Alias
2. Secretary - Izanor Ismail
3. Vice Secretary - Mohd Imran Imam Shafie
4. Treasurer - Mohd Najib Ismail
5. Vice Treasurer - Mazrina Mohammad Zainol
6. Committee - Ebi Suffian Ab Wahab
- Harlina Shamsudin

RESPONSIBLE TO THE MARKET PLACE

Bank Muamalat is committed to being a responsible corporate citizen not only with the community but as well as our business partners. Hence, we strive at building long term relationships based on clarity of purpose, integrity, respect, honesty and fairness.

1. Inaugural listing on Investment Account Platform of Perak Transit

- In supporting the government's strategic initiative to continue providing a conducive and comprehensive ecosystem in boosting real economic activity, Bank Muamalat has launched the listing in the Investment Account Platform (IAP) of Perak Transit Berhad on 26th April 2016.
- Perak Transit Berhad is an integrated transportation terminal and public transportation services provider based in Ipoh, Perak.
- Investment in Perak Transit was in the form of a RM10 million financing facility for 3 years with an adjusted return at 6.5% per annum.
- The IAP enables different spectrum of businesses like SMEs, new growth industries and entrepreneurs with profitable projects to gain alternative access to funding and on the other hand enables investors to directly finance ventures of their choice according to the risk-return preferences.
- IAP will broaden the traditional role of Islamic banking from that of a credit provider to one that will now include being an instant intermediary.

2. The first Shariah Compliant Debit Card

- The Bank has launched its Debit Card "Aisya" that comes with a unique feature of waqf in July 2016
- The debit card was named after the Prophet Muhammad's wife, Saidatina Aisya, whose intelligence provided the inspiration for Bank Muamalat to develop the card which comes with a waqf feature.
- If customers use the debit card at any of the merchants, it enables Bank Muamalat to contribute to the waqf by putting aside 20% of the interchange fee income without deducting or imposing any fee for the waqf to the customers.
- The first of its kind in Malaysia and perhaps the world as it incorporates spending with the element of social responsibility.



3. i-Muamalat Mobile Application

- As part of its bid to provide convenience and easy access to many of its customers, Bank Muamalat has introduced its i-Muamalat mobile application.
- The application will allow users to check their account balance, transfer funds, make bill payments and top-up their mobile data credit.
- Bank Muamalat's account holders may also use the application to check prayer's time and even to locate the nearest Bank Muamalat branches.
- The application is equipped with a high security system which meets the security standard set by the Malaysian banking authority.
- The i-Muamalat application was launched by the Prime Minister, Datuk Seri Mohammad Najib bin Tun Abdul Razak.
- The application is available from both Google Play Store and Apple Store
- "Art meets technology" defines our design for the application, reflecting our purpose that the application is all about our customers and not about the Bank as well as our intention to create an application that is both easy on the eye and incredibly easy to use
- The doodle art design which currently depicts a Sports and Games theme (in line with SEA Games KL 2017), will be updated every few months to feature other artwork including cultural festivals and Malaysian flowers as well as famous buildings in Malaysia

4. ISO 9001 Accreditation

- Bank Muamalat as we have been awarded with the ISO 9001:2015 certification in June 2017, an internationally recognised standard that ensures the products and services offered meet the needs of the customers through an effective quality management system.
- Our decision to work towards ISO 9001 accreditation demonstrates our commitment to provide a high-quality and consistent service to our customers.
- Bank Muamalat is also proud to be formally presented with the certificate by SIRIM QAS International, the well known certification body for ISO 9001 Quality Management System.
- The certification is a testament to the positive engagement of staff at all levels, and demonstrates a clear desire to embrace the standard as a fundamental element of its growth and customer focus strategies as stated in Bank Muamalat's Business Plan.
- The benefits of ISO 9001 go far beyond meeting customer requirements. The management systems help to enhance the businesses' operations and provide a culture that aims for performance exceeding expectations.



CERTIFICATE



SIRIM QAS International hereby certifies that

BANK MUAMALAT MALAYSIA BERHAD
LEVEL 22, MENARA BUMIPUTRA
NO. 21, JALAN MELAKA
50100 KUALA LUMPUR
WILAYAH PERSEKUTUAN
MALAYSIA



has implemented a Quality Management System complying with

ISO 9001:2015

QUALITY MANAGEMENT SYSTEMS - Requirements



Scope of Certification

- 1) PROCESSING OF APPLICATIONS FOR CORPORATE BUSINESS FINANCING (EXCLUDING PROJECT FINANCING) UNTIL DISBURSEMENT;
- 2) REVIEW AND ENHANCEMENT OF STANDARD OPERATING PROCEDURES (SOP), POLICIES, CIRCULARS AND OTHER SUPPORTING DOCUMENTS;
- 3) MANAGEMENT OF CUSTOMER COMPLAINTS FOR THE BANK AT CUSTOMER SERVICE DEPARTMENT.



Issue date : 16 June 2017
Validity period : 03 June 2016 – 02 June 2019
Certification No. : AR 6513

SIRIM QAS International Sdn. Bhd.
IC Company No. 410334-XJ
1, Persiaran Dato' Menteri
Section 2, P. O. Box 7035
40700 Shah Alam
Selangor Darul Ehsan
MALAYSIA

Tel : 60-3-5544 6404
Fax : 60-3-5544 6787

Mohd Azanuddin Salleh
Managing Director
SIRIM QAS International Sdn. Bhd.



CERTIFICATE

IQNet and SIRIM QAS International hereby certify that

BANK MUAMALAT MALAYSIA BERHAD

LEVEL 22, MENARA BUMIPUTRA
NO. 21, JALAN MELAKA
50100 KUALA LUMPUR
WILAYAH PERSEKUTUAN
MALAYSIA

has implemented and maintains a

QUALITY MANAGEMENT SYSTEM

which fulfils the requirements of the following standard

ISO 9001:2015

for the following activities

- 1) PROCESSING OF APPLICATIONS FOR CORPORATE BUSINESS FINANCING (EXCLUDING PROJECT FINANCING) UNTIL DISBURSEMENT;
- 2) REVIEW AND ENHANCEMENT OF STANDARD OPERATING PROCEDURES (SOP), POLICIES, CIRCULARS AND OTHER SUPPORTING DOCUMENTS;
- 3) MANAGEMENT OF CUSTOMER COMPLAINTS FOR THE BANK AT CUSTOMER SERVICE DEPARTMENT.

Issued on : 16 June 2017

Validity date : 02 June 2019

Certification Number : MY- AR 6513




Michael Drechsel
President of IQNet


Mohd Azanuddin Salleh
Managing Director
SIRIM QAS International Sdn Bhd



IQNet Partners*:

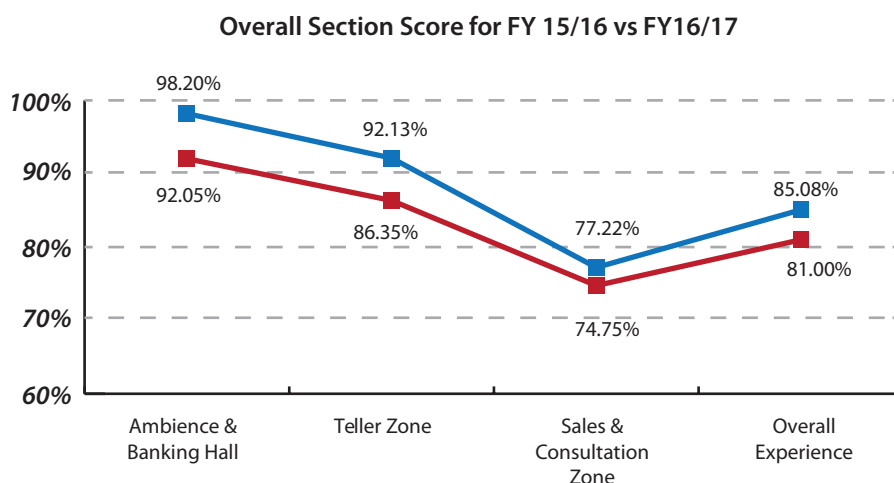
AENOR Spain AFNOR Certification France Vincotte Belgium APCER Portugal CCC Cyprus
CISQ Italy CQC China CQM China CQS Czech Republic Cro Cert Croatia DQS Holding GmbH Germany
FCAV Brazil FONDONORMA Venezuela ICONTEC Colombia IMNC Mexico Inspecta Certification Finland INTECO Costa Rica
IRAM Argentina JQA Japan KPC Korea MIRTEC Greece MSZT Hungary Nemko AS Norway NSAI Ireland PCBC Poland
Quality Austria Austria RR Russia SIGE Mexico SII Israel SIQ Slovenia SIRIM QAS International Malaysia
SQS Switzerland SRAC Romania TEST St Petersburg Russia TSE Turkey YUQS Serbia
IQNet is represented in the USA by: AFNOR Certification, CISQ, DQS Holding GmbH and NSAI Inc.

* This attestation is directly linked to the IQNet Partner's original certificate and shall not be used as a stand-alone document

RESPONSIBLE TO THE MARKET PLACE

5. Mystery Shopper

- The Mystery Shopper Programme continued to be an important measurement of branches level of service for the last six years.
- The average score of service index for FY2017 was 85.43%, a slight increase from last financial year service index of 84.11%.
- Out of 63 branches, 53 branches (84%) were categorised as excellent and good (index of 80% and above).



6. Moving Forward: Customer Service Excellence Blueprint

- The blueprint approved in March 2017, detailed service excellence plan and strategies at Bank Muamalat various critical touch points to make our service an enriching experience for customers.
- We believe great service will lead to delightful customers' experiences that will improve Bank Muamalat's ability to create greater customer loyalty.
- One of the main initiatives in the blueprint is #mesramuamalat programme. The programme is aimed to create friendly ("Mesra") atmosphere at branches while maintaining our professionalism as an Islamic bank.
- As part of Bank Muamalat's effort to understand and serve its customers better, Bank Muamalat will also implement a single bank-wide Customer Relationship Management System (CRMS).
- As a major customer retention strategy, the interactive system will manage and analyse customer interactions and data throughout customer's lifecycle.
- The system will allow personalised attention to customers so as to build loyalty via emphasizing on relationship-based business instead of transaction-based.

RESPONSIBLE TO THE ENVIRONMENT



We believe that sustaining our current environment is about protecting the future by making the right decision today. Knowing the importance of environmental degeneration, Bank Muamalat is committed to take measures to conserve, maintain and preserve the state of the environment for a better place for future generations ahead.

1. Managing our environmental impact

- In line with part of our business plan to harness digital technology and realising the importance of green environment, Bank Muamalat has been encouraging staff to manage their paper usage in printing and photocopying.
- Paperless: For a start, Bank Muamalat has decided to go paperless for all management meetings. This initiative was gradually implemented since 2011, proving Bank Muamalat's intention to become a more socially responsible financial institution.
- All meeting papers are uploaded to an online system that is readily accessible for the board of directors and the management committee members to browse via any device on internet.
- The implementation of reducing usage of papers went to the extent to have digital books (e-books) for selected books especially the Arabic references and economic e-books as an alternative to physical books
- Bank Muamalat believes that the digitalization strategy placed in our recent business plan will take us towards a paperless environment.
- Energy Efficiency: Bank Muamalat has also commenced the replacement of energy efficient bulbs at all offices and branches. The new light bulbs installed has an improved lifespan of 20,000 hours compared to the previous type of light bulbs which only has 5,000 hours of lifespan.
- Apart from the replacement of energy efficient bulbs, Bank Muamalat also rescheduled the centralised air-conditioner at Menara Bumiputra to operate within operation hours which reduces the electricity costs up to RM312,000 annually.
- Bank Muamalat continues its energy efficiency campaign by encouraging staff to switch off the lights and other electrical items when not in use.
- Chemical Waste: With Ar-Rahnu being a crucial part of Bank Muamalat's business, gold testing is among the procedure that is essential in Ar-Rahnu processes. Choosing to be a more socially responsible institution, Bank Muamalat's opted to use an improved technology device for gold testing to replace the old method which used acid test to determine the purity of gold.
- The new gold testing device does not only prove to be more accurate and efficient, it is also more environmentally friendly due to no chemical waste disposal involved .
- All the green initiatives above has allowed Bank Muamalat to save up to RM1.38 million annually which is believed to be a small amount compared to the environmental impact that can be accomplished through them.

2. Sea Coral Reefs Conservation Activities, Selakan Island, Sabah

- Bank Muamalat has initiated the first corporate programme to involve concurrent activities of scuba diving and charity with the main objective to focus on a remote community that is away from major towns and for our pioneer place, Selakan Island was chosen.
- Selakan Island is situated in the area of Tun Sakaran Marine Park, about 30-minute speed boat ride from Semporna town, Sabah. The only island in the Marine Park that has a Muslim settlement, majority of the households in Selakan Island live on floating houses comprising of 39 houses with approximately 350 occupants. Among economic activity of the community include growing sea weeds, fishing and collecting sea bounty.
- Basic facilities are very limited on the island with fresh water supply is only obtainable by collecting rainwater and the electricity is from a solar panel provided by the state government a few years



back. This island has a small mosque for the local community and a primary school for pre-school until Year 3 students.

- With the decline of coral reef habitats around the world, the importance of coral farming is becoming clear. Aiming to conserve sea coral reefs and with the support from Tun Sakaran Marine Park, Bank Muamalat decided to be directly involved in the propagation of sea coral reefs.
- Avid divers of Bank Muamalat and selective staff were trained on the process of taking, cutting and how to tie the sea corals to the steel frame which will be placed at the bottom of the sea as per advised by the Tun Sakaran Marine Park personnel.
- Through this programme, a plot of seabed was established as a site for any future sea coral reef conservation activities by Bank Muamalat and will be named as Bank Muamalat Sea Coral Park.
- Bank Muamalat is the first bank to embark in the sea coral propagation with Tun Sakaran Marine Park. The Bank hopes that this activity will become an inspiration for other corporate bodies to engage in coral conservation activities.

3. Seeding and Planting of Mangrove Trees and River Cruise Programme, Bagan Lalang

- Bank Muamalat Malaysia Berhad organised a “Seeding and Planting of Mangrove Trees” on the coast of Bagan Lalang, Sepang, Selangor which stemmed from the objective of fostering passion for nature and creating awareness among the employees of the importance in protecting and preserving mangrove forest eco-system that has been increasingly threatened with destruction.
- It also exposed the participants to the ways of planting mangrove trees while fostering the spirit of camaraderie among staff and the management as well as instilling good values among the participants.
- A total of 60 staff and family members participated in the programme.
- The programme is important in order to maintain coastal greenery in every state in Malaysia and to prevent erosion by the waves especially during a monsoon season.

- Bank Muamalat contributed RM5,000 to the MNS at the event in order to participate in the campaign for the conservation of mangrove trees and for the love of the environment.
- In addition to the event, Bank Muamalat also officiated the opening of a hut (pondok wakaf) located at Bagan Lalang beach for leisure and recreational use by visitors.
- A total of 80 mangrove trees were planted by the participants who had gained knowledge on how such trees live and their importance to the environmental eco-system and coastal areas.



ACCOUNTABILITY



STATEMENT ON CORPORATE GOVERNANCE

The Board of Bank Muamalat (The Board) acknowledges that good corporate governance is the cornerstone of an effective and responsible organisation. The Board is fully committed to achieving the highest standards of corporate governance in its management of the affairs of Bank Muamalat and its accountability to shareholders and other stakeholders in line with the Malaysian Code of Corporate Governance 2017 (MCCG 2017) as well as the Guidelines on Corporate Governance for Licensed Islamic Bank issued by Bank Negara Malaysia (BNM Guidelines on CG).

Therefore, the Board continuously strives to ensure that best practices are adopted in establishing accountability and integrity of the Board and Management. The Board will continue to ensure that the right leadership, policy, strategy and internal controls, are upheld in order to continuously deliver and sustain Bank Muamalat's value propositions for the benefit of its stakeholders generally whilst at the same time ensure continuous momentum towards reaching Bank Muamalat's aspirations to become the preferred Islamic financial services provider.

BOARD OF DIRECTORS

Board Structure & Composition

The present size and composition of the Board is well balanced. As presently constituted, the Board has the stability, continuity and commitment as well as the capacity to discharge its responsibilities effectively.

The Board currently comprises nine members. Six are Independent Non-Executive Directors, two are Non-Independent Non-Executive Directors (nominees of DRB-HICOM Berhad and Khazanah Nasional Berhad) and one is Executive Director (the CEO).

The current composition of the Board is in compliance with the BNM Guidelines on CG as majority of the Board members are Independent Directors.

The Non-Executive Directors do not participate in the day-to-day management of Bank Muamalat and do not engage in any business dealing or other relationship with Bank Muamalat in order to ensure that they remain capable of exercising independent judgment and act in the best interests of Bank Muamalat and its shareholders. The presence of a majority of Independent Non-Executive Directors provides effective check and balance in the functioning of the Board. Further, the Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest.

A brief profile of each member of the Board is presented on pages 18 to 26 of this Annual Report.

Roles & Responsibilities of the Board

The Board has the responsibility of ensuring the strategic guidance of Bank Muamalat, the effective monitoring of management, and accountability to Bank Muamalat and shareholders. In discharging their duties, the Board acts on well-informed basis, in good faith, with due diligence and care, and in the best interest of Bank Muamalat and stakeholders.

The Directors in discharging their duties and responsibilities are constantly mindful of the public interest and concern of the business community, particularly those of customers, shareholders and all other stakeholders.

The key duties of the Board include the following:-

- Review and approve strategies, business plans and significant policies and monitor management's performance in implementing them;
- Set corporate values and clear lines of responsibility and accountability that are communicated throughout the organisation;
- Ensure competent management;
- Ensure that the operations of Bank Muamalat are conducted prudently, and within the framework of relevant laws and policies;
- Ensures that Bank Muamalat establishes comprehensive risk management policies, processes and infrastructure, to manage the various types of risks;
- Institute comprehensive policies, processes and infrastructure to ensure Shariah compliance in all aspects of Bank Muamalat's operations, products and activities;
- Set up an effective internal audit department, staffed with qualified internal audit personnel to perform

internal audit functions, covering the financial, management and Shariah Audit;

- Establish procedure to avoid self-serving practices and conflicts of interest including dealings of any form with related entities;
- Ensure protection of the interests of the depositors, particularly investment account holders;
- Establish and ensure the effective functioning of various board committees;
- Ensure Bank Muamalat has a beneficial influence on the economic well-being of its community;
- Ensure development and implementation, and maintain an effective oversight over Bank Muamalat's Data Management and MIS Framework and ensure that the MIS Framework is aligned with business and risk strategies;
- Ensure establishment and adherence to the internal policies governing risk concentrations through annual review. The independent review is to be conducted regularly to verify compliance to the prudential limit and standards set by Bank Muamalat as well as the established internal policies;
- Ensure approval and oversight of Bank Muamalat's capital management framework and its related policies, processes and strategies;
- Ensure approval of capital allocation on risk-adjusted basis appropriate level of capital is maintained in line with the approved risk appetite and risk profile; and
- Ensure approval of proposed issuance, call or redemption of any capital instruments and ordinary shares and for proposed dividend payments and reinvestment.

The Non-Executive Chairman ensures the smooth functioning of the Board and that the procedures and processes are in place to facilitate effective conduct of business of the Board. The Chairman also ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.

The Chief Executive Officer is primarily responsible for the day-to-day management of Bank Muamalat. He is responsible for developing the business direction and strategies of Bank Muamalat and also to ensure that Bank Muamalat's business strategies and policies are effectively implemented.

Directors may also seek independent professional advice, at Bank Muamalat's expense, when deemed necessary for the proper discharge of their duties.

Board Charter

The Board Charter (Charter) formalizes the various roles and responsibilities of the Board, Board Committees and individual director of Bank Muamalat with the aim of streamlining and enhancing corporate governance practices towards transparency, accountability and integrity in boardroom activities.

The Charter incorporates the Principles and Recommendations of the MCGG 2017, certain aspects of the Bank's Constitutions and relevant sections of the Islamic Financial Services Act 2013 (IFSA 2013) and Companies Act 2016 as the duties and responsibilities of Directors are concerned.

The Board Charter covers the following areas:

- Board's Roles and Responsibilities
- Board Procedures
- Board Appointment/Removal and Composition
- Board Structure
- Culture

Board Meetings and Access to Information

Bank Muamalat's Board Meetings are scheduled in advance before the end of the financial year, specifically before the end of the calendar year, so as to allow members of the Board to plan ahead and fit the coming years' Board and Board Committees meetings into their respective schedules.

The Board meets every month with additional meetings convened as and when urgent issues and/or important decisions are required to be addressed between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

Ahead of each meeting, the Directors are provided with an agenda and appropriate meeting papers containing information relevant to the matters to be deliberated for their perusal. At each meeting, the Board receives updates

STATEMENT ON CORPORATE GOVERNANCE

from the respective Chairmen/representatives of the Board Committees on matters that have been deliberated at the Board Committees, as well as on matters that require attention.

In order to effectively discharge its duties, the Board has full and unrestricted access to the information of Bank Muamalat through the Senior Management as well as the services of the Company Secretary. The Company Secretary also ensures that a quorum is present at the commencement of each Board and Committees meeting in order to constitute a valid meeting.

To ensure that Directors do not have competing commitments that impair their ability to discharge their duties effectively, the Board has established a policy on

the maximum number of directorships/ positions in non-public listed companies and non-profit organisations that a Director can hold in Malaysia and offshore/ overseas, as follows:

- Maximum ten directorships in public listed companies
- Maximum fifteen directorships in non-listed public companies.

A director is allowed to hold directorships in institutions/ organisations to represent the interest of financial industry, non-profit organisations and statutory bodies/ government-owned companies and the number of such directorships will not be taken into account in computing the maximum limit.

The Board convened twelve meetings during the financial year ended 31 March 2017 and the attendance of each director in office during the financial year is set out below:-

Directors	Number of meetings		
	Held	Attended	%
Tan Sri Dato' Dr Mohd Munir Abdul Majid (Chairman/Independent Non-Executive Director)	12	12	100
Dato' Sri Che Khalib Mohamad Noh (Non-Independent Non-Executive Director)	12	10	83
Dato' Ahmad Fuaad Mohd Kenali (Non-Independent Non-Executive Director) *resigned w.e.f. 28 July 2016	5	4	80
Dato' Haji Mohd Redza Shah Abdul Wahid (Executive Director/Chief Executive Officer)	12	12	100
Dato' Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	12	11	92

Directors	Number of meetings		
	Held	Attended	%
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director) *resigned w.e.f. 12 October 2016	7	7	100
Tengku Dato' Seri Hasmuddin Tengku Othman (Independent Non-Executive Director)	12	11	92
Dato' Azmi Abdullah (Independent Non-Executive Director)	12	12	100
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director)	12	11	92
Dr. Azura Othman (Independent Non-Executive Director)	12	12	100
Ghazali Darman (Independent Non-Executive Director) *appointed w.e.f. 4 January 2017	3	3	100

All Directors have thus well complied with the requirement that Directors must attend at least 75% of the Board meetings held in each financial year in accordance with the BNM Guidelines on CG.

Company Secretary

The Company Secretary attends all Board meetings and ensures that accurate and proper records of the proceedings and resolutions passed are maintained in the statutory records at the registered office of the Company. The Company Secretary also facilitates timely communication of decisions made and policies set by the Board at Board meetings, to the Senior Management for action. The Company Secretary works closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management. The appointment and removal of the Company Secretary must be approved by the Board.

Training Programme for Directors

The Board assumes the responsibility to further enhance the skills and knowledge of the members on the relevant new laws and regulations and changing commercial risks, as well as to keep abreast with developments in the financial services industry. Each director attends at least one training programme, which is to be specifically

identified by Bank Muamalat for its directors during the financial year.

Board Appointment Process

Bank Muamalat is governed by the BNM Guidelines on CG in respect of the appointment of new directors and the re-appointment of its existing directors upon the expiry of their respective tenures of office as approved by BNM. All appointment of directors is subject to the approval by BNM.

The primary responsibility of the directors' appointment/re-appointment has been delegated to the Board Nomination & Remuneration Committee (NRC). The NRC comprises exclusively non-executive directors, with the Chairman and the majority of whom are independent. In line with the BNM Guidelines on CG, the NRC recommends to the Board suitable candidates for directorships and appointment of key senior personnel of the Bank and relevant subsidiaries. The NRC also ensures that candidates satisfy the relevant requirements on the skills and core competencies of a director and are deemed fit and proper to be appointed as director in accordance with the Fit and Proper criteria.

STATEMENT ON CORPORATE GOVERNANCE

The NRC has, during the year under review evaluated and recommended the appointment of the following director:

- i. Ghazali Darman as an independent non executive director

The Board considers that the recent appointment of the above director who brings his own unique skills, experiences and knowledge in the commercial sector with exposure in the financial related industry will ensure that the critical competencies gaps identified by the Board are appropriately addressed and provide fresh insights that would help Bank Muamalat overcome challenges ahead.

Re-election of Directors

In accordance with Bank Muamalat's Constitutions, all directors are subject to retirement by rotation at due intervals of rotation. Being eligible they may offer themselves for re-election, a process that enables the shareholders to vote them back into office.

Directors who are appointed as additional directors or to fill casual vacancies during the year are subject to re-election by the shareholders at the next Annual General Meeting following their appointment.

Tenure of Independent Directors

The tenure of an independent director is capped at nine (9) years and the nine (9) years can either be a consecutive service of nine (9) years or a cumulative service of nine (9) years with intervals or upon expiry of the prevailing term as approved by BNM, whichever is the later date.

A director who has served the Board as an independent director for a cumulative period of nine (9) years is required to submit his resignation letter as an independent director to the Board at least three (3) months from the date of his ninth anniversary as independent director. In the event that the director is reappointed, he should be considered as a non-independent director.

Notwithstanding the above, the Shareholders may in exceptional cases and subject to the assessment of the NRC decide that an independent director can remain as an independent director after serving the cumulative term of nine (9) years, subject to BNM's approval.

A director may also continue to serve as a member of the Board beyond the age of seventy (70) years, if the NRC has concluded and the Board has concurred and subject to his/her re-appointment as director being approved by shareholders.

Evaluation of Board Performance

One of the broad responsibilities of the NRC is to provide a formal and transparent procedure for the assessment of effectiveness of individual directors and the Board as a whole. In line with the BNM Guidelines on CG and for this purpose, the NRC had conducted and established clear selection criteria, processes and procedures to assess each director's ability to contribute to the effective decision making of the Board. In addition, assessment would also be undertaken to gauge the effectiveness of the relevant Board Committees.

The annual board assessment exercise was primarily based upon the answers to a customised questionnaire which was prepared internally.

BOARD COMMITTEES

The Board has established several Board Committees whose compositions and terms of reference are in accordance with the BNM Guidelines on CG as well as best practices prescribed by the MCCG 2017.

The Board Committees in the Bank are as follows:-

1. Board Audit Committee

The Board Audit Committee (BAC) comprises exclusively Non-Executive Directors of the Board, responsible to fulfill the oversight function in relation to the adequacy and integrity of system of internal controls and financial reporting, risk management and compliance with internal policies, procedures and external applicable rules and regulations.

The Board Audit Committee is authorised by the Board to investigate any matter within its Terms of Reference and has full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The BAC has full and unrestricted access to information and be able to obtain independent professional advice.

The composition of the BAC and the attendance of the meetings held in the year under review are as follows:-

Members of Audit Committee	Number of meetings		
	Held	Attended	%
Tengku Dato' Seri Hasmuiddin Tengku Othman (Chairman/Independent Non-Executive Director) *resigned as Chairman w.e.f. 30 August 2016	16	15	94
Dr. Azura Othman (Independent Non-Executive Director) *appointed as Chairman w.e.f. 1 September 2016	16	16	100
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director) *resigned w.e.f. 12 October 2016	8	8	100
Dato' Azmi Abdullah (Independent Non-Executive Director)	16	16	100
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director)	16	15	94
Ghazali Darman *appointed w.e.f. 10 January 2017	4	4	100

The objectives and activities carried out by the BAC during the year under review are summarised in the Statement of Internal Control as stated in pages 110 to 111 of this Annual Report.

2. Board Nomination & Remuneration Committee

The Board Nomination Committee and Remuneration Committee were combined in September 2016 to become the NRC which provides a formal and transparent procedure for the appointment of directors, CEO and members of Shariah Committee as well as assessment of effectiveness of board as a whole, Shariah Committee members and performance of CEO and key senior management officers.

STATEMENT ON CORPORATE GOVERNANCE

The NRC also provides a formal and transparent procedure for developing a remuneration policy for Directors, CEO and key senior management officers and ensuring that Bank Muamalat's compensation package is competitive and consistent with its culture, objectives and strategies.

In addition, the NRC is also responsible for developing remuneration policy for the Shariah Committee members that commensurate with their roles and responsibilities. The NRC will then recommend the proposed remuneration package to the Board for its approval.

The NRC comprises Non-Executive Directors and the Chairman who is independent. Meetings are held as and when required for the NRC to deliberate on related matters. The members of the NRC and the attendance for the year under review are as follows:-

Members of Board Nomination Committee	Number of meetings		
	Held	Attended	%
Tengku Dato' Seri Hasmuddin Tengku Othman (Chairman/Independent Non-Executive Director)	6	6	100
Dato' Sri Che Khalib Mohamad Noh (Non-Independent Non-Executive Director)	6	4	67
Dato' Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	6	5	83
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director) *resigned w.e.f. 12 October 2016	6	6	100
Dato' Azmi Abdullah (Independent Non-Executive Director)	6	6	100

Members of Board Remuneration Committee	Number of meetings		
	Held	Attended	%
Dato' Azmi Abdullah (Chairman/Independent Non-Executive Director)	5	5	100
Dato' Sri Che Khalib Mohamad Noh (Non-Independent Non-Executive Director)	5	3	60
Dato' Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	5	5	100
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director) *resigned w.e.f. 12 October 2016	5	5	100
Tengku Dato' Seri Hasmuddin Tengku Othman (Independent Non-Executive Director)	5	5	100

Members of Board Nomination & Remuneration Committee	Number of meetings		
	Held	Attended	%
Tengku Dato' Seri Hasmuiddin Tengku Othman (Chairman/Independent Non-Executive Director)	5	5	100
Dato' Sri Che Khalib Mohamad Noh (Non-Independent Non-Executive Director)	5	3	60
Dato' Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	5	4	80
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director) *resigned w.e.f. 12 October 2016	1	1	100
Dato' Azmi Abdullah (Independent Non-Executive Director)	5	5	100

The primary duties and responsibilities of the NRC are as follows:-

- Establishing minimum requirements for the Board that is, required mix of skills, experience, qualification and other core competencies required of a director. The NRC is also responsible for establishing minimum requirements for the CEO. The requirements and criteria should be approved by the full board;
- Recommending and assessing the nominees for directorship, board committee members, and Shariah Committee members as well as the CEO;
- Overseeing the overall composition of the Board, in terms of the appropriate size and skills, and balance between executive directors, non-executive directors and independent directors through annual review;
- Recommending to the Board the removal of a director/CEO/Shariah Committee member from the Board/management/committee if the director/CEO/Shariah Committee member is ineffective, errant and negligent in discharging his responsibilities;
- Establishing a mechanism for the annual formal assessment on the effectiveness of the board as a whole, assessment of the performance of individual directors, the performance of the CEO and other key senior management officers (Executive Vice President (EVP) and above);
- Ensuring that all directors and Shariah Committee members receive an appropriate continuous training program in order to keep abreast with the latest developments in the industry;
- Overseeing the appointment, management succession planning and performance evaluation of key senior management officers;
- Recommending to the board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities;
- Assessing , on annual basis, to ensure that the directors and key senior management officers are not disqualified under the Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions (BNM/GPS1);
- Providing a formal and transparent procedure for developing the remuneration for directors, board committee members, CEO, Shariah committee and key senior management officers and to ensure that their compensation is competitive and consistent with Bank Muamalat's culture, objectives and strategy;
- Recommending to the Board on the policies, strategies and framework for the Bank in relation to the remuneration, rewards and benefits; and
- Recommending the remuneration of the Shariah Committee members for the full board's approval. The remuneration shall commensurate and reflect the roles and responsibilities of the Shariah Committee.

STATEMENT ON CORPORATE GOVERNANCE

3. Board Risk Management Committee

The Board Risk Management Committee (BRMC) is authorised to oversee Management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning. In addition, the BRMC is also responsible for ensuring that a comprehensive risk management infrastructure is in place for managing the risk associated with Mudharabah and Musharakah financing or investments.

The composition and the attendance for the year under review of the Board Risk Management Committee are as follows:-

Members of Board Risk Management Committee	Number of meetings		
	Held	Attended	%
Dato' Azmi Abdullah (Chairman/Independent Non-Executive Director)	13	13	100
Dato' Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	13	9	69
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director) *resigned w.e.f. 12 October 2016	7	7	100
Tengku Dato' Seri Hasmuddin Tengku Othman (Independent Non-Executive Director)	13	13	100
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director)	13	12	92

The objectives and activities carried out by the Board Risk Management Committee during the year under review are summarised in the Statement on Risk Management as stated in pages 112 to 119 of this Annual Report.

4. Shariah Committee

The Shariah Committee was established in accordance with the requirements of the Islamic Financial Services Act 2013 as well as Bank Muamalat's Constitutions, which prescribe the setting up a Shariah body to ensure that Bank Muamalat's conduct its affairs in accordance with the Shariah principles. Members of the Shariah Committee are scholars renowned for their knowledge and experience in Fiqh Muamalat.

Further details of the Shariah Committee are set out on Pages 28 to 35 of this Annual Report.

5. Internal Audit and Control Activities

The Board has the overall responsibility in maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations and compliance with laws and regulations, as well as internal procedures and guidelines.

The Statement on Internal Control and activities of Bank Muamalat are summarized on page 110 of this Annual Report

6. Related Party Transactions

The details of related party transactions of Bank Muamalat are disclosed on pages 243 to 244 under the Audited Financial Statement for the financial year ended 31 March 2017 of this Annual Report.

7. Management Reports

At every Board meeting, management reports on the progress of projects undertaken by Bank Muamalat pertaining to products and services, information technology, recruitment, human resource, policies and procedures, regulatory requirement as well as income and expenses are submitted to the Board for review.

8. Corporate Responsibility

As part of its shared values, Bank Muamalat is continuously developing and strengthening its relationship with the community. Through its Corporate Responsibility initiatives, Bank Muamalat willingly gives back to the community not just in monetary terms but also through the provision of products, services as well as educating the public on the importance of Islamic financial services through a series of 'ceramahs'.

Further details of the Corporate Responsibility Initiatives are set out on Pages 72 to 78 of this Annual Report.

STATEMENT ON INTERNAL CONTROLS

THE STATEMENT ON INTERNAL CONTROLS IS MADE PURSUANT TO BEST PRACTICES AS DEFINED BY MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 BY SECURITIES COMMISSION TO INCLUDE IN ITS ANNUAL REPORT A STATEMENT ABOUT THE STATE OF ITS INTERNAL CONTROL. THE STATEMENT IS CRUCIAL AS IT OUTLINES THE PROCESSES TO BE ADOPTED BY THE BOARD IN REVIEWING THE ADEQUACY AND EFFECTIVENESS OF INTERNAL CONTROL SYSTEM OF BANK MUAMALAT.

RESPONSIBILITY

The Board recognises the importance of maintaining a sound system of internal controls and risk management practices as well as reviewing their adequacy and effectiveness to safeguard shareholders value. Robust and dynamic risk management and internal controls are vital in ensuring stability of the business in facing rapid changes of business operations today. The Board reviews and is ultimately responsible for the adequacy and integrity of the internal control systems in Bank Muamalat in addressing business and operational risks.

The Board diligently exercises overall responsibility in ensuring that Bank Muamalat's system of internal controls is adequate and effective to manage the risk profiles within Bank Muamalat's risk appetite. It is pertinent to note that, such a system is designed to manage Bank Muamalat's key areas of risks within an acceptable risk appetite, rather than to guarantee total elimination of risk of failure to achieve Bank Muamalat's objectives and goals. As such, the system of internal controls can only provide reasonable rather than absolute assurance of effectiveness against material misstatements of financial information or against fraud or financial losses. The concept of reasonable assurance also acknowledges that the control procedures cost should not exceed the expected benefits.

The Board is of the opinion that, for the period under review up to the issuance date of the annual report and financial statements, the system of internal controls in place at Bank

Muamalat is appropriate and adequate to safeguard the stakeholders' interest and its assets. The control structure and process which have been instituted throughout Bank Muamalat are reviewed and enhanced from time to time as to suit the changes in Bank Muamalat's business environment and risk appetite. As at the date of approval of this statement, the improvement of the internal controls system remained in place.

The role of Management includes:

- Identifying and evaluating the risk faced, and the achievement of business objectives and strategies;
- Formulating relevant policies and procedures to manage these risks;
- Designing, implementing, and monitoring a sound system of internal control;
- Implementing the policies approved by the Board; and
- Reporting in a timely manner to the Board any changes to the risks and corrective actions taken.

Internal Audit Function

- Internal Audit Department ("IAD") conducts independent audits and provide reasonable assurance and value-added recommendations on the adequacy and effectiveness of the system of internal controls and financial reporting, and compliance with internal policies and procedures, and external applicable rules and regulations. They evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach. Audit reviews are carried out using risk-

based approach on units, branches, and key business processes based on annual audit plan approved by the Board Audit Committee ("BAC") taking into consideration Bank Muamalat's objectives, business and regulatory environment, and input of the Senior Management, Shariah Committee, and the Board.

- The Management Audit Committee ("MAC") is a management committee chaired by the Executive Vice President, Finance Division comprising senior level representatives of Bank Muamalat from a broad range of business and support units. The MAC meets regularly to deliberate on the findings of all audit reports and decide on the appropriate action required to resolve the audit issues.
- The BAC meets on a scheduled basis to review the findings, recommendations, and action plans reported by IAD, Management, External Auditors, and Regulatory Authorities. It has the authority and is empowered by the Board to review the adequacy and effectiveness of the Bank Muamalat's internal control system. It also reviews the internal audit function and the scope of the annual audit plan and frequency of the internal audit activities. Minutes of the BAC meeting are then tabled to the Board.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements incorporated by the Board, which contributes to an effective internal controls system includes:

Organisation Structure

Establishment of a formalised organisation structure that provides clear demarcation of reporting and responsibility for ensuring proper assignment of authorities, segregation of duties, and accountability towards Bank Muamalat.

Business Plan and Budget

Annual business plan and budget are prepared and submitted to the Board for approval, where performance achievements are reviewed against the targeted results on monthly basis to allow corrective actions to be taken to mitigate risks. The Board reviews regular reports from the Management on the key financial and operating statistics, as well as legal and regulatory matters.

Policies and Procedures

The Board approves any changes or updates to Bank Muamalat's policies. Bank Muamalat's policies and procedures are established and formalised to ensure compliance with internal controls and the relevant laws and regulations, which are set out in the respective manuals, guidelines, and directives issued by Bank Muamalat and the regulatory authorities that updated from time to time.

Defined authority limits have been established for each level within Bank Muamalat to approve acquisition and disposals of assets, approval of credit items, writing off operational and credit items, as well as approving expenses.

In regards to Bank Muamalat's commitment towards its Whistle Blowing Policy, the Board has established Muamalat Ethics Line to enable employees to raise concerns in a responsible manner regarding any unprofessional or unethical conduct, and to have such concerns properly investigated. All disclosures under this Policy will be managed by a third party appointed by Bank Muamalat and will be treated as strictly confidential.

STATEMENT ON RISK MANAGEMENT

Overview

Risk is inherent in every aspect of the Bank's business activities. Key among these are credit, market, liquidity, operational, strategic, reputational, and compliance risks. As a full-fledged Islamic financial institution (IFI), the Bank also faces the additional risk of Shariah non-compliance. Failure to manage these risks effectively could result in financial loss, regulatory sanctions and penalties as well as reputational damage, which in turn may adversely impact the Bank's ability to execute its business strategies.

Bank Muamalat undertakes an integrated approach towards risk management to ensure that these risks and their unique interactions are properly identified, addressed and managed in a comprehensive and holistic manner. The Bank's risk framework and structure are built on formal governance processes that set out the roles and responsibilities for risk management activities as well as their overall governance and oversight.

The defined risk management framework and clearly articulated risk appetite statements work together to ensure a comprehensive approach to risk management. Risk management strategies are formed with due consideration of the Bank's risk appetite, business strategies and objectives, identified and quantified risks, and the required monitoring and control environment. Apart from ensuring sound management and control of these principal risks, the integrated risk framework also enables the Bank to optimise use of resources as well as to identify and secure its strategic and competitive advantage.

Risk Governance

The risk management framework incorporates risk governance and oversight structure where roles, responsibilities and accountability for the management of risk are clearly outlined. It also provides a blueprint for how the Board, through delegation of authority to committees and executive officers, establishes and executes risk appetite and associated limits for business activities.

The Board of Directors is responsible for the overall risk governance and oversight which include determination of risk strategies, defining Bank Muamalat's risk appetite, and ensuring effective of control and monitoring of risks. The Board oversees risk management function through a clearly defined and effective risk management structure, which includes board and management level committees with distinct roles and responsibilities and discretionary authority.

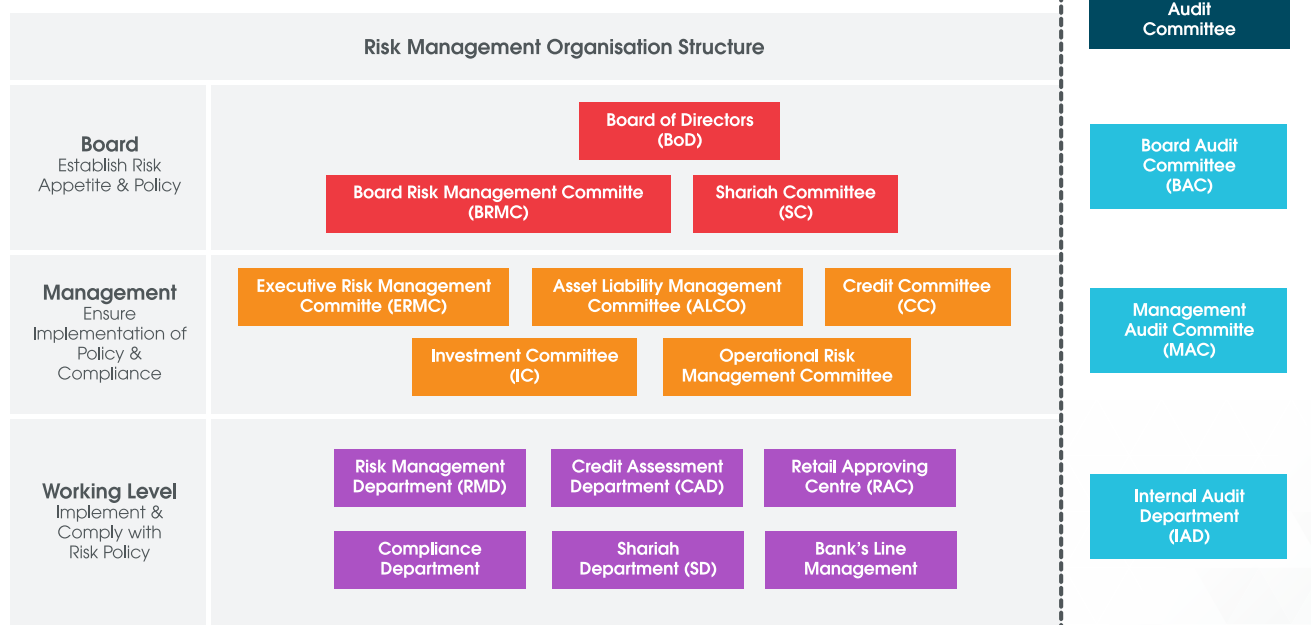
Management is responsible for tracking and reporting performance measurements as well as any exceptions to guidelines or limits. The Board and its committees oversee financial performance, execution of the strategic and business plans, adherence to risk appetite limits and the adequacy of internal controls.

Risk Management Organisation Structure

Bank Muamalat's risk governance structure consists of board and management level committees as well as risk control units who are guided and managed by a reporting hierarchy to enforce the overall governance and oversight of risks. Each committee and control unit has its own delegated roles, responsibilities and authorities.

The Board maintains the ultimate responsibility for overall risk governance and management. It is responsible for ensuring that the risk management structure is clearly defined and performs effectively. This includes determination of risk strategies and risk appetite and ensuring effective of control and monitoring of risks.

RISK GOVERNANCE



STATEMENT ON RISK MANAGEMENT

The Board is supported by two board-level committees, namely the Board Risk Management Committee (BRMC) and the Shariah Committee (SC), each with distinct roles and responsibilities. The committees, through the authorities delegated by the Board, execute and implement the Bank's strategies, policies and methodologies and ensure that these are kept in line with the Board's vision.

BRMC is a board-level forum that focuses and deliberates on all risk management issues. The committee oversees and ensures effective management of risks and enforcement of approved risk tolerances and limits. It is also responsible for reviewing and assessing the existing risk management framework for its continued efficacy and for ensuring that robust infrastructure and systems as well as resources are in place to effectively monitor risk and capital positions.

Shariah compliance management is enforced by the Board through the SC. SC functions independently from the Board and is tasked with the responsibility of understanding Shariah issues in all activities assumed by the Bank. SC also serves as advisory to the Board and management team on all Shariah matters. Shariah management and compliance are closely aligned to ensure that Bank Muamalat has a full view of all risks and is able to put forth an integrated and end-to-end Shariah compliance management.

Management formulates and reviews strategic and business plans, as well as capital plan and risk appetite statement, annually and recommends them to the Board for approval. The strategic plan takes into consideration the Bank's financial objectives and resources, which must align with its risk capacity and risk appetite. Financial objectives for each business line are established by setting growth and return targets and allocating capital for each business. Management would then assess the overall performance and risk-adjusted returns of each business line against the set targets and indicators. Capital allocations and operating limits are regularly evaluated as part of the overall governance processes as businesses and economic environment would continue to evolve.

Management-level risk committees are set up to oversee specific risk areas and perform risk control functions. These include asset-liability management, credit evaluation and management, investment management, and operational risk management. A dedicated Risk Management

Department supports the above committees by performing the day-to-day risk management functions independent from the business lines and targets.

Bank Muamalat's risk governance structure is based on a distributed function approach, where risk governance and management is undertaken under the Three Lines of Defence model. All units have a specific responsibility for risk management under the above model.

The first line of defence in managing risks lies within the business units where risks are directly undertaken and assumed in the day-to-day business activities and operations. As front-liners, the business units are responsible for carrying out the established processes for identifying, mitigating and managing risks within their respective environment in alignment with Bank Muamalat's strategic targets.

The second line, which comprises risk management control functions and compliance, ensures independent oversight and management of all material risks undertaken by the Bank. The risk management function provides specialised resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control. It also provides the control function, which monitors the risks by using various key indicators and reports, guided by established risk appetite and tolerance limits.

Internal Audit, as the third line of defence, provides independent review and assurance on adequacy of risk management processes and effectiveness of the first two lines of defence in fulfilling their mandates.

Risk Appetite

Bank Muamalat's risk appetite framework comprises a governance structure, processes and risk appetite statements (RAS). It is intended to ensure that Bank Muamalat maintains an acceptable risk profile by providing a common framework and a comparable set of measures for senior management and the Board to clearly indicate the level of risk the Bank is willing to accept. It also serves as a foundation and reference for Bank Muamalat's risk culture and provides guidance for business and risk-taking activities as well as decision making.

RAS is set annually in conjunction with the strategic, capital and business plans to align risk appetite with Bank Muamalat's strategies and financial resources. It incorporates key performance indicators such as earnings volatility, liquidity and capital ratios, where strategic tolerance levels are stated to facilitate ongoing monitoring and oversight.

The risk appetite defines risk capacity in terms of capital levels required to support business activities as well as capital buffers deemed adequate to meet regulatory and strategic requirements. As overall risk capacity is limited, the Bank needs to prioritise the risks it takes on in order to maintain a strong and flexible financial position to weather through challenging economic conditions and take advantage of organic growth opportunities.

Thus, objectives and targets for capital and liquidity are set with the intention to allow Bank Muamalat to operate in a safe and sound manner at all times, including during periods of stress. Business units operate within stated risk limits which are based on the amount of capital, earnings or liquidity that Bank Muamalat is willing to put at risk to achieve its strategic objectives and business plans. Risk management strategies are formed in line with the RAS as it provides the basis for risk-taking boundaries, tolerance limits and measures.

Capital Management

Bank Muamalat's capital management framework outlines the governance and approach for managing capital. The framework was developed according to the capital standards outlined in the BNM's CAFIB guidelines and adopts forward-looking and risk-based approaches and principles derived from industry's best practices.

The objective of capital management is to ensure capital resources are effectively and efficiently used in pursuing the Bank's business and strategic targets. Capital requirements are assessed in conjunction with strategic and business plans and the annual capital plan is developed to ensure sufficient capital is maintained to meet business needs and support the risks associated with these activities.

Bank Muamalat applies Standardised Approach for credit and market risks and the Basic Indicator Approach for operational risk to determine its risk-weighted assets and capital requirement. As prescribed under the ICAAP, other

possible major risks that are not covered under these measurement approaches are also assessed to determine further capital requirement, if any.

The capital position is closely monitored against capital plan and internal targets to ensure that it remains within set targets or if necessary, to trigger preemptive or remedial actions. Stress tests are periodically performed to evaluate the impact of macro-economic and risk factors on capital levels and to formulate appropriate capital management strategies.

Stress testing is also used to identify early warning signs and potential risk events that may adversely impact Bank Muamalat's risk profile and business direction. It is also used to determine the appropriate capital buffers needed to ensure that the minimum regulatory ratios are not breached under actual and stressed scenarios.

The capital planning and management framework is also used to ensure that adequate capital buffer is held under normal and projected adverse conditions. Hence, the annual capital plan addresses any capital issuance requirements, capital instrument composition and maturity profile, and capital crisis contingency planning.

Managing Risks

Bank Muamalat's risk management framework stipulates the oversight structure and policies that outline the applicable principles, processes, control mechanisms and methodologies used to manage risks. The framework also specifies clear responsibilities for risk management activities as well as the reporting requirement and ongoing monitoring of these activities.

Risk management strategies are formulated and implemented to ensure that risks are effectively addressed and managed. Risk strategies are also developed with the aim of balancing risks with business objectives and ensuring growth plans are supported by a well-defined and effective risk infrastructure.

The risk infrastructure is continuously updated and upgraded for the latest risk management approaches and processes to enable timely identification, measurement and response to existing and emerging risks in tandem with the Bank's risk profile and operating environment.

STATEMENT ON RISK MANAGEMENT

Credit Risk Management

Credit risk is defined as the risk of financial loss if a customer or counterparty fails to meet its obligations as they fall due. It is a primary source of risk as Bank Muamalat's financial assets comprise mainly retail and wholesale financing portfolios and investment securities.

Bank Muamalat's has established a comprehensive credit risk management framework which comprises policies, processes, measurement methodologies, and a reporting and oversight structure. Credit underwriting and management is governed by a set of credit-related policies, namely the Credit Risk Policy (CRP) and Guidelines to Credit Risk Policies (GCRP). They outline Bank Muamalat's policies on credit risk such as financing underwriting standards, pricing policy, risk rating, approving authority limits, prudential limits, risk mitigation, review process, rehabilitation and restructuring, and provisioning for impaired financing. The policies are reviewed and updated regularly to ensure its continued relevance and effectiveness.

Credit risk management involves measurement, mitigation and management of credit risk exposures at every stage of the credit process. At origination and onboarding, business units are guided by credit underwriting standards, rating models and pricing policy. Credit proposals are subjected to independent evaluation and risk assessment prior to approval. Credit limits are sanctioned under a well-defined approving authority structure to ensure credit decision making are undertaken under prudent and proper governance. These authority limits are approved by the Board and are subject to periodic review to ensure its effectiveness and compliance.

Bank Muamalat monitors and manages credit exposures based on concentration and portfolio segments to ensure ongoing compliance to risk appetite and tolerance level. Reports on trend analysis, limit exposures and risk profiling and analytics are produced and deliberated at risk management committees on a regular basis.

Exposures to delinquent and problematic financing assets are monitored and managed by an independent support unit that focuses and specialises on restructuring and

recovery activities. Early warning triggers are used to identify potentially distressed accounts to initiate timely remedial actions. Such exposures are actively monitored to ensure delinquency is kept within tolerable limits.

Market Risk & Asset-Liability Management

Market risk is defined as risk of losses in on and off-balance sheet positions resulting from movements in market rates, foreign exchange rates, equity and commodity prices, which may adversely impact earnings and capital positions.

The risk is inherent in the financial instruments held in Bank Muamalat's asset and liability portfolios. In the event of market stress, these risks could have a material impact on Bank Muamalat's financial performance due to changes in economic value based on varying market conditions, with one of the primary risks being changes in the levels of interest rates.

The risk of such adverse changes arising from fluctuations in interest rates is managed through our Asset-Liability Management (ALM) activities. ALM refers to the coordinated management of Bank Muamalat's balance sheet and its composition. The main focus of ALM is on the overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Bank.

Bank Muamalat's risk management framework addresses both market risk and asset-liability management, where market risk exposures are managed and controlled in order to optimise return on risk and maintain a market profile that is consistent with the approved strategic and business plan.

The framework covers key risk management practices such as risk identification, measurement, mitigation, monitoring and control, which are performed under a formal governance and oversight structure. An independent market risk control function is responsible for measuring risk exposures according to established policies and guidelines and reports to the Asset Liability Working Committee (ALCO) on a monthly basis. Balance sheet and

capital management issues and strategies are discussed at the ALCO and later escalated with recommended action plans to the ERM, BRMC and Board respectively.

The above market risk and ALM management process is governed by the Market Risk & ALM Policies and Guidelines (MRAPG) and Trading Book Policy Statement (TBPS).

Rate of Return Risk

Rate of return risk refers to the variability of assets and liabilities resulting from volatility of market benchmark rates, impacting portfolios both in the trading and banking books. Such changes may adversely affect both earnings and economic value.

Bank Muamalat's uses various measurement tools and analysis to study the impact of market rate changes on earnings and balance sheet profile to manage the said exposure. These include earnings at risk ('EaR'), economic value of equity ('EVE') and re-pricing gap analysis. In addition, the value at risk (VaR) approach is used to estimate the maximum potential loss of an investment portfolio over a specified time.

Risk tolerance limit are built along these sensitivity measurement to manage and mitigate the related risk exposures. The following rate of return risks are actively managed by the Bank:

Risk	Definition
Repricing Risk	Timing differences in maturity and re-pricing of Bank's assets and liabilities
Yield Curve Risk	Unanticipated yield curve shifts that has adverse impact on Bank's income and economic values
Basis Risk	Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar re-pricing characteristics
Optionality/ Embedded Option Risk	The risk arising from options embedded in Bank's assets, liabilities and off-balance sheet portfolio

Liquidity Risk

Liquidity risk is best described as the inability to fund any obligation on time as they fall due, whether due to increase in asset or demand for funds from the depositors. Bank Muamalat will incur liquidity risk if it is unable to create liquidity and this has serious implications on its reputation and continued existence.

Bank Muamalat's priority is to therefore manage and maintain a stable source of financial resources toward fulfilling the above expectation. Through active balance sheet management, Bank Muamalat ensures sufficient cash and liquid assets are made available to meet both short and long term obligations.

The primary focus of liquidity management is to assess all cash inflows against outflows to identify the potential for any net shortfall going forward. This includes funding requirements for off-balance sheet commitments.

Bank Muamalat pays particular attention to its ability to cover any shortfall in liquidity for up to one month time period followed by a medium-term assessment of liquidity of up to one year. The measurement and limits used to monitor and manage liquidity risk are as prescribed under the BNM's liquidity framework, namely the New Liquidity Framework (NLF), Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). To mitigate the risk, Bank Muamalat employs a funding diversification strategy and establishes a liquidity contingency plan.

For ongoing management and monitoring of liquidity and funding positions, Bank Muamalat establishes risk tolerance and limits within the applicable risk appetite metrics and provides monthly reporting of its asset, liability and liquidity positioning. Bank Muamalat has also established a comprehensive liquidity crisis contingency framework with set triggers and management action plan.

To ensure its readiness in dealing with liquidity crisis, Bank Muamalat has set up a pre-crisis management framework with a built-in and structured crisis response mechanism, which allows quick identification of potential liquidity crisis before it occurs. The process involves continuous monitoring of various indicators which act as early-warning signals of impending crisis situation in different severity levels.

STATEMENT ON RISK MANAGEMENT

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from various external events. It may occur anywhere within the organisation, including in third-party business processes, and is not limited to operation functions. The effects of operational risk may extend beyond financial losses and may result in legal and reputational risk impacts.

Operational Risk Management (ORM) therefore focuses on effective management of risks to minimise possible financial and non-financial losses arising from operational lapses. The key risk organs under the operational risk framework are the Operational Risk Management unit, Operational Risk Management Committee (ORMC), Internal Audit, Compliance and the business lines.

The management of operational risks is targeted at preventing risk events and damages (by in-process and managerial controls), handling critical situations (via contingency plans and business continuity management (BCM)) and mitigating potential losses (collaterals).

By establishing and operating a system of control procedures that commensurate with its risks, Bank Muamalat aims to limit its exposures to an acceptable level in accordance with the risk appetite. In addition, Bank Muamalat has established a web-based application, known as Muamalat Operational Risk Solution (MORiS), which is used as a tool in risk identification and assessment, a tracking mechanism of risk exposures against established key risk indicators (KRI), and a centralised database for loss incidents and near-misses.

Bank Muamalat adopts the BNM's Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangement of key resources and procedures that would enable Bank Muamalat to respond and continue to operate critical business functions across a broad spectrum of interruptions to business arising from internal or external events. Under the BCM, the Business Continuity Plan (BCP) is prepared based on risk assessment and business impact analysis performed on identified potential threats to business functions. The business impact analysis also aims to identify critical business functions' recovery time objective and maximum tolerable downtime given Bank Muamalat's resources and infrastructure.

Shariah Risk Management

Shariah non-compliance risk is defined as the risk that arises from failure to comply with the Shariah rules and principles as determined by the Shariah Committee (SC) of The Bank's and relevant Shariah regulatory councils or committees.

To manage Shariah risk, the Bank has established the Shariah Risk Management Unit (SRMU) as part of its integrated risk management framework, which is in accordance with BNM's guidelines on Shariah Governance Framework (SGF).

SRMU's main responsibilities include formulation of policies and guidelines on Shariah risk management and the required governance and oversight processes. These include the approaches for identification and assessment of Shariah non-compliance risks in business activities, products and services, and assessment of the effectiveness of existing controls and mitigation plan. SRMU also performs assessment of new and existing products, services and operating procedures from Shariah risk perspective and conducts training and awareness programme on Shariah risk to promote a Shariah compliance risk culture.

Strategic Risk Management

Strategic risk is defined as the risk of unexpected negative developments in Bank Muamalat's performance stemming from fundamental strategic and business decisions and their execution. The risk may result from incorrect assumptions about external or internal factors, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments.

In assessing and managing strategic risk, the Bank's looks at risks associated with its current and future business plans and strategies and identify situations which can be of potential threat to achieving the strategic objectives. These may include plans for entering into new businesses, expansion of existing products and services, and enhancement or replacement of infrastructure, such as those involving information technology, networking and outsourcing.

Reputational Risk Management

Reputational risk is the risk of loss arising from negative perception of Bank Muamalat's image by its conduct or business practices, which could adversely impact profitability, operations or shareholder value.

Reputational risk generally arises from failure to effectively manage all other types of risks. Bank Muamalat therefore places high importance on overall risk governance and in particular, on ensuring compliance to the Shariah tenets. As a full-fledged Islamic financial institution, negative perception on the part of its customers and other stakeholders could lead to significant and sustained brand damage and other adverse consequences.

Bank Muamalat manages reputational risk through established policies and controls in its businesses and risk management processes to mitigate reputational risks in a timely manner and through proactive monitoring and identification of potential reputational risk events. The integrated risk governance structure provides oversight of all risks including those which could potentially lead to reputational risks.

To ensure its readiness to respond to a potential risk event, Bank Muamalat assesses its internal capability to manage reputation risk and understand the external impact of the risk event materialising. The processes and procedures to respond to events that give rise to reputational risk include educating individuals and organisations that influence public opinion, external communication strategies to mitigate the risk, and informing key stakeholders of potential reputational risks.

Managing reputational risk is the responsibility of all individuals within the organisation, particularly those who are directly involved in making commercial decisions in their respective functions or business lines.

STATEMENT ON COMPLIANCE

Bank Muamalat recognises that compliance risk and obligations have to be managed proactively and effectively, with the culture of compliance embedded across all business activities of Bank Muamalat. Regulatory compliance risk is defined as risk or failure to comply with applicable legal and regulatory requirements impacting Bank Muamalat's operations.

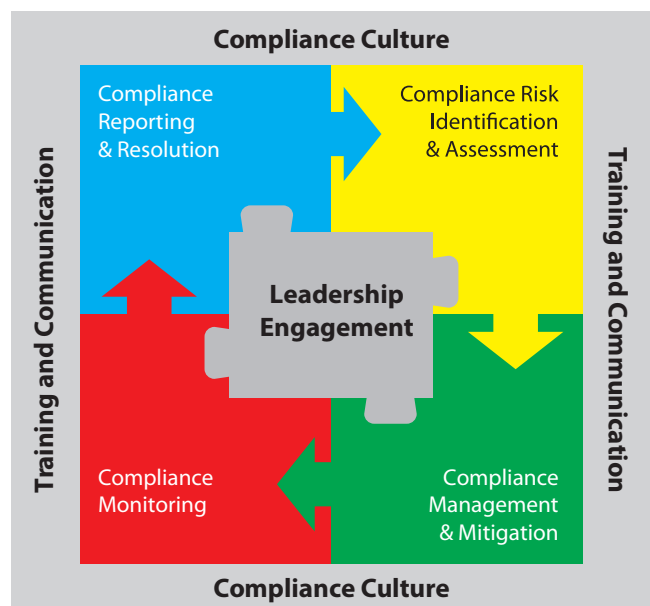
The Board, Chief Executive Officer and Senior Management have adopted the Compliance Policy and Charter built on the following principles:

- Commitment to comply with relevant regulatory requirements and ensuring that Bank Muamalat's operations, internal policies and procedures, code of conduct and standards applicable to its banking activities are conducted in line with regulatory requirements.
- Shared responsibility for regulatory compliance, premised on the concept of 3 lines of defence:



- The **1st line of defence** is formed by Management, the business and support units. These are the primary parties responsible for managing compliance risk and obligations, and the delivery of compliant outcomes;
 - The **2nd line of defence** is formed by the Compliance Department, to ensure Bank Muamalat manages risk holistically, including compliance risks; and
 - The **3rd line of defence** is formed by the Internal Audit Department, who will provide an independent assurance to the Board that the overall Compliance Policy operates as intended.
- Formations of dedicated Compliance function, which will coordinate the management of Bank Muamalat's compliance risk, implement a compliance programme across Bank Muamalat to ensure effective operationalisation of the Compliance Policy. The Chief Compliance Officer, who is administratively reported to the Chief Executive Officer, will have unrestricted access to the Board Risk Management Committee, and if necessary, the Board.
 - Embedding the Compliance Policy within the operations of Bank Muamalat, thus making regulatory compliance risk management an integral part of Bank Muamalat's business activities.

The Board and Management of Bank Muamalat further pledge to ensure the implementation of the following drivers of effective compliance culture:



- Leadership commitment, engagement and sponsorship of the compliance programme
- Education and communication to improve compliance knowledge and awareness
- Implementation of policies, procedures and internal controls to effectively manage compliance risk
- Appropriate mechanisms to identify, capture, escalate, analyse and respond to issues or breaches associated to compliance obligations
- Promotion of an environment that encourages employees to seek guidance, raise concerns and report potential non-compliance incidences
- Demonstration of active enforcement of penalties for non-compliance

Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities

Bank Muamalat also explicitly recognises the importance of maintaining continuous efforts and initiatives in assisting the Government of Malaysia and Bank Negara Malaysia in combating illicit and money laundering activities, as well as, financing of terrorism activities through the use of the banking system. With infrastructure and processes in place, Bank Muamalat has demonstrated its full commitment and support in ensuring compliance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) as one of the responsible Reporting Institution.

Foreign Account Tax Compliance Act

Bank Muamalat is committed to comply with the reporting requirements and timeline imposed by the US Treasury for reporting of Foreign Account Tax Compliance Act (FATCA). Bank Muamalat has registered itself as a Registered Deemed Compliant Foreign Financial Institution and has communicated our Global Intermediary Identification Number to all correspondent banks.

Common Reporting Standard

Common Reporting Standards (CRS) is an initiative that involves governments obtaining information from their financial institutions and exchanging data automatically with other nations. As Malaysia has signed up to the Organisation for Economic Co-operation and Development's CRS, Bank Muamalat is committed to comply with the requirements.

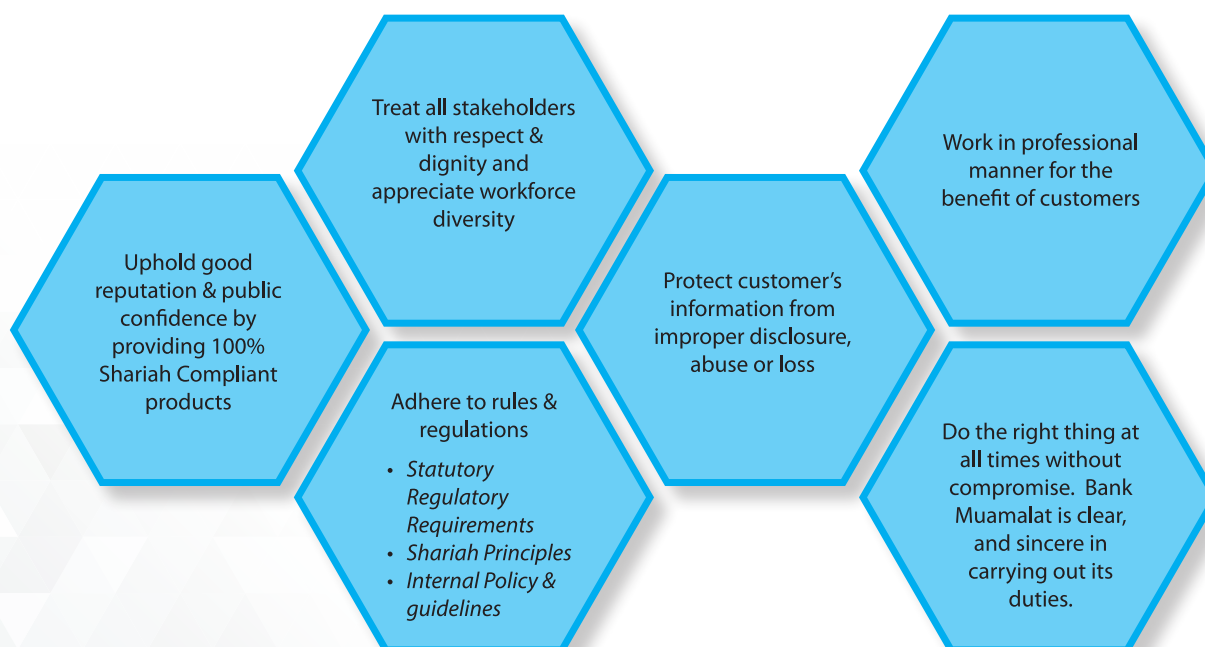
CODE OF CONDUCT & ETHICAL PRINCIPLES

Bank Muamalat is committed to maintaining the highest standards of conduct at the workplace and in business engagements. Our business must be conducted fairly, professionally, impartially and in full compliance of Shariah principles.

The Code and Ethic/Conduct reflects and reinforces Bank Muamalat's values as an Islamic Bank and it is designed to assist the stakeholders in understanding the ethical principles:

- Uphold good reputation and public confidence by providing 100% Shariah Compliant products and services as a preferred Islamic financial service provider;
- Treat all stakeholders which include the employees, business partners, customers and communities with full respect and dignity and appreciate the diversity of our workforce;
- Adhere to all rules and regulation including Statutory Regulatory Requirements, Shariah Principles as well as Bank Muamalat's internal policy and guidelines;
- Protect all customers' information from improper disclosure, abuse or loss. However, customers' information may be made available to third parties with written consent of the respective customer or when disclosure is authorised by Governmental, judicial bodies, agencies or regulators;
- Work in a professional manner for the benefit of customer during the relationship, whereby Bank Muamalat is responsible for the protection of any financial interests of the customer; and
- Do the right thing at all times without compromise. As a preferred Islamic Financial provider, Bank Muamalat is clear and sincere in what we say and do.

As a custodian of public fund, Bank Muamalat is committed to protect and monitor consumer's deposit and other financial assets through the development of an efficient system to help eliminate fraud or misconduct and improve productivity in operations.

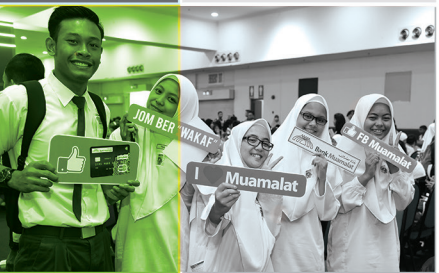




Delivering Values

ANNUAL REPORT 2017

FINANCIAL STATEMENTS





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Directors' Report

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

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2017.

Principal activities

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

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

Results

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

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

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

Dividend

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

Directors

The names of the directors of the Bank in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Dr Mohd Munir Abdul Majid	(Chairman)
Tengku Dato' Seri Hasmuddin Tengku Othman	
Dato' Haji Mohd Redza Shah Abdul Wahid	
Dato' Haji Mohd Izani Ghani	
Dato' Azmi Abdullah	
Dato' Haji Kamil Khalid Ariff	
Dato' Sri Che Khalib Mohamad Noh	
Dr. Azura Othman	
Ghazali Hj Darman	(appointed on 4 Jan 2017)
Haji Abdul Jabbar Abdul Majid	(resigned on 12 Oct 2016)
Dato' Ahmad Fuaad Mohd Kenali	(resigned on 28 July 2016)

Directors of the subsidiary company

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

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

Directors' interests

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

	Number of ordinary shares of RM1.00 each			As at 31.3.2017
	As at 1.4.2016	Acquired	Disposal	
Interest in DRB-HICOM Berhad, holding company:				
Dato' Sri Che Khalib Mohamad Noh	3,500	-	-	3,500

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 33 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for certain directors who received remuneration from a subsidiary company of the holding company.

Other statutory information

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Other statutory information (cont'd.)

- (b) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render:
 - (i) the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) As at the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

Compliance with Bank Negara Malaysia's Guidelines on Financial Reporting

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

Significant and subsequent events

There were no significant events during the year.

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

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

Business review 2016/2017

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

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

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

Prospects

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

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

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

Rating by external rating agencies

Details of the Bank's ratings are as follows:

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

Disclosure of Shariah Committee

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

- (a) To discharge their duties and responsibilities as Shariah Committee member in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee member, and be responsible and accountable for all Shariah decisions, opinions and views provided by them.
- (b) To advise the Board and the Management including the Bank's subsidiaries and provide input on Shariah matters in order for the Group to comply with Shariah principles at all times.
- (c) To endorse Shariah policies and procedures prepared by the Bank and its subsidiaries and to ensure that the contents do not contain any elements which are not in line with Shariah.
- (d) To ensure that the products of the Bank and its subsidiaries comply with Shariah principles, the Shariah Committee must approve:
 - (i) the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
 - (ii) the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
- (e) To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.
- (f) To provide the necessary assistance to the related parties of the Bank and its subsidiaries such as its legal counsel, auditor or consultant who may seek advice on Shariah matters from the Shariah Committee.
- (g) To advise the Bank and its subsidiaries to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC of BNM) on Shariah matters that could not be resolved.
- (h) To provide written Shariah opinions in circumstances where the Bank makes reference to the SAC of BNM for further deliberation, or where the Bank submits applications to the Shariah Committee for new product approval.

Disclosure of Shariah Committee (cont'd.)

- (i) To provide the Bank and its subsidiaries with guidelines and advice on Shariah matters to ensure that the Bank's overall activities are in line with Shariah.
- (j) To make decisions on matters arising from existing and future activities of the Bank which might have religious repercussions.
- (k) To report to the shareholders and the depositors that all of the Group's activities are in accordance with Shariah requirements.
- (l) To provide Shariah advisory and consultancy services in all matters relating to Bank's products, transactions and activities as well as other businesses involving the Bank.
- (m) To scrutinise and endorse the annual financial report of the Group.
- (n) To provide training to the staff of the Bank and its subsidiaries as well as provide note or relevant materials for their reference.
- (o) To represent the Bank or to attend any meetings with the SAC of BNM or other relevant bodies concerning any Shariah issues relating to the Bank and its subsidiaries.
- (p) To maintain the confidentiality of the Bank's internal information and shall be responsible for the safe guarding of confidential information. Members of the Shariah Committee should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.
- (q) To ensure the quality and consistency of the Shariah decision.

Zakat obligations

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

For the year ended 31 March 2017, the Bank has allocated an amount of RM4.4 million as provision for zakat.

Auditors and auditors' remuneration

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

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

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

Kuala Lumpur, Malaysia

Statement by directors

Pursuant to Section 251(2) of the Companies Act, 2016

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

We, Tan Sri Dato' Dr. Mohd Munir Abdul Majid and Dato' Haji Mohd Redza Shah Abdul Wahid, being two (2) of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 195 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016, in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2017 and of the results and the cash flows of the Group and of the Bank for the year then ended.

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

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

Kuala Lumpur, Malaysia

Statutory declaration

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

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

I, Hafni Mohd Said, being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 195 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
above- named Hafni Mohd Said
at Kuala Lumpur in Federal Territory
on 8 June 2017

Hafni Mohd Said

Before me,

Commissioner for Oaths

Report of the Shariah Committee

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

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the year ended 31 March 2017. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

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

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

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

1. the contracts, transactions and dealings entered into by the Bank during the year ended 31 March 2017 that we have reviewed are in compliance with the Shariah principles.
2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. all earnings that have been realised from sources or by means prohibited by the Shariah principles have been identified and excluded from the Bank's income and were disposed for charitable causes; and
4. the calculation and distribution of zakat is in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Muamalat Malaysia Berhad, to the best of our knowledge, do hereby confirm that the operations of the Bank for the year ended 31 March 2017 have been conducted in conformity with the Shariah principles.

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

Azizi Che Seman
Chairman of Shariah Committee

Kuala Lumpur, Malaysia

Engku Ahmad Fadzil Engku Ali
Member of Shariah Committee

**Independent auditors' report to the members of
Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 195.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

Information other than the financial statements and auditors' report thereon (cont'd.)

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

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

Other matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
8 June 2017

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

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

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

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

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

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

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

Statement of financial position as at 31 March 2017 (03 Rejab 1438H)

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

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

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

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

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

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

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

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

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

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

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

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

Group	Non-distributable				Distributable	
	Ordinary shares RM'000	Statutory reserve* RM'000	Exchange fluctuation reserve RM'000	Available-for-sale reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2016	1,195,000	582,822	(2,054)	212	219,957	1,995,937
Profit for the year	-	-	-	-	149,907	149,907
Other comprehensive income for the year	-	-	4,237	(11,510)	-	(7,273)
Total comprehensive income for the year	-	-	4,237	(11,510)	149,907	142,634
Transfer to statutory reserve	-	75,336	-	-	(75,336)	-
At 31 March 2017	1,195,000	658,158	2,183	(11,298)	294,528	2,138,571
At 1 April 2015	1,195,000	515,612	(584)	(10,592)	155,258	1,854,694
Profit for the year	-	-	-	-	131,909	131,909
Other comprehensive income for the year	-	-	(1,470)	10,804	-	9,334
Total comprehensive income for the year	-	-	(1,470)	10,804	131,909	141,243
Transfer to statutory reserve	-	67,210	-	-	(67,210)	-
At 31 March 2016	1,195,000	582,822	(2,054)	212	219,957	1,995,937

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

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

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

	Non-distributable				Distributable	
	Ordinary shares RM'000	Statutory reserve* RM'000	Exchange fluctuation reserve RM'000	Available-for-sale reserve RM'000	Retained profits RM'000	Total equity RM'000
Bank						
At 1 April 2016	1,195,000	581,225	(2,054)	212	214,387	1,988,770
Profit for the year	-	-	-	-	150,675	150,675
Other comprehensive income for the year	-	-	4,237	(33,946)	-	(29,709)
Total comprehensive income for the year	-	-	4,237	(33,946)	150,675	120,966
Transfer to statutory reserve	-	75,336	-	-	(75,336)	-
At 31 March 2017	1,195,000	656,561	2,183	(33,734)	289,726	2,109,736
At 1 April 2015	1,195,000	514,015	(584)	(10,592)	147,177	1,845,016
Profit for the year	-	-	-	-	134,420	134,420
Other comprehensive income for the year	-	-	(1,470)	10,804	-	9,334
Total comprehensive income for the year	-	-	(1,470)	10,804	134,420	143,754
Transfer to statutory reserve	-	67,210	-	-	(67,210)	-
At 31 March 2016	1,195,000	581,225	(2,054)	212	214,387	1,988,770

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

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

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

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

Statements of cash flows

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

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities (cont'd.)					
Unrealised loss/(gain) on revaluation of hedged items	28	7,454	(4,470)	7,454	(4,470)
Gain from derecognition of fair value of hedged items	28	(1,772)	(7,052)	(1,772)	(7,052)
Impairment loss on investments	30	16,899	22,790	16,899	22,790
Impairment writeback on investment in a subsidiary	30	-	-	-	(1,671)
Fair value adjustments of investment properties	28	(1,821)	(1,644)	(1,821)	(1,644)
Net allowance for impairment on financing	29	75,778	68,165	80,711	68,165
Financing written off	29	1,689	18,321	1,689	18,321
(Writeback)/Provision for commitments and contingencies	21(a)	(2,282)	2,870	(2,282)	2,870
Finance cost	36	25,578	20,623	25,578	20,623
Gross dividend income	28	(1,904)	(1,614)	(4,712)	(1,612)
Operating profit before working capital changes		311,495	279,544	304,834	278,285
(Increase)/decrease in operating assets:					
Investment accounts due from designated financial institution		(382)	-	(382)	-
Islamic derivative financial assets		(19,140)	(13,948)	(19,140)	(13,948)
Financial investments portfolio		(81,937)	(1,196)	(41,937)	(1,196)
Financing of customers		(468,545)	(1,183,385)	(503,746)	(1,176,586)
Statutory deposits with Bank Negara Malaysia		4,625	54,460	4,625	54,460
Other assets		(326)	22,187	6,020	16,108

Statements of cash flows

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

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

Statements of cash flows

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

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

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

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

1. Corporate information

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 June 2017.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Bank and its subsidiaries (the "Group") have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 2016 in Malaysia.

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

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

Certain comparative figures in the Notes 26, 28 and 30 to the financial statements have been reclassified to confirm to current year's presentation.

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

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

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 March 2017.

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

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

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

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

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

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

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

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

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

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

2.3 Summary of significant accounting policies

(a) Investment in subsidiaries

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

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

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

2. Significant accounting policies (cont'd.)

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

(b) Financial assets

(i) Initial recognition and subsequent measurement

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

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

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

(1) Financial assets at FVTPL

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

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

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

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

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

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

(2) Financing and receivables

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

(3) Financial investments HTM

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

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

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

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(4) Financial investments AFS

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

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

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

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

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

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

(ii) Derecognition

A financial asset is derecognised when:

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

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

(iii) Impairment of financial assets

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

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

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

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

(1) Financing and receivables

Classification of financing and receivable as impaired

Financing and receivable are classified as impaired when:

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

Impairment Process – Individual Assessment

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

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

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

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

Impairment Process – Collective Assessment

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

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

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

Impairment Process – Written off accounts

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

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

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(2) Financial investments AFS

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

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

In the case of equity investments classified as AFS investment, the objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group and the Bank treats "significant" generally as 25% and "prolonged" generally as twelve (12) months.

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

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

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(2) Financial investments AFS (cont'd.)

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

(3) Financial investments HTM

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

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

(iv) Determination of fair value

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

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

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

(iv) Determination of fair value (cont'd.)

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

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

(c) Financial liabilities

(i) Date of recognition

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

(ii) Initial recognition and subsequent measurement

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

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

(1) Financial liabilities at FVTPL

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

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities (cont'd.)

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

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

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

(2) Other financial liabilities

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

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

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

(b) Islamic debt securities

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

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

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

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities (cont'd.)

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

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

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

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

(c) Payables

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

(d) Bills and acceptances payable

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

(e) Other liabilities

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

(iii) Derecognition

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

2. Significant accounting policies (cont'd.)

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

(d) Derivative instruments and hedge accounting

(i) Derivative instruments

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

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

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

(ii) Hedge accounting

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

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

(1) Fair value hedge

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

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

2. Significant accounting policies (cont'd.)

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

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

(ii) Hedge accounting (cont'd.)

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

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

(2) Cash flow hedge

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

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

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

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

2. Significant accounting policies (cont'd.)

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

(e) Foreclosed properties

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

(f) Investment properties

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

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

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

(g) Intangible assets

Intangible assets include computer software and software under development.

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

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

2. Significant accounting policies (cont'd.)

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

(g) Intangible assets (cont'd.)

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

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

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

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

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

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

2. Significant accounting policies (cont'd.)

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

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

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

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

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

(i) Prepaid land lease payments

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

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

2. Significant accounting policies (cont'd.)

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

(i) Classification (cont'd.)

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

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance lease

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

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

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

2. Significant accounting policies (cont'd.)

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

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

(iii) Operating lease

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

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

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

(j) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

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

2. Significant accounting policies (cont'd.)

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

(j) Foreign currencies (cont'd.)

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

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

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

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

(iii) Foreign operations

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

(k) Provision for liabilities

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

2. Significant accounting policies (cont'd.)

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

(I) Impairment of non-financial assets

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

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

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

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

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

2. Significant accounting policies (cont'd.)**2.3 Summary of significant accounting policies (cont'd.)****(m) Cash and cash equivalents**

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short term deposits maturing less than three (3) months that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(n) Contingent liabilities and contingent assets

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

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

(o) Employee benefits**(i) Short term benefits**

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

2. Significant accounting policies (cont'd.)

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

(o) Employee benefits (cont'd.)

(ii) Defined contribution plan

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

(p) Income recognition

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

(i) Profit and income from financing

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

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

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

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

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

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

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

(2) Ijarah Thumma Al-Bai'

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

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

(3) Bai' Inah

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

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

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

(4) Tawarruq

Arrangement that involves a purchase of an asset or commodity based on Murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. The commodity trading fee incurred in the Tawarruq arrangement is borne by the Bank and is recognised as an expense in the statement of profit or loss as incurred. Financing income is recognised on effective profit rate basis over the expected life of the contract based on the principal amount outstanding.

(5) Bai Al-Dayn

This contract involves the sale and purchase of securities or debt certificates which conforms with the Shariah ruling. Securities or debt certificates are issued by a debtor to a creditor as evidence of indebtedness. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

(6) Murabahah

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

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

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

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

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

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

(7) Istisna'

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

(8) Qard

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

(9) Musharakah Mutanaqisah

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

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

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

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

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

(10) Rahnu

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

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

(ii) Fee and other income recognition

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

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

(q) Income and deferred taxes

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

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

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

2. Significant accounting policies (cont'd.)

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

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

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

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

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

(r) Zakat

Zakat represents business zakat payable by the Group and the Bank to comply with the principles of Shariah and as approved by the Shariah Advisory Council. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. Zakat provision is initially calculated based on 2.5% of the growth model method. However, it will be compared against 2.5% of the Bank's audited profit before tax ("PBT") for the year, and the higher of the two will be the final zakat for the Bank.

(s) Fair value measurement

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

2. Significant accounting policies (cont'd.)

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

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

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

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

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

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

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

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

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

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement that is directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

2. Significant accounting policies (cont'd.)

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

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

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

The fair value of financial instruments and further details are disclosed in Note 45.

2.4 Changes in accounting policies and disclosures

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

On 1 April 2016, the Group and the Bank adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2016.

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

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

2. Significant accounting policies (cont'd.)

2.5 Significant changes in regulatory requirements

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

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

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

Companies Act, 2016

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

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

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

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

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

2. Significant accounting policies (cont'd.)

2.6 Standards and interpretations issued but not yet effective

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

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

2. Significant accounting policies (cont'd.)

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

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

MFRS 9 Financial Instruments

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

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

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

2. Significant accounting policies (cont'd.)

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

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

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

MFRS 16 Leases

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

3. Significant accounting judgments, estimates and assumptions

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

Judgments

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

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

Judgments (cont'd.)

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

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

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

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

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

3.3 Deferred tax (Note 16)

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

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

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

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

3.4 Fair value estimation of financial investments FVTPL and AFS (Notes 5(a) and (b)) and derivative financial instruments (Note 6)

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

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

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

3.6 Taxation (Note 38)

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

4. (a) Cash and short-term funds

	Group and Bank	
	2017	2016
	RM'000	RM'000
Cash and balances with banks and other financial institutions	126,828	186,501
Money at call and interbank placements maturing within one month	900,914	821,890
	<u>1,027,742</u>	<u>1,008,391</u>

(b) Cash and placements with financial institutions

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

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

5. Financial investments

(a) Financial investments designated at FVTPL

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Private equity funds	197,207	186,355	197,207	177,322
Malaysian government investment certificates	1	-	1	-
	<u>197,208</u>	<u>186,355</u>	<u>197,208</u>	<u>177,322</u>

5. Financial investments (cont'd.)

(b) Available-for-sale

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

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

(c) Held-to-maturity

	Group and Bank	
	2017	2016
	RM'000	RM'000
At amortised cost		
Unquoted Islamic corporate sukuk in Malaysia	<u>142,168</u>	<u>140,608</u>

6. Islamic derivative financial assets/(liabilities)

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

	2017		2016	
	Contract/ notional amount RM'000	Fair value Assets RM'000	Contract/ notional amount RM'000	Fair value Assets RM'000
Group and Bank				Liabilities RM'000
Trading derivatives:				
Foreign exchange contracts:				
- Currency forwards	862,936	51,435	680,222	21,123
Less than one year		(467)		(19,656)
- Currency swaps	1,545,210	3,502	580,728	19,123
Less than one year		(54,090)		(15,238)
- Currency spot	467,221	1,009	72,916	305
Less than one year		(39)		(512)
- Dual currency investment option	-	2	-	50
	2,875,367	55,948	1,333,866	40,601
		(54,598)		(35,456)
Islamic profit rate swap ("IPRS")				
Unhedged IPRS	500,000	-	2,175,000	-
Hedged IPRS	1,500,000	-	1,500,000	-
Total	4,875,367	55,948	5,008,866	40,601
		(63,088)		(49,359)

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

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

	31 March 2017		31 March 2016	
	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000
		Liabilities RM'000		Liabilities RM'000
IPRS	1,500,000	-	(6,239)	-
			1,500,000	(10,544)

Fair Value hedges

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

For the year ended 31 March 2017, the Group and the Bank:

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

7. Financing of customers

(i) By type and Shariah concepts

Group	Bai' Bithaman Ajil RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000
31 March 2017					
Cash line	-	-	-	12,175	658,087
Term financing:					
Home financing	6,403,749	-	-	-	8,548,547
Syndicated financing	-	-	-	-	1,669,415
Hire purchase receivables	42,782	-	844,566	-	-
Leasing receivables	-	4,997	-	-	-
Other term financing	954,691	-	-	575,749	8,997,866
Trust receipts	-	-	-	-	-
Claims on customers under acceptance credits	-	-	-	-	-
Staff financing	76,115	-	-	-	792
Revolving credit	-	-	-	-	1,276,553
Sukuk	-	-	-	-	-
Ar-Rahnu	-	-	-	-	-
	7,477,337	4,997	844,566	587,924	21,151,260
Less : Unearned income	(4,749,007)	-	(105,138)	(58,900)	(11,174,801)
Gross financing	2,728,330	4,997	739,428	529,024	9,976,459
Fair value changes arising from fair value hedge	-	-	-	(3,073)	89
	2,728,330	4,997	739,428	525,951	9,976,548
Less : Allowance for impaired financing					
Collective assessment	(40,319)	-	(19,645)	(990)	(171,756)
Individual assessment	(401)	-	(7,311)	(24)	(44,928)
Total net financing	2,687,610	4,997	712,472	524,937	9,759,864
Group					
31 March 2016					
Cash line	848	-	-	16,292	807,376
Term financing:					
Home financing	6,986,574	-	-	-	7,529,943
Syndicated financing	-	-	-	-	1,358,170
Hire purchase receivables	731	-	1,035,815	-	-
Leasing receivables	-	9,038	-	-	-
Other term financing	1,152,585	-	-	601,613	8,223,666
Trust receipts	-	-	-	-	-
Claims on customers under acceptance credits	-	-	-	-	-
Staff financing	91,267	-	-	-	81,462
Revolving credit	-	-	-	-	1,171,887
Sukuk	-	50,522	-	-	-
Ar-Rahnu	-	-	-	-	-
	8,232,005	59,560	1,035,815	617,905	19,172,504
Less : Unearned income	(5,189,160)	-	(136,042)	(83,096)	(9,988,221)
Gross financing	3,042,845	59,560	899,773	534,809	9,184,283
Fair value changes arising from fair value hedge	-	-	-	(279)	4,749
	3,042,845	59,560	899,773	534,530	9,189,032
Less : Allowance for impaired financing					
Collective assessment	(50,564)	(30)	(24,662)	(1,171)	(125,959)
Individual assessment	(441)	-	(9,446)	(379)	(25,596)
Total net financing	2,991,840	59,530	865,665	532,980	9,037,477

Bai'				Shirkah		Total
Al-Dayn	Murabahah	Istisna'	Qard	Mutanaqisah	Rahnu	financing
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
-	-	-	-	-	-	670,262
-	-	33,613	-	-	-	14,985,909
-	-	-	-	-	-	1,669,415
-	-	-	-	-	-	887,348
-	-	-	-	-	-	4,997
-	-	159,714	-	74,387	-	10,762,407
-	50,675	-	-	-	-	50,675
695,741	-	-	-	-	-	695,741
-	-	113,972	1,091	-	-	191,970
-	-	-	-	-	-	1,276,553
-	110,349	-	-	-	-	110,349
-	-	-	-	-	103,328	103,328
695,741	161,024	307,299	1,091	74,387	103,328	31,408,954
(7,090)	(526)	(79,204)	(8)	-	-	(16,174,674)
688,651	160,498	228,095	1,083	74,387	103,328	15,234,280
-	-	-	-	-	-	(2,984)
688,651	160,498	228,095	1,083	74,387	103,328	15,231,296
(1,564)	(451)	(159)	(53)	-	(1,222)	(236,159)
(397)	(23,781)	(23)	-	-	-	(76,865)
686,690	136,266	227,913	1,030	74,387	102,106	14,918,272
-	-	-	-	-	-	824,516
-	-	26,946	-	-	-	14,543,463
-	-	-	-	-	-	1,358,170
-	-	-	-	-	-	1,036,546
-	-	-	-	-	-	9,038
-	-	228,124	401	97,608	-	10,303,997
-	101,943	-	-	-	-	101,943
564,524	-	-	-	-	-	564,524
-	-	1,629	450	-	-	174,808
-	-	-	-	-	-	1,171,887
-	104,083	-	-	-	-	154,605
-	-	-	-	-	63,779	63,779
564,524	206,026	256,699	851	97,608	63,779	30,307,276
(5,200)	(964)	(106,661)	(8)	-	-	(15,509,352)
559,324	205,062	150,038	843	97,608	63,779	14,797,924
-	-	-	-	-	-	4,470
559,324	205,062	150,038	843	97,608	63,779	14,802,394
(1,492)	(1,022)	(204)	(45)	-	(3,290)	(208,439)
(42,009)	(2,792)	(15)	(400)	-	-	(81,078)
515,823	201,248	149,819	398	97,608	60,489	14,512,877

7. Financing of customers (cont'd.)

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

	Bai'		Ijarah	Inah
Bank	Bithaman Ajil	Ijarah	Thumma	
31 March 2017	RM'000	RM'000	Al-Bai	RM'000
Cash line	-	-	-	12,175
Term financing:				
Home financing	6,403,749	-	-	-
Syndicated financing	-	-	-	-
Hire purchase	42,782	-	844,566	-
receivables	-	-	-	-
Leasing receivables	-	4,997	-	-
Other term financing	954,691	-	-	575,749
Trust receipts	-	-	-	-
Claims on customers				
under acceptance				
credits	-	-	-	-
Staff financing	76,115	-	-	-
Revolving credit	-	-	-	-
Sukuk	-	-	-	-
Ar-Rahnu	-	-	-	-
	7,477,337	4,997	844,566	587,924
Less : Unearned income	(4,749,007)	-	(105,138)	(58,900)
Gross financing	2,728,330	4,997	739,428	529,024
Fair value changes arising				
from fair value hedge	-	-	-	(3,073)
	2,728,330	4,997	739,428	525,951
Less : Allowance for				
impaired financing				
Collective assessment	(40,319)	-	(19,645)	(990)
Individual assessment	(401)	-	(7,311)	(24)
Total net financing	2,687,610	4,997	712,472	524,937
Bank				
31 March 2016				
Cash line	848	-	-	16,292
Term financing:				
Home financing	6,986,574	-	-	-
Syndicated financing	-	-	-	-
Hire purchase				
receivables	731	-	1,035,815	-
Leasing receivables	-	9,038	-	-
Other term financing	1,152,585	-	-	601,613
Trust receipts	-	-	-	-
Claims on customers				
under acceptance				
credits	-	-	-	-
Staff financing	91,267	-	-	-
Revolving credit	-	-	-	-
Sukuk	-	50,522	-	-
Ar-Rahnu	-	-	-	-
	8,232,005	59,560	1,035,815	617,905
Less : Unearned income	(5,189,160)	-	(136,042)	(83,096)
Gross financing	3,042,845	59,560	899,773	534,809
Fair value changes arising				
from fair value hedge	-	-	-	(279)
	3,042,845	59,560	899,773	534,530
Less : Allowance for				
impaired financing				
Collective assessment	(50,564)	(30)	(24,662)	(1,171)
Individual assessment	(441)	-	(9,446)	(379)
Total net financing	2,991,840	59,530	865,665	532,980

Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Rahnu RM'000	Total financing RM'000
658,087	-	-	-	-	-	670,262
8,548,547	-	-	33,613	-	-	14,985,909
1,669,415	-	-	-	-	-	1,669,415
-	-	-	-	-	-	887,348
-	-	-	-	-	-	4,997
8,997,867	-	-	159,714	98,903	-	10,786,924
-	-	50,675	-	-	-	50,675
-	695,741	-	-	-	-	695,741
792	-	-	113,972	1,091	-	191,970
1,276,553	-	-	-	-	-	1,276,553
-	-	110,349	-	-	-	110,349
-	-	-	-	-	103,328	103,328
21,151,261	695,741	161,024	307,299	99,994	103,328	31,433,471
(11,174,801)	(7,090)	(526)	(79,204)	(8)	-	(16,174,674)
9,976,460	688,651	160,498	228,095	99,986	103,328	15,258,797
89	-	-	-	-	-	(2,984)
9,976,549	688,651	160,498	228,095	99,986	103,328	15,255,813
(171,756)	(1,564)	(451)	(159)	(53)	(1,222)	(236,159)
(44,928)	(397)	(23,781)	(23)	(4,933)	-	(81,798)
9,759,865	686,690	136,266	227,913	95,000	102,106	14,937,856
807,376	-	-	-	-	-	824,516
7,529,943	-	-	26,946	-	-	14,543,463
1,358,170	-	-	-	-	-	1,358,170
-	-	-	-	-	-	1,036,546
-	-	-	-	-	-	9,038
8,223,666	-	-	228,124	107,326	-	10,313,314
-	-	101,943	-	-	-	101,943
-	564,524	-	-	-	-	564,524
81,462	-	-	1,629	450	-	174,808
1,171,887	-	-	-	-	-	1,171,887
-	-	104,083	-	-	-	154,605
-	-	-	-	-	63,779	63,779
19,172,504	564,524	206,026	256,699	107,776	63,779	30,316,593
(9,988,221)	(5,200)	(964)	(106,661)	(8)	-	(15,509,352)
9,184,283	559,324	205,062	150,038	107,768	63,779	14,807,241
4,749	-	-	-	-	-	4,470
9,189,032	559,324	205,062	150,038	107,768	63,779	14,811,711
(125,959)	(1,492)	(1,022)	(204)	(45)	(3,290)	(208,439)
(25,596)	(42,009)	(2,792)	(15)	(400)	-	(81,078)
9,037,477	515,823	201,248	149,819	107,323	60,489	14,522,194

7. Financing of customers (cont'd.)

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

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

(ii) By type of customer

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

7. Financing of customers (cont'd.)

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

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

(iii) By profit rate sensitivity

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

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

7. Financing of customers (cont'd.)

(iv) By sector

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

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

7. Financing of customers (cont'd.)

(v) By residual contractual maturity

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

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

(vi) By geographical area

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

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

7. Financing of customers (cont'd.)

(vii) By economic purpose

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

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

7. Financing of customers (cont'd.)

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

The maximum credit exposure of the financing of customers amount to RM1.5 billion (2016: RM1.5 billion). The cumulative change in fair value of the financings attributable to changes in profit rate risks amount to a loss of RM2,984,423 (2016: gain of RM4,469,645) and the change for the current year is a loss of RM7,454,068 (2016: gain of RM4,469,645). The changes in fair value of the designated financing attributable to changes in profit risk have been calculated by determining the changes in profit spread implicit in the fair value of securities issued by entities with similar credit characteristics.

8. Impaired financing

(i) Movements in the impaired financing

	Group RM'000	Bank RM'000
As at 31 March 2017		
As at 1 April 2016	326,470	326,470
Classified as impaired during the year	410,050	414,983
Reclassified as performing during the year	(230,435)	(230,435)
Recovered during the year	(100,800)	(100,800)
Written-off during the year	(53,365)	(53,365)
As at 31 March 2017	<u>351,920</u>	<u>356,853</u>
Ratio of gross impaired financing to total financing	<u>2.31%</u>	<u>2.34%</u>
As at 31 March 2016		
As at 1 April 2015	339,714	345,714
Classified as impaired during the year	460,265	460,265
Reclassified as performing during the year	(332,796)	(332,796)
Recovered during the year	(73,713)	(79,713)
Written-off during the year	(67,000)	(67,000)
As at 31 March 2016	<u>326,470</u>	<u>326,470</u>
Ratio of gross impaired financing to total financing	<u>2.21%</u>	<u>2.20%</u>

8. Impaired financing (cont'd.)

(ii) Movements in the allowance for impaired financing

Collective assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2017		
As at 1 April 2016	208,439	208,439
Allowance made during the year (Note 29(b))	351,926	351,926
Amount written-back (Note 29(b))	(292,349)	(292,349)
Amount written-off	(31,857)	(31,857)
As at 31 March 2017	<u>236,159</u>	<u>236,159</u>
As % of gross financing, less individual assessment allowance	<u>1.56%</u>	<u>1.56%</u>

As at 31 March 2016

As at 1 April 2015	239,227	239,227
Allowance made during the year (Note 29(b))	419,481	419,481
Amount written-back (Note 29(b))	(395,965)	(395,965)
Amount written-off	(54,304)	(54,304)
As at 31 March 2016	<u>208,439</u>	<u>208,439</u>
As % of gross financing, less individual assessment allowance	<u>1.42%</u>	<u>1.42%</u>

Individual assessment allowance

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

8. Impaired financing (cont'd.)

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

Individual assessment allowance (cont'd.)

	Group RM'000	Bank RM'000
As at 31 March 2016		
As at 1 April 2015	42,631	48,631
Allowance made during the year (Note 29(a))	50,307	50,307
Amount written-back (Note 29(a))	(5,658)	(5,658)
Amount written-off	(6,202)	(12,202)
As at 31 March 2016	<u>81,078</u>	<u>81,078</u>

(iii) Impaired financing by geographical area

	Group	
	2017 RM'000	2016 RM'000
Domestic	<u>351,920</u>	<u>326,470</u>

	Bank	
	2017 RM'000	2016 RM'000
Domestic	<u>356,853</u>	<u>326,470</u>

(iv) Impaired financing by sector

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

8. Impaired financing (cont'd.)

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

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

(v) Impaired financing by economic purpose

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

8. Impaired financing (cont'd.)

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

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

9. Other assets

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

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

10. Statutory deposits with Bank Negara Malaysia

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

11. Investment in subsidiaries

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

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

Name	Principal activities	Percentage of equity held		Paid up capital	
		2017	2016	2017	2016
		%	%	RM	RM
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	100	100	10,000,000	10,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	100	100	100,002	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100	2	2
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	100	100	2	2

12. Investment properties

Group and Bank

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

Included in the above are:

At fair value	13,481	21,154	-	34,635
At cost	-	-	4,143	4,143

As at 31 March 2016

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

Included in the above are:

At fair value	13,481	9,100	-	22,581
At cost	-	-	9,948	9,948

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

As at 31 March 2017, the fair values of the properties are based on valuations performed by Proharta Consultancy Sdn Bhd, an accredited independent valuer on 29 March 2017. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. Fair value hierarchy disclosures for investment properties have been further disclosed in Note 45.

12. Investment properties (cont'd.)

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

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

13. Intangible assets

Group	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2017			
Cost			
As at 1 April 2016	197,281	1,299	198,580
Additions	7,699	7,533	15,232
Disposals	(93)	-	(93)
Reclassification	5,182	(5,426)	(244)
As at 31 March 2017	210,069	3,406	213,475
Accumulated amortisation			
As at 1 April 2016	77,459	-	77,459
Charge for the year (Note 35)	26,599	-	26,599
Disposals	(93)	-	(93)
As at 31 March 2017	103,965	-	103,965
Carrying amount as at 31 March 2017	106,104	3,406	109,510
As at 31 March 2016			
Cost			
As at 1 April 2015	172,867	8,459	181,326
Additions	9,929	7,325	17,254
Reclassification	14,485	(14,485)	-
As at 31 March 2016	197,281	1,299	198,580
Accumulated amortisation			
As at 1 April 2015	54,147	-	54,147
Charge for the year (Note 35)	23,312	-	23,312
As at 31 March 2016	77,459	-	77,459
Carrying amount as at 31 March 2016	119,822	1,299	121,121

13. Intangible assets (cont'd.)

Bank	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2017			
Cost			
As at 1 April 2016	196,306	1,299	197,605
Additions	7,669	7,533	15,202
Disposals	(93)	-	(93)
Reclassification	5,182	(5,426)	(244)
As at 31 March 2017	209,064	3,406	212,470
Accumulated amortisation			
As at 1 April 2016	77,042	-	77,042
Charge for the year (Note 35)	26,401	-	26,401
Disposals	(93)	-	(93)
As at 31 March 2017	103,350	-	103,350
Carrying amount as at 31 March 2017	105,714	3,406	109,120
As at 31 March 2016			
Cost			
As at 1 April 2015	171,892	8,459	180,351
Additions	9,929	7,325	17,254
Reclassification	14,485	(14,485)	-
As at 31 March 2016	196,306	1,299	197,605
Accumulated amortisation			
As at 1 April 2015	53,925	-	53,925
Charge for the year (Note 35)	23,117	-	23,117
As at 31 March 2016	77,042	-	77,042
Carrying amount as at 31 March 2016	119,264	1,299	120,563

14. Property, plant and equipment

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 March 2017					
Cost					
As at 1 April 2016	2,853	17,189	235,117	929	256,088
Additions	56	-	8,414	4,165	12,635
Disposals	-	-	(3,665)	-	(3,665)
Write- off	-	-	(648)	-	(648)
Reclassification	-	-	1,933	(1,689)	244
As at 31 March 2017	<u>2,909</u>	<u>17,189</u>	<u>241,151</u>	<u>3,405</u>	<u>264,654</u>
Accumulated depreciation					
As at 1 April 2016	602	5,703	191,656	-	197,961
Charge for the year (Note 35)	72	429	18,185	-	18,686
Write- off	-	-	(3,660)	-	(3,660)
Disposals	-	-	(642)	-	(642)
As at 31 March 2017	<u>674</u>	<u>6,132</u>	<u>205,539</u>	<u>-</u>	<u>212,345</u>
Carrying amount as at 31 March 2017	<u>2,235</u>	<u>11,057</u>	<u>35,612</u>	<u>3,405</u>	<u>52,309</u>
As at 31 March 2016					
Cost					
As at 1 April 2015	1,303	14,957	228,904	2,717	247,881
Additions	-	-	4,586	4,655	9,241
Disposals	-	-	(783)	-	(783)
Write- off	-	-	(251)	-	(251)
Reclassification	1,550	2,232	2,661	(6,443)	-
As at 31 March 2016	<u>2,853</u>	<u>17,189</u>	<u>235,117</u>	<u>929</u>	<u>256,088</u>
Accumulated depreciation					
As at 1 April 2015	568	5,325	172,770	-	178,663
Charge for the year (Note 35)	34	378	19,890	-	20,302
Write- off	-	-	(231)	-	(231)
Disposals	-	-	(773)	-	(773)
As at 31 March 2016	<u>602</u>	<u>5,703</u>	<u>191,656</u>	<u>-</u>	<u>197,961</u>
Carrying amount as at 31 March 2016	<u>2,251</u>	<u>11,486</u>	<u>43,461</u>	<u>929</u>	<u>58,127</u>

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

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 March 2017					
Cost					
As at 1 April 2016	2,853	17,189	234,810	929	255,781
Additions	56	-	8,414	4,165	12,635
Disposals	-	-	(3,665)	-	(3,665)
Write- off	-	-	(648)	-	(648)
Reclassification	-	-	1,933	(1,689)	244
As at 31 March 2017	2,909	17,189	240,844	3,405	264,347
Accumulated depreciation					
As at 1 April 2016	602	5,703	191,426	-	197,731
Charge for the year (Note 35)	72	429	18,147	-	18,648
Disposals	-	-	(3,660)	-	(3,660)
Write- off	-	-	(642)	-	(642)
As at 31 March 2017	674	6,132	205,271	-	212,077
Carrying amount as at 31 March 2017	2,235	11,057	35,573	3,405	52,270
As at 31 March 2016					
Cost					
As at 1 April 2015	1,303	14,957	228,597	2,717	247,574
Additions	-	-	4,586	4,655	9,241
Disposals	-	-	(783)	-	(783)
Write- off	-	-	(251)	-	(251)
Reclassification	1,550	2,232	2,661	(6,443)	-
As at 31 March 2016	2,853	17,189	234,810	929	255,781
Accumulated depreciation					
As at 1 April 2015	568	5,325	172,578	-	178,471
Charge for the year (Note 35)	34	378	19,852	-	20,264
Disposals	-	-	(773)	-	(773)
Write- off	-	-	(231)	-	(231)
As at 31 March 2016	602	5,703	191,426	-	197,731
Carrying amount as at 31 March 2016	2,251	11,486	43,384	929	58,050

15. Prepaid land lease payments

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

16. Deferred tax assets/(liabilities)

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

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	9,652	-	9,652	-
Deferred tax liabilities, net	<u>(7,086)</u>	<u>(568)</u>	<u>-</u>	<u>(568)</u>
	<u>2,566</u>	<u>(568)</u>	<u>9,652</u>	<u>(568)</u>

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

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

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

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

Deferred tax assets of the Group:

	Available- for-sale reserve RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 1 April 2016	-	10,008	307	10,315
Recognised in income statements	-	(3,717)	(42)	(3,759)
Recognised in other comprehensive income	10,753	-	-	10,753
As at 31 March 2017	<u>10,753</u>	<u>6,291</u>	<u>265</u>	<u>17,309</u>
As at 1 April 2015	3,288	10,753	298	14,339
Recognised in income statements	-	(745)	9	(736)
Recognised in other comprehensive income	(3,288)	-	-	(3,288)
As at 31 March 2016	<u>-</u>	<u>10,008</u>	<u>307</u>	<u>10,315</u>

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

Deferred tax liabilities of the Group :

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

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

Deferred tax assets of the Bank:

	Available- for-sale reserve RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 1 April 2016	-	10,008	307	10,315
Recognised in income statements	-	(3,717)	(42)	(3,759)
Recognised in other comprehensive income	10,753	-	-	10,753
As at 31 March 2017	<u>10,753</u>	<u>6,291</u>	<u>265</u>	<u>17,309</u>
As at 1 April 2015	3,288	10,753	298	14,339
Recognised in income statements	-	(745)	9	(736)
Recognised in other comprehensive income	(3,288)	-	-	(3,288)
As at 31 March 2016	<u>-</u>	<u>10,008</u>	<u>307</u>	<u>10,315</u>

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

Deferred tax liabilities of the Bank:

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

17. Deposits from customers

(i) By types of deposits

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

17. Deposits from customers (cont'd.)

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

	Group	
	2017 RM'000	2016 RM'000
Term deposits		
Negotiable Islamic debt certificate	1,550,790	1,703,656
General investment deposits	140,575	211,475
Short term accounts	2,958,160	1,798,148
Fixed term accounts tawarruq	11,003,797	11,114,518
	<u>15,653,322</u>	<u>14,827,797</u>
Other deposits	<u>38,309</u>	<u>39,806</u>
	<u>19,917,482</u>	<u>19,643,428</u>

	Bank	
	2017 RM'000	2016 RM'000
Savings deposits		
Qard	1,052,795	1,096,785
Tawarruq	107,869	-
	<u>1,160,664</u>	<u>1,096,785</u>
Demand deposits		
Qard	2,996,183	3,686,532
Tawarruq	70,481	-
	<u>3,066,664</u>	<u>3,686,532</u>

Term deposits		
Negotiable Islamic debt certificate	1,550,790	1,703,656
General investment deposits	140,575	211,475
Short term accounts	2,958,160	1,798,148
Fixed term accounts tawarruq	11,014,597	11,127,818
	<u>15,664,122</u>	<u>14,841,097</u>
Other deposits	<u>38,309</u>	<u>39,806</u>
	<u>19,929,759</u>	<u>19,664,220</u>

17. Deposits from customers (cont'd.)

(ii) By types of customer

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

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

The maturity structure of term deposits are as follows:

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

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

18. Investment accounts

(a) Investment accounts due from designated financial institution

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

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

(b) Investment account of customers

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

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

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

(ii) By types of customer are as follows:

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

18. Investment accounts (cont'd.)

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

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

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

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

	Group and Bank 2017		Group and Bank 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%	-	-

19. Deposits and placements of banks and other financial institutions

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

20. Bills and acceptances payable

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

21. Other liabilities

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

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

(a) Movement in provision for commitments and contingencies:

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

22. Provision for zakat and taxation

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

23. Sukuk**(a) Subordinated sukuk**

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

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

(b) Senior sukuk

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

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

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

24. Share capital

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

25. Reserves

	Note	Group	
		2017 RM'000	2016 RM'000
Statutory reserve	(a)	658,158	582,822
Retained profits	(b)	294,528	219,957
Exchange fluctuation reserve	(c)	2,183	(2,054)
Available-for-sale reserve	(d)	(11,298)	212
		<u>943,571</u>	<u>800,937</u>

	Note	Bank	
		2017 RM'000	2016 RM'000
Statutory reserve	(a)	656,561	581,225
Retained profits	(b)	289,726	214,387
Exchange fluctuation reserve	(c)	2,183	(2,054)
Available-for-sale reserve	(d)	(33,734)	212
		<u>914,736</u>	<u>793,770</u>

(a) Statutory reserve

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

(b) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 March 2017 under the single tier system.

25. Reserves (cont'd.)

(c) Exchange fluctuation reserve

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

(d) Available-for-sale reserve

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

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

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

(i) Income derived from investment of general investment deposits

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

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

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

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

(ii) Income derived from investment of other deposits

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

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

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

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

27. Income derived from investment of account funds

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

28. Income derived from investment of shareholders' funds

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

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

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

29. Allowance for impairment on financing

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

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

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

30. Impairment loss on investments

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

31. Income attributable to depositors

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

32. Personnel expenses

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

33. Directors and Shariah Committee members' remuneration

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

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

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

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

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

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

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

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

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

* Director's fees payable to Khazanah Nasional Berhad

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

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

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

Group 2016	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 33(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,363	-	-	252	85	1,700
Executive Director of the subsidiaries:						
Sharifatul Hanizah Said Ali	553	-	-	149	-	702
	1,916	-	-	401	85	2,402

Note 33(b) :

Non-Executive Directors:

Tan Sri Dato' Dr Mohd						
Munir Abdul Majid	-	222	-	34	-	256
Tuan Haji Abdul						
Jabbar Abdul Majid	-	84	-	76	-	160
Tengku Dato'						
Seri Hasmuddin						
Tengku Othman	-	84	-	70	-	154
Dato' Haji Mohd						
Izani Ghani *	-	84	-	45	-	129
Dato' Azmi Abdullah	-	84	-	85	-	169
Dato' Hj Kamil Khalid						
Ariff	-	84	-	59	-	143
Dato' Sri Che Khalib						
Mohamad Noh	-	84	-	29	-	113
Dato' Mohamed Hazlan						
Mohamed Hussain	-	28	-	5	-	33
Dr Azura Othman	-	77	-	47	-	124
Dato' Ahmad Fuaad						
Mohd Kenali	-	56	-	10	-	66

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

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

Group 2016	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Director - subsidiaries:						
Fakihah Azahari	-	20	-	3	-	23
Dato' Adnan Alias	-	20	-	3	-	23
	-	927	-	466	-	1,393
Total Directors' remuneration	1,916	927	-	867	85	3,795

* Director's fees payable to Khazanah Nasional Berhad

Group 2016	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 33(c) : Shariah Committee:						
En Azizi Che Seman	-	44	-	22	-	66
Dr Mohamad Sabri Haron	-	39	-	16	-	55
Engku Ahmad Fadzil Engku Ali	-	35	-	16	-	51
Dr Ab Halim Muhammad	-	39	-	14	-	53
Dr Zulkifli Mohamad	-	39	-	9	-	48
Dr Wan Marhaini Wan Ahmad	-	39	-	18	-	57
	-	235	-	95	-	330

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

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

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

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

* Director's fees payable to Khazanah Nasional Berhad

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

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

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

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

Bank 2016	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 33(a): Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,363	-	-	252	85	1,700
	1,363	-	-	252	85	1,700

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

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

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

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

* Director's fees payable to Khazanah Nasional Berhad

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

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

Bank 2016	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 33(c): Shariah Committee:						
En Azizi Che Seman	-	44	-	22	-	66
Dr Mohamad Sabri Haron	-	39	-	16	-	55
Engku Ahmad Fadzil Engku Ali	-	35	-	16	-	51
Dr Ab Halim Muhammad	-	39	-	14	-	53
Dr Zulkifli Mohamad	-	39	-	9	-	48
Dr Wan Marhaini Wan Ahmad	-	39	-	18	-	57
	-	235	-	95	-	330

34. Key management personnel remuneration

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

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

34. Key management personnel remuneration

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

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

35. Other overheads and expenditures

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

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

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

36. Finance cost

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

37. Zakat

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

38. Taxation

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

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

38. Taxation (cont'd.)

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

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

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

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

The unutilised tax losses of the Group amounting to RM2,153,095 (2016: RM2,153,095) are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

39. Earnings per share

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

40. Dividends

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

41. Significant related party transactions

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

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

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

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

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

42. Credit exposures arising from credit transactions with connected parties

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

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

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

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

43. Commitments and contingencies

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

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

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

44. Financial risk management objectives and policies

Overview

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

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

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

Risk governance

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

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

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

Risk governance (cont'd.)

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

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

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

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

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

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

(a) Credit risk

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

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

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

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

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

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

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

(a) Credit risk (cont'd.)

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

(i) Maximum credit risk exposures and credit risk concentration

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

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

By sector analysis

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

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

(a) Credit risk (cont'd.)

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

By sector analysis (cont'd.)

Group 2017	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,027,742	-	-	-	-	1,027,742
Cash and placements with financial institutions	-	22,183	-	-	-	-	22,183
Investment accounts due from designated financial institution	-	382	-	-	-	-	382
Financial investments designated at fair value through profit and loss	-	197,208	-	-	-	-	197,208
Financial investments available-for-sale	3,869,209	424,018	535,371	116,498	-	1,186,320	6,131,416
Financial investments held-to-maturity	142,168	-	-	-	-	-	142,168
Islamic derivative financial assets	-	55,948	-	-	-	-	55,948
Financing of customers	752,618	1,038,203	1,177,571	1,426,835	14,757	10,508,288	14,918,272
Statutory deposits with Bank Negara Malaysia	698,636	-	-	-	-	-	698,636
Other financial assets	-	-	-	-	-	113,891	113,891
	5,462,631	2,765,684	1,712,942	1,543,333	14,757	11,808,499	23,307,846
Commitments and contingencies							
Contingent liabilities	-	65,049	118,254	401,321	9,957	67,498	662,079
Commitments	-	127,162	696,737	671,528	11,021	311,594	1,818,042
Islamic derivative financial instruments	-	4,875,367	-	-	-	-	4,875,367
	-	5,067,578	814,991	1,072,849	20,978	379,092	7,355,488
Total credit exposures	5,462,631	7,833,262	2,527,933	2,616,182	35,735	12,187,591	30,663,334

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

(a) Credit risk (cont'd.)

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

By sector analysis (cont'd.)

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

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

(a) Credit risk (cont'd.)

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

By sector analysis (cont'd.)

Bank 2017	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,027,742	-	-	-	-	1,027,742
Cash and placements with financial institutions	-	22,183	-	-	-	-	22,183
Investment accounts due from designated financial institution	-	382	-	-	-	-	382
Financial investments designated at fair value through profit and loss	-	197,208	-	-	-	-	197,208
Financial investments available-for-sale	3,869,209	424,018	535,371	116,498	-	1,136,437	6,081,533
Financial investments held-to-maturity	142,168	-	-	-	-	-	142,168
Islamic derivative financial assets	-	55,948	-	-	-	-	55,948
Financing of customers	752,618	1,038,203	1,184,917	1,426,836	14,757	10,520,525	14,937,856
Statutory deposits with Bank Negara Malaysia	698,636	-	-	-	-	-	698,636
Other financial assets	-	-	-	-	-	113,183	113,183
	5,462,631	2,765,684	1,720,288	1,543,334	14,757	11,770,145	23,276,839
Commitments and contingencies							
Contingent liabilities	-	65,049	118,254	401,321	9,957	67,498	662,079
Commitments	-	127,162	696,737	671,528	11,021	311,594	1,818,042
Derivative financial instruments	-	4,875,367	-	-	-	-	4,875,367
	-	5,067,578	814,991	1,072,849	20,978	379,092	7,355,488
Total credit exposures	5,462,631	7,833,262	2,535,279	2,616,183	35,735	12,149,237	30,632,327

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

(a) Credit risk (cont'd.)

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

By sector analysis (cont'd.)

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

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

(a) Credit risk (cont'd.)

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

By geographical analysis

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

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

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

(a) Credit risk (cont'd.)

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

By geographical analysis (cont'd.)

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

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

(a) Credit risk (cont'd.)

(ii) Credit quality of financing of customers

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

Financing of customers are analysed as follows:

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

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

(a) Credit risk (cont'd.)

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

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

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

Bank 2017

Term financing					
- Home financing	4,208,374	243,960	176,074	86,530	4,714,938
- Syndicated financing	620,274	-	-	-	620,274
- Hire purchase receivables	705,538	24,275	20,905	22,826	773,544
- Leasing receivables	-	-	-	4,997	4,997
- Other term financing	6,177,608	58,114	79,843	182,982	6,498,547
Other financing	2,561,234	10,235	12,526	59,518	2,643,513
	14,273,028	336,584	289,348	356,853	15,255,813
Less:					
- Collective assesment allowance	-	-	-	-	(236,159)
- Individual assesment allowance	-	-	-	(81,798)	(81,798)
Total net financing	14,273,028	336,584	289,348	275,055	14,937,856

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

(a) Credit risk (cont'd.)

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

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

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

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

(a) Credit risk (cont'd.)

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

Neither past due nor impaired

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

- "Good grade" refers to financing of customers which are neither past due nor impaired in the last six (6) months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory grade" refers to financing of customers which may have been past due but not impaired or impaired during the last six (6) months or have undergone a rescheduling or restructuring exercise previously.

Past due but not impaired

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

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

Group and Bank 2017	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	131,838	44,236	176,074
- Hire purchase receivables	-	16,217	4,688	20,905
- Other term financing	-	44,160	35,683	79,843
Other financing	-	8,684	3,842	12,526
Total	-	200,899	88,449	289,348
2016				
Term financing				
- Home financing	-	141,222	50,967	192,189
- Hire purchase receivables	-	22,153	5,888	28,041
- Other term financing	-	46,871	23,027	69,898
Other financing	-	3,437	4,181	7,618
Total	-	213,683	84,063	297,746

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

(a) Credit risk (cont'd.)

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

Past due but not impaired (cont'd.)

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

Group and Bank

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

Impaired financing

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

Individual assessment allowance

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

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

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

(a) Credit risk (cont'd.)

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

Impaired financing (cont'd.)

Individual assessment allowance (cont'd.)

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

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

Collective assessment allowance

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

Collateral and other credit enhancements

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

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

(a) Credit risk (cont'd.)

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

Impaired financing (cont'd.)

Collateral and other credit enhancements (cont'd.)

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

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

The financial effect of collateral (i.e quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at 84.7% and 84.6% respectively as at 31 March 2017 (Group and the Bank at 100.6% as at 31 March 2016). The financial effect of collateral held for other financial assets is not significant.

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

Reposessed collateral

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

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

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets:

Group 2017	Financing of customers RM'000	Financial investments available -for-sale RM'000	Total RM'000
<u>Individual assessment allowance</u>			
At 1 April 2016	81,078	87,352	168,430
Allowance made during the year	30,753	16,899	47,652
Amount written back	(14,552)	(17,790)	(32,342)
Amount written off	(20,414)	-	(20,414)
Foreign exchange differences	-	117	117
As at 31 March 2017	<u>76,865</u>	<u>86,578</u>	<u>163,443</u>
Group 2016	Financing of customers RM'000	Financial investments available -for-sale RM'000	Total RM'000
<u>Individual assessment allowance</u>			
At 1 April 2015	42,631	64,358	106,989
Allowance made during the year	50,307	22,790	73,097
Amount written back	(5,658)	-	(5,658)
Amount written off	(6,202)	-	(6,202)
Reclassification			
Foreign exchange differences	-	204	204
As at 31 March 2016	<u>81,078</u>	<u>87,352</u>	<u>168,430</u>

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

(a) Credit risk (cont'd.)

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

Bank 2017	Financing of customers RM'000	Financial investments available -for-sale RM'000	Total RM'000
<u>Individual assessment allowance</u>			
As at 1 April 2016	81,078	87,352	168,430
Allowance made during the year	35,686	16,899	52,585
Amount written- back	(14,552)	(17,790)	(32,342)
Amount written- off	(20,414)	-	(20,414)
Foreign exchange differences	-	117	117
As at 31 March 2017	<u>81,798</u>	<u>86,578</u>	<u>168,376</u>
Bank 2016	Financing of customers RM'000	Financial investments available -for-sale RM'000	Total RM'000
<u>Individual assessment allowance</u>			
As at 1 April 2015	48,631	64,358	112,989
Allowance made during the year	50,307	22,790	73,097
Amount written- back	(5,658)	-	(5,658)
Amount written- off	(12,202)	-	(12,202)
Foreign exchange differences	-	204	204
As at 31 March 2016	<u>81,078</u>	<u>87,352</u>	<u>168,430</u>

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

(a) Credit risk (cont'd.)

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

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

Group	Financial investments held-to-maturity Non-Money Market Instruments - Debt			Financial investments available-for-sale Non-Money Market Instruments - Debt			Other financial assets RM'000
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	
2017							
AAA+ to AA-	-	-	-	-	1,448,464	1,448,464	-
A+ to A-	-	-	-	22,224	24,572	46,796	-
BBB+ to BB-	-	142,168	142,168	-	-	-	-
Unrated	-	-	-	-	129,653	129,653	113,891
Defaulted	-	-	-	-	-	-	-
Sovereign	-	-	-	-	4,372,773	4,372,773	-
Total	-	142,168	142,168	22,224	5,975,462	5,997,686	113,891
2016							
AAA+ to AA-	-	-	-	-	1,989,489	1,989,489	-
A+ to A-	-	-	-	19,681	38,948	58,629	-
BBB+ to BB-	-	140,608	140,608	-	-	-	-
Unrated	-	-	-	-	163,125	163,125	2,092
Defaulted	-	-	-	7,401	6,482	13,883	-
Sovereign	-	-	-	-	3,379,263	3,379,263	-
Total	-	140,608	140,608	27,082	5,577,307	5,604,389	2,092

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

(a) Credit risk (cont'd.)

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

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

Bank	Financial investments held-to-maturity				Financial investments available-for-sale				
	Non-Money Market Instruments - Debt Securities				Non-Money Market Instruments - Debt Securities				
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000		International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Other financial assets RM'000	
2017									
AAA+ to AA-	-	-	-	-	-	1,448,464	1,448,464	-	-
A+ to A-	-	-	-	22,224	22,224	24,572	46,796	-	-
BBB+ to BB-	-	142,168	142,168	-	-	-	-	-	-
Unrated	-	-	-	-	-	129,653	129,653	113,183	-
Defaulted	-	-	-	-	-	-	-	-	-
Sovereign	-	-	-	-	-	4,372,773	4,372,773	-	-
Total	-	142,168	142,168	22,224	22,224	5,975,462	5,997,686	113,183	-
2016									
AAA+ to AA-	-	-	-	-	-	1,989,489	1,989,489	-	-
A+ to A-	-	-	-	19,681	19,681	38,948	58,629	-	-
BBB+ to BB-	-	140,608	140,608	-	-	-	-	-	-
Unrated	-	-	-	-	-	162,972	162,972	8,239	-
Defaulted	-	-	-	7,401	7,401	6,482	13,883	-	-
Sovereign	-	-	-	-	-	3,379,263	3,379,263	-	-
Total	-	140,608	140,608	27,082	27,082	5,577,154	5,604,236	8,239	-

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

(a) Credit risk (cont'd.)

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

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date, none of the financial investments mentioned above are past due, except for defaulted corporate sukuk of the Group and the Bank held under financial investments available-for-sale with "nil" carrying value (31 March 2016: RM13,830,785), which has been classified as impaired

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

(b) Market risk

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

Types of market risk

(i) Traded market risk

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

Risk measurement approach

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk

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

Rate of return risk

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

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

Risk measurement approach

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

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

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Group 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000
ASSETS			
Cash and short-term funds	892,541	30,270	-
Cash and placements with financial institutions	-	22,115	-
Investment accounts due from designated financial institution	-	-	382
Financial investment designated at fair value through profit and loss	-	-	-
Financial investments available-for-sale	15,262	273,509	641,857
Financial investments held-to-maturity	-	-	-
Islamic derivative financial assets	-	-	-
Financing of customers:			
- non-impaired	10,119,095	401,629	426,539
- impaired*	-	-	-
- collective assessment allowance	-	-	-
Other non-profit sensitive balances	-	-	-
TOTAL ASSETS	11,026,898	727,523	1,068,778
LIABILITIES AND EQUITY			
Deposits from customers	8,692,385	4,752,883	3,134,457
Deposits and placements of banks and other financial institutions	550,000	200	1,584
Bills and acceptances payable	-	-	-
Islamic derivative financial liabilities	-	-	-
Subordinated sukuk	-	-	-
Senior Sukuk	-	5,000	-
Other non-profit sensitive balances	-	-	-
Total Liabilities	9,242,385	4,758,083	3,136,041
Equity attributable to shareholders of the Bank	-	-	-
TOTAL LIABILITIES AND EQUITY	9,242,385	4,758,083	3,136,041
On-balance sheet profit sensitivity gap	1,784,513	(4,030,560)	(2,067,263)
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	800,000
TOTAL PROFIT SENSITIVITY GAP	1,784,513	(4,030,560)	(1,267,263)

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

>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
-	-	-	-	-	104,931	-	1,027,742	2.5%
-	-	-	-	-	68	-	22,183	1.0%
-	-	-	-	-	-	-	382	-
-	-	-	-	-	197,207	1	197,208	-
980,604	459,258	676,341	332,300	2,729,612	22,673	-	6,131,416	3.8%
-	-	-	-	(232)	142,400	-	142,168	3.8%
-	-	-	-	-	-	55,948	55,948	-
791,075	258,432	125,694	186,430	2,509,189	61,292	-	14,879,375	6.0%
-	-	-	-	-	275,056	-	275,056	-
-	-	-	-	-	(236,159)	-	(236,159)	-
-	-	-	-	-	1,031,023	-	1,031,023	-
1,771,679	717,690	802,035	518,730	5,238,569	1,598,491	55,949	23,526,342	
2,833,014	300,639	25,332	300,168	-	(121,396)	-	19,917,482	3.0%
2,535	1,744	2,191	1,319	-	2,081	-	561,654	3.3%
-	-	-	-	-	9,196	-	9,196	-
-	-	-	-	-	-	63,088	63,088	-
-	-	-	250,000	-	3,964	-	253,964	5.6%
-	-	-	500,000	-	9,119	-	514,119	5.5%
-	-	-	-	-	68,268	-	68,268	-
2,835,549	302,383	27,523	1,051,487	-	(28,768)	63,088	21,387,771	
-	-	-	-	-	2,138,571	-	2,138,571	-
2,835,549	302,383	27,523	1,051,487	-	2,109,803	63,088	23,526,342	
(1,063,870)	415,307	774,512	(532,757)	5,238,569	(511,312)	(7,139)	-	-
1,200,000	-	-	-	-	-	-	2,000,000	-
136,130	415,307	774,512	(532,757)	5,238,569	(511,312)	(7,139)	2,000,000	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Group 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000
ASSETS			
Cash and short-term funds	816,520	5,054	-
Cash and placements with financial institutions	-	60,710	-
Financials investment designated at fair value through profit and loss	-	-	-
Financial investments available-for-sale	46,065	61,003	534,942
Financial investments held-to-maturity	-	-	-
Islamic derivative financial assets	-	-	-
Financing of customers:			
- non-impaired	9,004,600	361,573	380,292
- impaired*	-	-	-
- collective assessment allowance	-	-	-
Other non-profit sensitive balances	-	-	-
TOTAL ASSETS	9,867,185	488,340	915,234
LIABILITIES AND EQUITY			
Deposits from customers	9,258,806	3,798,694	3,228,712
Deposits and placements of banks and other financial institutions	230,650	200,600	250
Bills and acceptances payable	-	-	-
Islamic derivative financial liabilities	-	-	-
Subordinated sukuk	-	400,000	-
Other non-profit sensitive balances	-	-	-
Total Liabilities	9,489,456	4,399,294	3,228,962
Equity attributable to shareholders of the Bank	-	-	-
TOTAL LIABILITIES AND EQUITY	9,489,456	4,399,294	3,228,962
On-balance sheet profit sensitivity gap	377,729	(3,910,954)	(2,313,728)
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	1,675,000
TOTAL PROFIT SENSITIVITY GAP	377,729	(3,910,954)	(638,728)

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

>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
-	-	-	-	-	186,817	-	1,008,391	2.4%
-	-	-	-	-	-	-	60,710	1.0%
-	-	-	-	-	186,355	-	186,355	-
1,052,450	1,002,145	473,100	839,889	1,475,698	214,873	-	5,700,165	4.0%
-	-	-	-	140,608	-	-	140,608	4.0%
-	-	-	-	-	-	40,601	40,601	-
275,779	854,178	369,183	161,233	2,971,416	97,670	-	14,475,924	6.0%
-	-	-	-	-	245,392	-	245,392	-
-	-	-	-	-	(208,439)	-	(208,439)	-
-	-	-	-	-	987,182	-	987,182	-
1,328,229	1,856,323	842,283	1,001,122	4,587,722	1,709,850	40,601	22,636,889	
3,206,197	91	176	25,302	-	125,450	-	19,643,428	3.1%
1,817	2,495	1,728	2,592	-	2,120	-	442,252	2.6%
-	-	-	-	-	29,350	-	29,350	-
-	-	-	-	-	-	49,359	49,359	-
-	-	-	-	-	6,079	-	406,079	5.1%
-	-	-	-	-	70,484	-	70,484	-
3,208,014	2,586	1,904	27,894	-	233,483	49,359	20,640,952	
-	-	-	-	-	1,995,937	-	1,995,937	-
3,208,014	2,586	1,904	27,894	-	2,229,420	49,359	22,636,889	
(1,879,785)	1,853,737	840,379	973,228	4,587,722	(519,570)	(8,758)	-	-
2,000,000	-	-	-	-	-	-	3,675,000	-
120,215	1,853,737	840,379	973,228	4,587,722	(519,570)	(8,758)	3,675,000	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Bank 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000
ASSETS			
Cash and short-term funds	892,541	8,156	-
Cash and placements with financial institutions	-	22,115	-
Investment accounts due from designated financial institution	-	-	382
Financial investments designated at fair value through profit and loss	-	-	-
Financial investments available-for-sale	15,262	273,509	641,857
Financial investments held-to-maturity	-	-	-
Islamic derivative financial assets	-	-	-
Financing of customers:			
- non-impaired	10,119,095	401,629	426,539
- impaired*	-	-	-
- collective assessment allowance	-	-	-
Other non-profit sensitive balances	-	-	-
TOTAL ASSETS	11,026,898	705,409	1,068,778
LIABILITIES AND EQUITY			
Deposits from customers	8,125,193	4,571,467	3,134,457
Deposits and placements of banks and other financial institutions	550,000	200	1,584
Bills and acceptances payable	-	-	-
Islamic derivative financial liabilities	-	-	-
Subordinated sukuk	-	-	-
Senior Sukuk	-	5,000	-
Other non-profit sensitive balances	-	-	-
Total Liabilities	8,675,193	4,576,667	3,136,041
Equity attributable to shareholders of the Bank	-	-	-
TOTAL LIABILITIES AND EQUITY	8,675,193	4,576,667	3,136,041
On-balance sheet profit sensitivity gap	2,351,705	(3,871,258)	(2,067,263)
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	800,000
TOTAL PROFIT SENSITIVITY GAP	2,351,705	(3,871,258)	(1,267,263)

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

>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
-	-	-	-	-	127,045	-	1,027,742	2.5%
-	-	-	-	-	68	-	22,183	1.0%
-	-	-	-	-	-	-	382	-
-	-	-	-	-	197,207	1	197,208	-
980,604	459,258	676,341	332,300	2,587,211	115,191	-	6,081,533	3.8%
-	-	-	-	(232)	142,400	-	142,168	3.8%
-	-	-	-	-	-	55,948	55,948	-
791,075	258,432	125,694	186,430	2,509,189	80,877	-	14,898,960	6.0%
-	-	-	-	-	275,055	-	275,055	-
-	-	-	-	-	(236,159)	-	(236,159)	-
-	-	-	-	-	1,037,027	-	1,037,027	-
1,771,679	717,690	802,035	518,730	5,096,168	1,738,711	55,949	23,502,047	
2,803,356	300,639	25,332	50,168	-	919,147	-	19,929,759	3.0%
2,535	1,744	2,191	1,319	-	2,081	-	561,654	3.3%
-	-	-	-	-	9,196	-	9,196	-
-	-	-	-	-	-	63,088	63,088	-
-	-	-	250,000	-	3,964	-	253,964	5.6%
-	-	-	500,000	-	9,119	-	514,119	5.5%
-	-	-	-	-	60,531	-	60,531	-
2,805,891	302,383	27,523	801,487	-	1,004,038	63,088	21,392,311	
-	-	-	-	-	2,109,736	-	2,109,736	-
2,805,891	302,383	27,523	801,487	-	3,113,774	63,088	23,502,047	
(1,034,212)	415,307	774,512	(282,757)	5,096,168	(1,375,063)	(7,139)	-	-
1,200,000	-	-	-	-	-	-	2,000,000	-
165,788	415,307	774,512	(282,757)	5,096,168	(1,375,063)	(7,139)	2,000,000	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Bank 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000
ASSETS			
Cash and short-term funds	816,520	5,054	-
Cash and placements with financial institutions	-	60,710	-
Financial investments designated at fair value through profit and loss	-	-	-
Financial investments available-for-sale	46,065	61,003	534,942
Financial investments held-to-maturity	-	-	-
Islamic derivative financial assets	-	-	-
Financing of customers:			
- non-impaired	9,004,600	361,573	380,292
- impaired*	-	-	-
- collective assessment allowance	-	-	-
Other non-profit sensitive balances	-	-	-
TOTAL ASSETS	9,867,185	488,340	915,234
LIABILITIES AND EQUITY			
Deposits from customers	9,258,806	3,798,694	3,228,712
Deposits and placements of banks and other financial institutions	230,650	200,600	250
Bills and acceptances payable	-	-	-
Islamic derivative financial liabilities	-	-	-
Subordinated sukuk	-	400,000	-
Other non-profit sensitive balances	-	-	-
Total Liabilities	9,489,456	4,399,294	3,228,962
Equity attributable to shareholders of the Bank	-	-	-
TOTAL LIABILITIES AND EQUITY	9,489,456	4,399,294	3,228,962
On-balance sheet profit sensitivity gap	377,729	(3,910,954)	(2,313,728)
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	1,675,000
TOTAL PROFIT SENSITIVITY GAP	377,729	(3,910,954)	(638,728)

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

>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
-	-	-	-	-	186,817	-	1,008,391	2.4%
-	-	-	-	-	-	-	60,710	1.0%
-	-	-	-	-	177,322	-	177,322	-
1,052,450	1,002,145	467,351	828,663	1,435,041	272,352	-	5,700,012	4.0%
-	-	-	-	140,608	-	-	140,608	4.0%
-	-	-	-	-	-	40,601	40,601	-
275,779	854,178	369,183	161,233	2,971,416	106,987	-	14,485,241	6.0%
-	-	-	-	-	245,392	-	245,392	-
-	-	-	-	-	(208,439)	-	(208,439)	-
-	-	-	-	-	999,929	-	999,929	-
1,328,229	1,856,323	836,534	989,896	4,547,065	1,780,360	40,601	22,649,767	
3,206,197	91	176	25,302	-	146,242	-	19,664,220	3.1%
1,817	2,495	1,728	2,592	-	2,120	-	442,252	2.6%
-	-	-	-	-	29,350	-	29,350	-
-	-	-	-	-	-	49,359	49,359	-
-	-	-	-	-	6,079	-	406,079	5.1%
-	-	-	-	-	69,737	-	69,737	-
3,208,014	2,586	1,904	27,894	-	253,528	49,359	20,660,997	
-	-	-	-	-	1,988,770	-	1,988,770	-
3,208,014	2,586	1,904	27,894	-	2,242,298	49,359	22,649,767	
(1,879,785)	1,853,737	834,630	962,002	4,547,065	(461,938)	(8,758)	-	-
2,000,000	-	-	-	-	-	-	3,675,000	-
120,215	1,853,737	834,630	962,002	4,547,065	(461,938)	(8,758)	3,675,000	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Effects of rate of return risk

- Earnings at Risk ("EAR")

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

- Economic Value of Equity ("EVE")

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

- Value at Risk ("VaR")

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

Rate of return risk measurement

- Gap analysis

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Rate of return risk measurement (cont'd.)

- Gap analysis (cont'd.)

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

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

- Simulation analysis

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

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

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Sensitivity analysis for rate of return risk

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

		Group		Bank	
	Tax rate %	-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
2017					
Effect on profit after tax	24%	4,305	(4,305)	4,514	(4,514)
Effect on other comprehensive income, net of tax	24%	96,974	(96,974)	95,362	(95,362)
Effect on equity		122,630	(122,630)	120,573	(120,573)
2016					
Effect on profit after tax	24%	3,282	(3,282)	3,282	(3,282)
Effect on other comprehensive income, net of tax	24%	75,592	(75,592)	74,600	(74,600)
Effect on equity		117,001	(117,001)	115,644	(115,644)

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk

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

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

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

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

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

Sensitivity analysis for foreign exchange risk

Foreign currency risk

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

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

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

Foreign currency risk (cont'd.)

Interpretation of impact

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

(c) Liquidity and funding risk

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

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

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

The Asset & Liability Working Committee ("ALCO") chaired by the Chief Executive Officer, is being conducted on monthly basis, which purpose is to review the Liquidity Gap Profile of the Group and the Bank. In addition, the Group and the Bank apply the liquidity stress test which addresses strategic issues concerning liquidity risk.

The table below is the analysis of assets and liabilities of the Group and the Bank as at 31 March 2017 based on remaining contractual maturities.

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

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

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

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

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

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

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

Group 2016	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	812,501	195,890	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	-	60,710	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	-	-	186,355	186,355
Financial investments available-for-sale	10,283	35,782	61,003	191,329	343,335	5,058,433	5,700,165
Financial investments held-to-maturity	-	-	-	-	-	140,608	140,608
Islamic derivative financial assets	494	2,600	17,692	11,541	8,274	-	40,601
Financing of customers	-	1,536,172	800,037	629,805	946,379	10,600,484	14,512,877
Other assets	-	-	-	-	71,309	915,873	987,182
Total assets	823,278	1,770,444	939,442	832,675	1,369,297	16,901,753	22,636,889
Liabilities							
Deposits from customers	7,156,697	5,350,521	3,689,945	972,379	2,406,899	66,987	19,643,428
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	8,632	442,252
Bills and acceptances payable	-	29,350	-	-	-	-	29,350
Islamic derivative financial liabilities	569	35	13,846	13,189	7,817	13,903	49,359
Other liabilities	-	9,566	-	-	60,350	568	70,484
Subordinated sukuk	-	-	6,079	-	-	400,000	406,079
Total liabilities	7,258,409	5,520,113	3,911,456	985,568	2,475,316	490,090	20,640,952
Net maturity mismatch	(6,435,131)	(3,749,669)	(2,972,014)	(152,893)	(1,106,019)	16,411,663	1,995,937
Commitments and contingencies							
Contingent liabilities	2,820	14,383	13,367	47,475	78,637	162,304	318,986
Commitments	42,002	55,221	178,989	1,579,777	166,038	665,017	2,687,044
Islamic derivative financial instruments	77,131	51,520	683,922	352,608	1,843,685	2,000,000	5,008,866
Total commitments and contingencies	121,953	121,124	876,278	1,979,860	2,088,360	2,827,321	8,014,896

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

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

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

Bank 2017	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	908,976	110,610	8,156	-	-	-	1,027,742
Cash and placements with financial institution	-	-	22,183	-	-	-	22,183
Investment accounts due from designated financial institution	-	-	-	-	382	-	382
Financial investments designated at fair value through profit and loss	1	-	-	-	-	197,207	197,208
Financial investments available-for-sale	5,087	120,152	273,509	422,654	219,202	5,040,929	6,081,533
Financial investments held-to-maturity	-	-	-	-	-	142,168	142,168
Islamic derivative financial assets	1,021	22,626	17,560	10,509	4,232	-	55,948
Financing of customers	26,679	1,149,088	1,080,040	807,849	1,004,035	10,870,165	14,937,856
Other assets	141	43,546	-	-	75,998	917,342	1,037,027
Total assets	941,905	1,446,022	1,401,448	1,241,012	1,303,849	17,167,811	23,502,047
Liabilities							
Deposits from customers	6,397,152	5,168,881	4,785,026	1,784,192	1,375,893	418,615	19,929,759
Deposits and placements of banks and other financial institutions	250,523	301,361	200	-	1,612	7,958	561,654
Bills and acceptances payable	-	9,196	-	-	-	-	9,196
Islamic derivative financial liabilities	285	22,512	16,974	10,688	3,777	8,852	63,088
Other liabilities	-	23,590	-	-	36,941	-	60,531
Subordinated sukuk	-	-	4,262	-	-	249,702	253,964
Senior sukuk	-	-	14,724	-	-	499,395	514,119
Total liabilities	6,647,960	5,525,540	4,821,186	1,794,880	1,418,223	1,184,522	21,392,311
Net maturity mismatch	(5,706,055)	(4,079,518)	(3,419,738)	(553,868)	(114,374)	15,983,289	2,109,736
Commitments and contingencies							
Contingent liabilities	218	19,939	41,334	14,607	142,904	443,077	662,079
Commitments	27,903	53,724	195,406	44,210	134,986	1,361,813	1,818,042
Islamic derivative financial instruments	670,675	952,817	752,581	322,378	976,916	1,200,000	4,875,367
Total commitments and contingencies	698,796	1,026,480	989,321	381,195	1,254,806	3,004,890	7,355,488

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

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

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

Bank 2016	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	812,501	195,890	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	-	60,710	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	-	-	177,322	177,322
Financial investments available-for-sale	10,283	35,782	61,003	191,329	343,335	5,058,280	5,700,012
Financial investments held-to-maturity	-	-	-	-	-	140,608	140,608
Islamic derivative financial assets	494	2,600	17,692	11,541	8,274	-	40,601
Financing of customers	-	1,536,172	800,037	629,805	946,379	10,609,801	14,522,194
Other assets	-	-	-	-	77,238	922,691	999,929
Total assets	823,278	1,770,444	939,442	832,675	1,375,226	16,908,702	22,649,767
Liabilities							
Deposits from customers	7,169,989	5,358,021	3,689,945	972,379	2,406,899	66,987	19,664,220
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	8,632	442,252
Bills and acceptances payable	-	29,350	-	-	-	-	29,350
Islamic derivative financial liabilities	569	35	13,846	13,189	8,013	13,707	49,359
Other liabilities	-	8,310	-	-	60,859	568	69,737
Subordinated sukuk	-	-	-	-	-	406,079	406,079
Total liabilities	7,271,701	5,526,357	3,905,377	985,568	2,476,021	495,973	20,660,997
Net maturity mismatch	(6,448,423)	(3,755,913)	(2,965,935)	(152,893)	(1,100,795)	16,412,729	1,988,770
Commitments and contingencies							
Contingent liabilities	2,820	14,383	13,367	47,475	78,637	162,304	318,986
Commitments	42,002	55,221	178,989	1,579,777	166,038	665,017	2,687,044
Islamic derivative financial instruments	77,131	51,520	683,922	352,608	1,843,685	2,000,000	5,008,866
Total commitments and contingencies	121,953	121,124	876,278	1,979,860	2,088,360	2,827,321	8,014,896

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

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

(ii) Behavioural maturity of deposits from customers

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

Group		Deposits from customers						>1 Year RM'000	Total RM'000
		Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000			
2017	By contractual maturity	6,395,675	5,158,588	4,784,519	1,784,192	1,375,893	418,615	19,917,482	
	By behavioural maturity	2,827,501	1,818,034	1,585,575	1,373,237	1,118,052	11,195,083	19,917,482	
	Difference	3,568,174	3,340,554	3,198,944	410,955	257,841	(10,776,468)	-	
2016	By contractual maturity	7,156,697	5,350,521	3,689,945	972,379	2,406,899	66,987	19,643,428	
	By behavioural maturity	2,227,648	2,111,998	833,977	417,532	496,769	13,555,504	19,643,428	
	Difference	4,929,049	3,238,523	2,855,968	554,847	1,910,130	(13,488,517)	-	
Bank 2017	By contractual maturity	6,397,152	5,168,881	4,785,026	1,784,192	1,375,893	418,615	19,929,759	
	By behavioural maturity	2,828,336	1,818,815	1,586,486	1,374,234	1,118,794	11,203,094	19,929,759	
	Difference	3,568,816	3,350,066	3,198,540	409,958	257,099	(10,784,479)	-	
Bank 2016	By contractual maturity	7,169,989	5,358,021	3,689,945	972,379	2,406,899	66,987	19,664,220	
	By behavioural maturity	2,240,941	2,119,498	833,977	417,532	496,769	13,555,503	19,664,220	
	Difference	4,929,048	3,238,523	2,855,968	554,847	1,910,130	(13,488,516)	-	

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

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

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

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

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

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2017							
Non-derivative liabilities							
Deposits from customers	6,395,675	5,158,588	4,784,519	1,784,192	1,375,893	458,439	19,957,306
Deposits and placements of banks and other financial institutions							
Bills and acceptances payable	250,523	301,361	200	-	1,612	8,348	562,044
Other liabilities	-	9,196	-	-	-	-	9,196
Subordinated sukuk	-	24,004	-	-	37,178	7,086	68,268
Senior sukuk	-	-	4,262	-	-	251,174	255,436
	-	-	14,724	-	-	516,975	531,699
Derivative liabilities							
Total financial liabilities	285	22,512	16,974	10,688	3,777	8,852	63,088
	6,646,483	5,515,661	4,820,679	1,794,880	1,418,460	1,250,874	21,447,037
2016							
Non-derivative liabilities							
Deposits from customers	7,156,697	5,350,521	3,689,945	972,379	2,406,899	71,598	19,648,039
Deposits and placements of banks and other financial institutions							
Bills and acceptances payable	101,143	130,641	201,586	-	250	9,389	443,009
Other liabilities	-	29,350	-	-	-	-	29,350
Subordinated sukuk	-	13,566	-	-	1,096	-	14,662
	-	-	-	-	-	408,467	408,467
Derivative liabilities							
Total financial liabilities	569	35	13,846	13,189	7,817	13,903	49,359
	7,258,409	5,524,113	3,905,377	985,568	2,416,062	503,357	20,592,886

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

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

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2017							
Non-derivative liabilities							
Deposits from customers	6,397,152	5,168,881	4,785,026	1,784,192	1,375,893	458,439	19,969,583
Deposits and placements of banks and other financial institutions	250,523	301,361	200	-	1,612	8,348	562,044
Bills and acceptances payable	-	9,196	-	-	-	-	9,196
Other liabilities	-	23,590	-	-	36,941	-	60,531
Subordinated sukuk	-	-	4,262	-	-	251,174	255,436
Senior sukuk	-	-	14,724	-	-	516,975	531,699
Derivative liabilities	285	22,512	16,974	10,688	3,777	8,852	63,088
Total financial liabilities	6,647,960	5,525,540	4,821,186	1,794,880	1,418,223	1,243,788	21,451,577
2016							
Non-derivative liabilities							
Deposits from customers	7,169,989	5,358,021	3,689,945	972,379	2,406,899	71,598	19,668,831
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	9,389	443,009
Bills and acceptances payable	-	29,350	-	-	-	-	29,350
Other liabilities	-	13,288	-	-	1,079	-	14,367
Subordinated sukuk	-	-	-	-	-	408,467	408,467
Derivative liabilities	569	35	13,846	13,189	8,013	13,707	49,359
Total financial liabilities	7,271,701	5,531,335	3,905,377	985,568	2,416,241	503,161	20,613,383

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

(d) Operational risk

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

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

45. Fair value measurements

(a) Financial and non-financial instruments measured at fair value

Determination of fair value and the fair value hierarchy

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement either directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

45. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

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

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

Group	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	
2017				
Non-financial assets				
Investment properties	-	-	38,778	38,778
Financial assets				
Financial investments designated at fair value through profit or loss	-	1	197,207	197,208
Financial investments available-for-sale	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

45. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

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

		<u>Valuation technique using</u>			
Group	Quoted Market Price Level 1 RM'000	Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	Total RM'000	
2016					
Non-financial assets					
Investment properties	-	-	32,529	32,529	
Financial assets					
Financial investments designated at fair value through profit or loss	-	-	186,355	186,355	
Financial investments available-for-sale	95,930	5,584,971	19,264	5,700,165	
Derivative financial assets	-	40,601	-	40,601	
Total financial assets measured at fair value	95,930	5,625,572	205,619	5,927,121	
Financial liabilities					
Derivative financial liabilities	-	49,359	-	49,359	
Total financial liabilities measured at fair value	-	49,359	-	49,359	
		<u>Valuation technique using</u>			
	Quoted Market Price Level 1 RM'000	Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	Total RM'000	
Bank					
2017					
Non-financial assets					
Investment properties	-	-	38,778	38,778	
Financial assets					
Financial investments designated at fair value through profit or loss	-	1	197,207	197,208	
Financial investments available-for-sale	109,977	5,966,240	5,316	6,081,533	
Derivative financial assets	-	55,948	-	55,948	
Total financial assets measured at fair value	109,977	6,022,189	202,523	6,334,689	

45. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

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

Bank	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
2017				
Financial liabilities				
Derivative financial liabilities	-	63,088	-	63,088
Total financial liabilities measured at fair value	-	63,088	-	63,088
Bank	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
2016				
Non-financial assets				
Investment properties	-	-	32,529	32,529
Financial assets				
Financial investments designated at fair value through profit or loss	-	-	177,322	177,322
Financial investments available-for-sale	95,776	5,584,972	19,264	5,700,012
Derivative financial assets	-	40,601	-	40,601
Total financial assets measured at fair value	95,776	5,625,573	196,586	5,917,935
Financial liabilities				
Derivative financial liabilities	-	49,359	-	49,359
Total financial liabilities measured at fair value	-	49,359	-	49,359

45. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

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

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

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

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

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

45. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value

Group	Level 1	Level 2	Level 3	Total	Carrying
2017	RM'000	RM'000	RM'000	fair value RM'000	Amount RM'000
Financial assets					
Financial investments held-to-maturity	-	150,663	-	150,663	142,168
Financing of customers	-	8,715,506	5,142,939	13,858,445	14,918,272
Financial liabilities					
Deposits from customers	-	3,078,736	16,838,626	19,917,362	19,917,482
Deposits and placements of banks and other financial institutions	-	551,884	9,420	561,304	561,654
Bills and acceptances payable	-	-	9,196	9,196	9,196
Subordinated sukuk	-	253,585	-	253,585	253,964
Senior sukuk	-	517,675	-	517,675	514,119
Group					
2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
Financial assets					
Financial investments held-to-maturity	-	143,374	-	143,374	140,608
Financing of customers	-	8,199,566	4,706,692	12,906,258	14,512,877
Financial liabilities					
Deposits from customers	-	1,481,074	18,163,632	19,644,706	19,643,428
Deposits and placements of banks and other financial institutions	-	432,120	9,823	441,944	442,252
Bills and acceptances payable	-	-	29,350	29,350	29,350
Subordinated sukuk	-	406,879	-	406,879	406,079

45. Fair value measurements (cont'd.)

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

Bank	Level 1	Level 2	Level 3	Total	Carrying
2017	RM'000	RM'000	RM'000	fair value RM'000	Amount RM'000
Financial assets					
Financial investments held-to-maturity	-	150,663	-	150,663	142,168
Financing of customers	-	8,715,506	5,162,522	13,878,028	14,937,856
Financial liabilities					
Deposits from customers	-	3,080,212	16,849,426	19,929,638	19,929,759
Deposits and placements of banks and other financial institutions	-	551,884	9,420	561,304	561,654
Bills and acceptances payable	-	-	9,196	9,196	9,196
Subordinated sukuk	-	253,585	-	253,585	253,964
Senior sukuk	-	517,675	-	517,675	514,119
Bank					
2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
Financial assets					
Financial investments held-to-maturity	-	143,374	-	143,374	140,608
Financing of customers	-	8,199,566	4,716,008	12,915,574	14,522,194
Financial liabilities					
Deposits from customers	-	1,481,074	18,184,424	19,665,498	19,664,220
Deposits and placements of banks and other financial institutions	-	432,120	9,823	441,944	442,252
Bills and acceptances payable	-	-	29,350	29,350	29,350
Subordinated sukuk	-	406,879	-	406,879	406,079

45. Fair value measurements (cont'd.)

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

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two parties under normal market conditions. However, for certain assets such as financing and deposits, fair values are not readily available as there is no open market where these instruments are traded. The fair values for these instruments are estimated based on the assumptions below. These methods are subjective in nature, therefore, the fair values presented may not be indicative of the actual realisable value.

Fair value information has been disclosed for the Group and the Bank investments in equity instruments that are carried at cost because fair value cannot be measured reliably. The Group and the Bank does not intend to dispose of this investment in the foreseeable future.

Cash and short-term funds, statutory deposits with Bank Negara Malaysia, other assets, deposits and placements of banks and other financial institutions, bills and acceptances payable and other liabilities

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Financial investments available-for-sale and financial investments held-to-maturity

Where quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where the discounted cash flow technique is used, the expected future cash flows are discounted using market profit rates for similar instruments.

Financing of customers

The fair values of financing of customers not designated as hedged item are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of individual assessment allowance for bad and doubtful financing.

Deposits from customers

The fair values of deposits from customers are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

Subordinated sukuk

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for financings with similar risks profiles.

46. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Amount not set off in the statement of financial position		
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	Net amount RM'000
Group and Bank						
2017						
Derivative assets	56,309	361	55,948	-	-	55,948
Derivative liabilities	63,449	361	63,088	-	-	63,088
2016						
Derivative assets	41,752	1,151	40,601	-	-	40,601
Derivative liabilities	50,510	1,151	49,359	-	-	49,359

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The amount not set off in the statement of financial position relate to transactions where:

- (i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set off only in the event of default, insolvency or bankruptcy; and
- (ii) cash or securities are received or cash pledged in respect of the transaction described above.

47. Capital and other commitments

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

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

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

48. Capital adequacy

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

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

48. Capital adequacy (cont'd.)

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

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

48. Capital adequacy (cont'd.)

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

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

48. Capital adequacy (cont'd.)

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

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

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

48. Capital adequacy (cont'd.)

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

	Group			
	2017		2016	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	5,888,524	-	6,045,417	-
20%	3,294,361	658,872	2,655,462	531,092
35%	2,778,346	972,421	2,219,360	776,776
50%	1,770,574	885,287	1,234,416	617,208
75%	2,328,702	1,746,527	2,315,148	1,736,361
100%	8,560,093	8,560,093	9,405,539	9,405,539
150%	60,378	90,567	40,636	60,955
Risk weighted assets for credit risk	24,680,978	12,913,767	23,915,978	13,127,931
Risk weighted assets for market risk		26,483		80,829
Risk weighted assets for operational risk		1,131,625		1,078,204
Total risk weighted assets		14,071,875		14,286,964

48. Capital adequacy (cont'd.)

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

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

49. Capital management

The issuance of subordinated sukuk which qualifies for Tier 2 capital amounting to RM250 million which was issued in June 2016, had ensured that the Group and the Banks' RWCR remain competitive throughout the duration of the 5-year business plan.

Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the management level, capital management strategy review is a period exercise that is under the purview of Asset-Liability Working Committee ("ALCO"). The said exercise refers to an assessment of the Bank's capital requirement vis-à-vis the development of the Bank as well as the broad environment, i.e. regulatory and macroeconomic setting.

49. Capital management (cont'd.)

Latest review exercise revealed that the management of the Bank's capital has remained consistent with the development of the 5-year business plan. This indicates that the present depth in capital is sufficient to meet the requirements of the business plan outlined.

Meanwhile, there were series of developments made from the regulatory perspective, in particular, the proposal by the Basel Committee on Banking Supervision on Basel III. Much has been deliberated as regulators globally strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

The Bank has adopted the Standardised Approach for the measurement of credit and market risks, and the Basic Indicator Approach for operational risk, in compliance with BNM's requirements vis-à-vis the Capital Adequacy Framework for Islamic Bank. In addition, the stress testing process forecast the Bank's capital requirements under plausible and worst case stress scenarios to assess the Bank's capital to withstand the shocks.

50. Segment information

(a) Business segments

The Bank is organised into three major business segments:

- (i) Business banking - this segment comprises the full range of products and services offered to business customers in the region, ranging from large corporates and the public sector and also commercial enterprises. The products and services offered include long-term financing such as project financing, short-term credit such as Muamalat Cashline and trade financing and fee-based services such as cash management.
- (ii) Consumer banking - this segment comprises the full range of products and services offered to individual customers in Malaysia, including savings accounts, current accounts, general investment accounts, remittance services, internet banking services, cash management services, consumer financing such as mortgage financing, personal financing, hire purchases financing, micro financing, wealth management and bancatakaful products.
- (iii) Treasury and investment banking - this segment comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market securities.

Investment banking focuses on business needs of mainly large corporate customers and financial institutions which include corporate advisory services, bond issuances, Initial Public Offerings (IPOs) and debt restructuring advisory services. It also explores investment opportunities via private equity investments for the Bank.

50. Segment information (cont'd.)

(a) Business segments (cont'd.)

Other business segments include rental services, none of which is of a sufficient size to be reported separately.

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

48. Segment information (cont'd.)

(a) Business segments (cont'd.)

Group 2016	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	267,512	611,644	311,033	19,839	1,210,028
Total income	114,658	292,081	48,945	167,843	623,528
Allowance for impairment on financing	(25,780)	(20,618)	(153)	(12,771)	(59,322)
Reversal/(provision) for commitments and contingencies	-	7,412	-	(10,282)	(2,870)
Impairment loss on investments	-	-	(21,119)	(1,671)	(22,790)
Other expenses	-	-	-	(5,564)	(5,564)
Total net income	88,878	278,875	27,673	137,555	532,982
Total overhead expenses					(365,749)
Profit before zakat and taxation					167,233
Zakat					(4,375)
Taxation					(30,949)
Profit for the year					131,909

50. Segment information (cont'd.)

(a) Business segments (cont'd.)

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

50. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank 2016	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	267,512	611,644	301,995	19,840	1,200,991
Total Income	114,658	292,081	39,442	167,843	614,024
Allowance/(write back) for impairment on financing	(25,780)	(20,618)	5,847	(12,771)	(53,322)
Reversal/(provision) for commitments and contingencies	-	7,412	-	(10,282)	(2,870)
Impairment loss on investments	-	-	(21,119)	-	(21,119)
Other expenses	-	-	-	(5,564)	(5,564)
Total net income	88,878	278,875	24,170	139,226	531,149
Total Overhead expenses					(363,273)
Profit before zakat and taxation					167,876
Zakat					(4,197)
Taxation					(29,259)
Profit for the year					134,420

A blurred background image showing a calculator and a document. The document is the primary focus, with the title 'Basel II Pillar 3 Disclosure' clearly visible. The calculator is in the upper left, and the document's text is in the lower right.

Basel II Pillar 3 Disclosure

Pillar 3's objective is to improve market discipline.
2. To that end, Pillar 3 is a substantial public disclosure
made publicly available by Bank Muamalat
Capital structure, capital adequacy, risk management

The information herein disclosed is
under the Basel II - Disclosure
11 March 2011 This document

Company and the

Statement by Chief Executive Officer

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

In accordance with the requirement of BNM's Guideline on Capital Adequacy Framework for Islamic Banks ('CAFIB') – Disclosure Requirement ('Pillar 3'), and on behalf of the Board and management of Bank Muamalat Malaysia Berhad, I am pleased to provide an attestation on the Pillar 3 disclosures of the Group and the Bank for year ended 31 March 2017.

Dato' Haji Mohd Redza Shah bin Abdul Wahid
Chief Executive Officer

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PILLAR 3 DISCLOSURE

Abbreviations

ALCO	Asset-Liability Management Committee	RMD	Risk Management Department
ALM	Asset and Liability Management	RWA	Risk Weighted Assets
BCM	Business Continuity Management	RWCAF	Risk Weighted Capital Adequacy Framework
BCP	Business Continuity Plan	TBPS	Trading Book Policy Statement
BIA	Business Impact Analysis	S&P	Standard and Poor's
BOD	Board of Director	SC	Shariah Committee
BNM	Bank Negara Malaysia	SNCI	Shariah Non-Compliance Income
BRMC	Board Risk Management Committee	SRP	Shariah Review Program
BU	Business Unit	SU	Support Unit
CAFIB	Capital Adequacy Framework for Islamic Banks	VaR	Value at Risk
CBs	Corporate Bonds		
CC	Credit Committee		
CCR	Counterparty Credit Risk		
CEO	Chief Executive Officer		
CPs	Commercial Papers		
CR	Credit Risk		
CRP	Credit Risk Policy		
CRM	Credit Risk Mitigation		
CSR	Credit Supervision and Recovery Department		
EAR	Earning At Risk		
ECAI	External Credit Assessment Institutions		
ERMC	Executive Risk Management Committee		
EVE	Economic Value Perspective		
FRS139	Financial Reporting Standards 139		
FDI	Foreign Direct Investments		
GCRP	Guidelines to Credit Risk Policies		
IC	Investment Committee		
ICAAP	Internal Capital Adequacy Assessment Process		
IFIs	Islamic Financial Institutions		
IFSB-10	Institute Offering Islamic Financial Services		
IPRS	Islamic Profit Rate Swap		
IRB Approach	Internal Ratings Based Approach		
MARC	Malaysian Rating Corporation Berhad		
MDB	Multilateral Development Bank		
MISB	Muamalat Invest Sdn Bhd		
MR	Market Risk		
OR	Operational Risk		
ORM	Operational Risk Management		
ORMC	Operational Risk Management Committee		
PDS	Private Debt Securities		
PSEs	Non- Federal Government Public Sector Entities		
RA	Risk Assessment		
R&I	Rating and Investment Information, Inc		
RAM	RAM Rating Services Berhad		
RORBB	Rate of Return Risk in Banking Book		

Overview

The Pillar 3 Disclosure is a regulatory requirement aimed at enhancing market transparency and discipline. It is prepared in accordance to the Bank Negara Malaysia's (BNM's) guidelines "Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3)" and contains qualitative and quantitative information on Bank Muamalat Malaysia Berhad's (BMMB's) risk exposures and capital adequacy levels as well as on its capital and risk management practices.

In assessing its capital position, BMMB applies the prescribed Standardised Approach to measure its credit and market risk exposures and the Basic Indicator Approach for operational risk, as outlined under the BNM's CAFIB guidelines.

This Pillar 3 disclosure is published for the financial year ended 31 March 2017 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 March 2017.

1.0 Scope of Application

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on BMMB and its subsidiaries (hereinafter referred as “the Group and the Bank”). Information on subsidiaries is available in Note 11 to the financial statements.

The basis of consolidation for financial accounting purposes is described in Notes 2.2 to the financial statements, and differs from that used for regulatory capital purposes. The investment in subsidiary companies is deducted from regulatory capital at entity level and consolidated at group level.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

All information in the ensuing paragraphs is based on the Group's position. Certain information on capital adequacy relating to the Group and the Bank is presented on a voluntary basis to provide additional information to users. The capital-related information of the Group and the Bank, which is presented on a global basis, includes its offshore banking activities in Labuan as determined under the CAFIB.

This document discloses the Bank and the Group quantitative disclosures in accordance with the disclosure requirements as outlined in the “CAFIB” – Disclosure Requirements (“Pillar 3”) issued by “BNM”.

These disclosures have been reviewed and verified by internal auditors and approved by the Board and Directors of the Group.

Scope of disclosure

The detailed scope of published disclosure is subject to the following classification of information:

- Insignificant, i.e. its exclusion or distortion cannot influence the assessment or decision of a person using such information to make economic decisions, or influence such an assessment or decision,
- Reserved, i.e. its public distribution might adversely influence the position of the Group and the Bank on the market according to regulations on competition and consumer protection,
- Subject to law-protected confidentiality, such information is not published. In case of not publishing reserved information or the one which is subject to law-protected confidentiality, the Group and the Bank disclose information which is less detailed.

2.0 Capital Management

BMMB's capital management framework was designed to protect the interests of its key stakeholders and maximize shareholder value through optimum use of its capital resources. The primary capital management objective is to ensure efficient capital utilization while in pursuit of strategic and business objectives. It is also aimed at ensuring sufficient level of capital is maintained at all times to support the business growth targets and that it is kept in line with the Bank's risk appetite and regulatory requirements.

To determine the appropriate level and composition of capital to be held, the Bank uses the risk and capital adequacy assessment approaches as outlined under the Internal Capital Adequacy Assessment Process ("ICAAP"). The capital levels are assessed based on the Bank's strategic and business targets, taking into account current and forecasted economic and market conditions as well as the regulatory capital standards.

The Bank prepares its strategic, business and capital plans on an annual basis. Guided by the Board-approved risk appetite statement, the plans cover a minimum three-year planning horizon and are subjected to a stress test covering several possible stressed scenarios. Based on the ICAAP and stress test analysis, internal capital targets are set for key capital ratios to facilitate ongoing capital management and monitoring.

Arising from the strategic planning and capital assessment process, an annual capital plan is drawn up to ensure that sufficient capital is held to meet business growth targets as well as to maintain adequate buffer under adverse economic scenarios. The capital plan also addresses any capital issuance requirements, capital instrument composition and maturity profile, and capital contingency planning.

2.1 Internal Capital Adequacy Assessment Process ("ICAAP")

BMMB's approach towards assessing the adequacy of its internal capital levels in relation to its risk profile is addressed in the Internal Capital Adequacy Assessment Process ("ICAAP"). This is in line with BNM's requirement as stipulated under the guideline, "Capital Adequacy Framework for Islamic Banks (CAFIB) - Internal Capital Adequacy Assessment Process (Pillar 2)".

The ICAAP covers an assessment of all risk exposures, particularly on those deemed as material risks, and the effectiveness of related risk controls and mitigations. The risk and capital assessment also looks at the adequacy of capital in relation to other discretionary and non-discretionary risk and where required, additional capital and buffers are allocated for risk exposures that are deemed inadequately covered under the Pillar 1 capital.

The ICAAP further addresses the current and future capital levels to be considered or maintained to ensure its adequacy to support the Bank's business operations on a going-concern basis. In terms of its capital mix, the Bank's capital consists primarily of Tier 1 capital and common equity, which enhances the Bank's ability to absorb potential losses under unforeseeable circumstances.

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Stress Test

Stress testing is an important tool used in assessing and determining appropriateness of capital levels to ensure its ability to absorb stress events in order to protect the depositors and other stakeholders.

Stress testing is performed to identify early warning signs and potential risk events that may adversely impact the Bank's risk profile. Stress testing is also used to determine the level of capital buffers that are considered adequate to ensure that the Bank does not breach the minimum regulatory ratios under stress scenarios and to formulate appropriate management actions.

The Bank employs two stress test approaches, namely sensitivity and scenario analyses. The stress testing supports management and decision making in the following areas:

- i. Assessment of the Bank's material risk profile under stress events and estimate the potential impact and implications to the Bank;
- ii. Assessment of capital adequacy in relation to the Bank's risk profile, which is integral to the ("ICAAP");
- iii. Facilitate capital and liquidity contingency planning across a range of stressed conditions and aiding in the development and formulation of appropriate strategies for maintaining required level of capital and management of identified risks; and
- iv. Embedded as an integral part of the strategic planning and management process.

The tables below present the capital adequacy ratios of the Group and the Bank.

Table 1: Capital adequacy ratios

	Group		Bank	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Core Capital Ratio	14.35%	13.13%	14.15%	13.03%
Risk-weighted capital ratio	16.69%	15.37%	16.50%	15.28%

The following table represents the Group's and Bank's capital position as at 31 March 2017. Details on capital instruments, including share capital and reserves are found in notes 24 to 25 of the financial statements.

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Table 2: Capital structure

	Group		Bank	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
Tier-I capital				
Paid-up ordinary share capital	1,195,000	1,195,000	1,195,000	1,195,000
Retained profits/loss brought forward	294,528	219,957	289,726	214,387
Other Reserves				
Statutory reserve	658,158	582,822	656,561	581,225
Unrealised gains and losses on 'available for-sale' financial instruments	(11,298)	95	(33,734)	95
Foreign exchange translation reserve	2,183	(2,054)	2,183	(2,054)
Regulatory Adjustment				
Less: Deferred tax assets	(19,589)	(10,624)	(19,589)	(10,624)
Less: Investment in subsidiaries	-	-	(8,055)	(8,055)
Less: Intangible Asset (net of deferred tax liabilities)	(99,573)	(109,930)	(99,183)	(109,372)
Total Tier-I Capital	2,019,409	1,875,266	1,982,909	1,860,602
Tier-II capital				
Subordinated bonds	253,964	243,647	253,964	243,647
Collective assessment allowance	75,211	77,134	75,211	77,134
Total Tier-II Capital	329,175	320,781	329,175	320,781
Total Capital	2,348,584	2,196,047	2,312,084	2,181,383

The capital adequacy ratio of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 13 October 2015. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

2.1 Internal Capital Adequacy Assessment Process (“ICAAP”) (cont’d)

The following tables present the minimum regulatory capital requirement to support the Group’s and the Bank’s risk-weighted assets:

Table 3: Minimum capital requirement and risk-weighted assets

	31 March 2017		31 March 2016	
	Risk Weighted Assets RM’000	Minimum Capital Requirement at 8% RM’000	Risk Weighted Assets RM’000	Minimum Capital Requirement at 8% RM’000
Group				
Credit Risk	12,913,767	1,033,101	13,127,931	1,050,234
Market Risk	26,483	2,119	80,829	6,466
Operational Risk	1,131,625	90,530	1,078,204	86,256
Total	14,071,875	1,125,750	14,286,964	1,142,956
	31 March 2017		31 March 2016	
	Risk Weighted Assets RM’000	Minimum Capital Requirement at 8% RM’000	Risk Weighted Assets RM’000	Minimum Capital Requirement at 8% RM’000
Bank				
Credit Risk	12,870,829	1,029,666	13,133,315	1,050,665
Market Risk	26,483	2,119	80,829	6,466
Operational Risk	1,115,342	89,227	1,062,151	84,972
Total	14,012,654	1,121,012	14,276,295	1,142,103

The Group and the Bank do not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM’s RWCAF.

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2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows:

Table 4: Minimum capital requirement and risk-weighted assets by exposures

Group	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 March 2017				
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,773,468	5,773,468	-	-
PSEs	750,517	750,514	150,103	12,008
Banks, Development Financial Institution & MDBs	482,807	482,807	135,127	10,810
Corporates	6,264,026	6,192,163	4,394,026	351,522
Regulator Retail	5,485,315	5,470,596	4,920,807	393,665
Residential Real Estate	4,190,636	4,190,636	1,824,418	145,953
Higher Risk Assets	37,285	37,285	55,927	4,474
Other Assets	376,566	376,566	261,510	20,921
Defaulted Exposures	114,106	114,106	87,562	7,005
	23,474,727	23,388,142	11,829,482	946,359
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,100,164	1,100,164	993,858	79,509
Derivative financial instruments	192,672	192,672	90,427	7,234
	1,292,836	1,292,836	1,084,285	86,743
Total Credit Exposures	24,767,563	24,680,978	12,913,767	1,033,101
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,049	(1,407)	10,011	801
Foreign Currency Risk	13,691	(16,473)	16,473	1,318
Equity Position Risk	-	-	-	-
			26,483	2,119
			1,131,625	90,530
			14,071,875	1,125,750
(iii) Operational Risk (Basic Indicators Approach)				
(iv) Total RWA and Capital Requirements				

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Group	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 March 2016				
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,195,650	5,195,650	-	-
PSEs	49,981	49,125	9,825	786
Banks, Development Financial Institution & MDBs	668,202	668,202	133,640	10,691
Corporates	6,609,519	6,550,287	4,927,901	394,232
Regulator Retail	5,203,241	5,187,465	4,655,446	372,436
Residential Real Estate	4,434,585	4,434,585	2,511,335	200,907
Higher Risk Assets	-	-	-	-
Other Assets	304,371	304,371	203,965	16,317
Defaulted Exposures	127,918	127,918	111,692	8,935
	22,593,467	22,517,603	12,553,804	1,004,304
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,288,308	1,288,308	526,509	42,121
Derivative financial instruments	110,068	110,068	47,618	3,809
	1,398,376	1,398,376	574,127	45,930
Total Credit Exposures	23,991,843	23,915,979	13,127,931	1,050,234
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	704	(586)	17,961	1,437
Foreign Currency Risk	16,631	(894)	46,237	3,699
Equity Position Risk	23,119	-	16,631	1,330
			80,829	6,466
			1,078,204	86,256
			14,286,964	1,142,956
(iii) Operational Risk (Basic Indicators Approach)				
(iv) Total RWA and Capital Requirements				

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

Basel II -
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2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 March 2017				
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,773,468	5,773,468	-	-
PSEs	750,517	750,514	150,103	12,008
Banks, Development Financial Institution & MDBs	482,807	482,807	135,127	10,810
Corporates	6,271,012	6,199,149	4,401,012	352,081
Regulator Retail	5,485,315	5,470,596	4,920,807	393,665
Residential Real Estate	4,190,636	4,190,636	1,824,418	145,953
Higher Risk Assets	-	-	-	-
Other Assets	382,570	382,570	267,515	21,401
Defaulted Exposures	114,106	114,106	87,562	7,005
	23,450,431	23,363,846	11,786,544	942,923
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,100,164	1,100,164	993,858	79,509
Derivative financial instruments	192,672	192,672	90,427	7,234
	1,292,836	1,292,836	1,084,285	86,743
Total Credit Exposures	24,743,267	24,656,682	12,870,829	1,029,666
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,049	(1,407)	10,011	801
Foreign Currency Risk	13,691	(16,473)	16,473	1,318
Equity Position Risk	-	-	-	-
			26,483	2,119
			1,115,342	89,227
			14,012,654	1,121,012
(iii) Operational Risk (Basic Indicators Approach)				
(iv) Total RWA and Capital Requirements				

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 March 2016				
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,195,650	5,195,650	-	-
PSEs	49,981	49,125	9,825	786
Banks, Development Financial Institution & MDBs	668,202	668,202	133,640	10,691
Corporates	6,609,649	6,550,417	4,928,031	394,242
Regulator Retail	5,203,241	5,187,465	4,655,446	372,436
Residential Real Estate	4,434,585	4,434,585	2,511,335	200,907
Higher Risk Assets	-	-	-	-
Other Assets	309,626	309,626	209,219	16,738
Defaulted Exposures	127,918	127,918	111,692	8,935
	22,598,851	22,522,987	12,559,188	1,004,735
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,288,308	1,288,308	526,509	42,121
Derivative financial instruments	110,068	110,068	47,618	3,809
	1,398,376	1,398,376	574,127	45,930
Total Credit Exposures	23,997,227	23,921,363	13,133,315	1,050,665
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	704	(586)	17,961	1,437
Foreign Currency Risk	16,631	(894)	46,237	3,699
Equity Position Risk	23,119	-	16,631	1,330
			80,829	6,466
			1,062,151	84,972
			14,276,295	1,142,103
(iii) Operational Risk (Basic Indicators Approach)				
(iv) Total RWA and Capital Requirements				

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

** Credit Risk of off balance sheet items

3.0 Risk Management

Overview

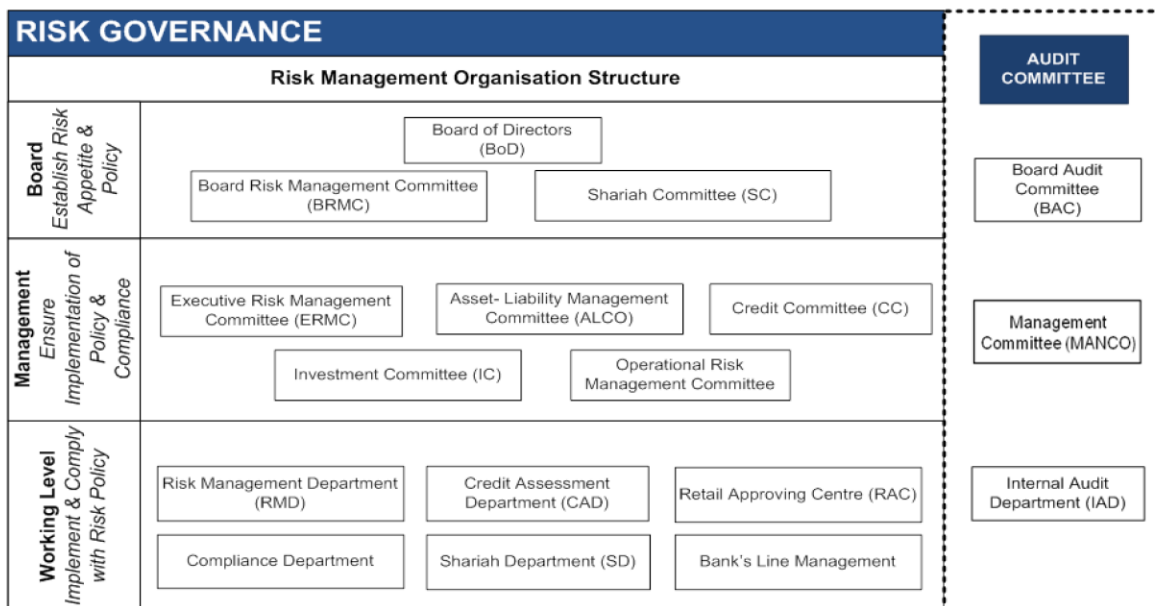
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance processes that outline responsibilities for risk management activities, as well as the governance and oversight of these activities.

An integral part of this approach is the systematic process of risk identification and measurement. Appropriate risk management strategies are then developed in line with the Bank's business plans and objectives, which include the ongoing monitoring and control of the identified risk exposures. The management and control over the principal risk areas of credit, market, asset and liability management, operational and Shariah are integrated to optimize and secure the Bank's strategic and competitive advantage.

Risk Governance

The Board of Directors holds the ultimate responsibility for the overall risk governance and oversight. This includes determining the appropriate risk strategies, setting the Bank's risk appetite and ensuring that the risks are monitored and controlled effectively. The Board oversees the risk management of the Bank through a clearly defined governance structure, which include board and management level committees with distinct roles and responsibilities.

Table 5: Risk Governance Structure



3.0 Risk Management (cont'd)

Risk Governance (cont'd)

The Board's primary oversight role is to understand the risks undertaken by the Bank and ensure that these risks are properly managed. While the Board is ultimately responsible for the Bank's management of risks, it has entrusted the Board Risk Management Committee (BRMC) to carry out specific risk management oversight functions on its behalf.

BRMC, which is chaired by an independent director of the Board, is a board-level committee that oversees the overall management of risks and deliberates on risk-related issues and resolutions. The BRMC, acting on behalf of the Board, also ensures that the appropriate processes, resources, policies and guidelines are in place to manage the Bank's risks.

In addition, the Board is also supported by the Shariah Committee (SC), which was set up as an independent external body to decide on Shariah issues and to simultaneously assist towards risk mitigation and compliance with the Shariah principles.

The execution of the board-approved risk strategies and policies is the responsibility of the Bank's management and these functions are also exercised under a committee structure. Heading the management-level risk committees is the Executive Risk Management Committee (ERMC), which is chaired by the Chief Executive Officer (CEO). The ERMC focuses on the overall business strategies and the Bank's day-to-day operations in respect of risk management.

Other management-level risk committees are set up to oversee specific risk areas and its related control functions as described below:

Table 6: Risk Committees & Functions

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

A dedicated and independent Risk Management Department (RMD) supports the above committees by carrying out the day-to-day risk management functions, drafting of risk-related policies and procedures, and providing reports, risk analyses and recommendations for the management and Board's decision-making.

3.0 Risk Management (cont'd)

The Bank's risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in their undertaken business activities. The line managers are therefore responsible for the identification, measurement and management of risks within their respective areas of responsibility.

The risk governance framework is implemented under a "distributed function" approach where risk is being managed based on the three lines of defense model. The components and their respective roles are as described below:

Table 7: Risk Management Model

The First Line of Defense · Business Units	· Responsible for managing risks assumed in day-to-day activities · Follow approved risk process · Apply internal controls and risk responses
The Second Line of Defense · Risk Management · Compliance	· Provide specialized resources for developing risk frameworks, policies and methodologies · Provide guidance and direction · Oversee and challenge risk management
The Third Line of Defense · Audit	· Review the first and second lines · Perform independent assessment of the risk management process for adequacy and effectiveness · Provide objective assurance and ensure compliance

Risk Appetite

Central to the Bank's risk management framework is the risk appetite. The risk appetite is defined as the level of risk that the Bank is willing to accept in fulfilling its business objectives. The Board, BRMC and senior management is responsible for determining the Bank's risk appetite and risk management strategy. The risk appetite is reviewed by the Board on an annual basis, in alignment with the annual strategic and business planning process.

The risk appetite framework is embedded within the Bank's key decision-making processes and supports the implementation of its strategy. It sets out the principles and policies that guide the Bank's behavior and decision-making for all risk taking activities towards achieving an optimal balance between risk and return. It also provides a clear reference point to monitor risk taking, to trigger appropriate action as the boundaries are approached or breached, and to minimize the likelihood of 'surprises' when adverse risk events occur.

As outlined in the risk appetite framework, a set of risk appetite statements has been developed to define the related risk capacity, appetite, tolerance and limits/targets of the Bank. The risk appetite statements, together with the risk tolerance limits and thresholds, are formulated to cover several key strategic and business risk levels or metrics such as capital ratios, liquidity, earnings volatility, asset portfolio composition and asset quality. The risk appetite, which is expressed in quantitative and qualitative forms, also incorporates the Bank's key performance indicators and states its stance towards reputational and Shariah non-compliance.

4.0 Credit Risk (General Disclosure)

Credit risk is defined as the potential financial loss caused by a retail customer or a wholesale counterparty failing to meet their obligations to the Bank as they become due. This covers all credit exposures, including guarantees and irrevocable undrawn facilities.

Risk arising from changes in credit quality is a central feature of the Bank's business, where uncertainty over the recoverability of financing and other amounts due from counterparties are inherent across most of the Bank's activities.

Adverse changes in the credit quality of a customer/counterparty or a general deterioration in the economic condition could affect the value of the Bank's assets and its overall financial performance. To a lesser degree, the Bank is also exposed to other forms of credit risk, such as settlement and pre-settlement risks, arising mainly from activities involving foreign exchange, investment securities, equities, commodities and derivatives transactions.

The BRMC and ERMCM are the key board and management-level oversight committees responsible for the overall credit risk management activities. These include approving and review of risk strategies and policies, resolving any policy-related issues, and monitoring of the Bank's asset portfolios and risk profile.

Credit risk is managed under an established framework of policies, processes and procedures, which forms part of the overall risk governance framework. The risk management processes include assessing, measuring, mitigating and managing credit risk and maintaining it within the Bank's risk appetite.

Key components of the framework are the Credit Risk Policy (CRP) and Guidelines to Credit Risk Policies (GCRP), which contain credit-related policies and procedures for the management of credit risk. These policies and procedures cover risk policies, controls and prudential limits; risk rating methodologies and application; financing underwriting standards and pricing; delegated credit approving authority; credit review and management of distressed assets; and rehabilitation, restructuring and provisioning for impaired financing. The policies are periodically reviewed and updated to ensure its efficacy and continued relevance.

An important element of credit risk management involves the allocation of the Bank's financing exposures into risk rating categories. This approach provides for sufficient level of granularity and detail of the financing assets to facilitate the identification, monitoring and management of the overall credit risk profile on a regular basis. These rating categories are also linked credit pricing and defined in relation to profit spread.

Credit approvals are performed under a formal delegated approving structure comprising a hierarchy of approving authorities with clearly defined scope and limits. The Credit Committee (CC) is the main management-level committee involved in the approval of credit proposals (for amounts exceeding that of the lower individual authority limits) and the monitoring and management of distressed financing assets.

The Bank conducts regular review of its credit exposures based on portfolio segments and concentrations to ensure that these exposures are kept within the Board-approved risk appetite and risk tolerance levels. These review and analysis reports also provide the basis for ongoing risk management strategy and policy formulation.

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration

Table 8: Credit risk exposures and credit risk concentration by sector analysis

Group	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
31 March 2017							
On balance sheet exposures							
Cash and short-term funds	-	1,027,742	-	-	-	-	1,027,742
Cash and placements with financial institutions	-	22,183	-	-	-	-	22,183
Investment accounts due from designated financial institution	-	382	-	-	-	-	382
Financial investments designated at fair value through profit and loss	-	197,208	-	-	-	-	197,208
Financial investment available-for-sale	3,869,209	424,018	535,371	116,498	-	1,186,320	6,131,416
Financial investment held-to-maturity	142,168	-	-	-	-	-	142,168
Islamic derivative financial assets	-	55,948	-	-	-	-	55,948
Financing of customers	752,618	1,038,203	1,177,571	1,426,835	14,757	10,508,288	14,918,272
Statutory deposits with Bank Negara Malaysia	698,636	-	-	-	-	-	698,636
Other financial assets	-	-	-	-	-	113,891	113,891
	5,462,631	2,765,684	1,712,942	1,543,333	14,757	11,808,499	23,307,846
Commitments and contingencies							
Contingent liabilities	-	65,049	118,254	401,321	9,957	67,498	662,079
Commitments	-	127,162	696,737	671,528	11,021	311,594	1,818,042
Derivative financial instruments	-	4,875,367	-	-	-	-	4,875,367
	-	5,067,578	814,991	1,072,849	20,978	379,092	7,355,488
Total credit exposures	5,462,631	7,833,262	2,527,933	2,616,182	35,735	12,187,591	30,663,334

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Group 31 March 2016	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,008,391	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	177,322	9,033	-	-	-	186,355
Financial investment available-for-sale	3,165,501	701,266	558,673	127,018	-	1,147,707	5,700,165
Islamic derivative financial assets	-	40,601	-	-	-	-	40,601
Financing of customers	551,610	963,217	1,138,048	1,409,890	15,095	10,435,017	14,512,877
Statutory deposits with Bank Negara Malaysia	703,261	-	-	-	-	-	703,261
Other financial assets	-	-	-	-	-	2,092	2,092
	4,560,980	2,951,507	1,705,754	1,536,908	15,095	11,584,816	22,355,060
Commitments and contingencies							
Contingent liabilities	2,131	32,250	65,774	186,646	8,581	23,604	318,986
Commitments	1,497,869	108,077	557,654	368,915	9,935	144,594	2,687,044
Derivative financial instruments	-	5,008,866	-	-	-	-	5,008,866
	1,500,000	5,149,193	623,428	555,561	18,516	168,198	8,014,896
Total credit exposures	6,060,980	8,100,700	2,329,182	2,092,469	33,611	11,753,014	30,369,956

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 March 2017	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,027,742	-	-	-	-	1,027,742
Cash and placements with financial institutions	-	22,183	-	-	-	-	22,183
Investment accounts due from designated financial institution	-	382	-	-	-	-	382
Financial investments designated at fair value through profit and loss	-	197,208	-	-	-	-	197,208
Financial investment available-for-sale	3,869,209	424,018	535,371	116,498	-	1,136,437	6,081,533
Financial investment held-to-maturity	142,168	-	-	-	-	-	142,168
Islamic derivative financial assets	-	55,948	-	-	-	-	55,948
Financing of customers	752,618	1,038,203	1,184,917	1,426,836	14,757	10,520,525	14,937,856
Statutory deposits with Bank Negara Malaysia	698,636	-	-	-	-	-	698,636
Other financial assets	-	-	-	-	-	113,183	113,183
	5,462,631	2,765,684	1,720,288	1,543,334	14,757	11,770,145	23,276,839
Commitments and contingencies							
Contingent liabilities	-	65,049	118,254	401,321	9,957	67,498	662,079
Commitments	-	127,162	696,737	671,528	11,021	311,594	1,818,042
Derivative financial instruments	-	4,875,367	-	-	-	-	4,875,367
	-	5,067,578	814,991	1,072,849	20,978	379,092	7,355,488
Total credit exposures	5,462,631	7,833,262	2,535,279	2,616,183	35,735	12,149,237	30,632,327

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 March 2016	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,008,391	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	177,322	-	-	-	-	177,322
Financial investment available-for-sale	3,165,501	701,266	558,673	127,018	-	1,147,554	5,700,012
Islamic derivative financial assets	-	40,601	-	-	-	-	40,601
Financing of customers	551,610	963,218	1,147,781	1,409,890	15,095	10,434,600	14,522,194
Statutory deposits with Bank Negara Malaysia	703,261	-	-	-	-	-	703,261
Other financial assets	-	-	-	-	-	8,239	8,239
	4,560,980	2,951,508	1,706,454	1,536,908	15,095	11,590,393	22,361,338
Commitments and contingencies							
Contingent liabilities	2,131	32,250	65,774	186,646	8,581	23,604	318,986
Commitments	1,497,869	108,077	557,654	368,915	9,935	144,594	2,687,044
Derivative financial instruments	-	5,008,866	-	-	-	-	5,008,866
	1,500,000	5,149,193	623,428	555,561	18,516	168,198	8,014,896
Total credit exposures	6,060,980	8,100,701	2,329,882	2,092,469	33,611	11,758,591	30,376,234

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis

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

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

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis (cont'd)

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

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

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Exposures of Financial Assets by Maturity Distribution

Table 10: Maturities of financial assets by remaining contractual maturity

Group	Up to 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Total
31 March 2017	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,027,742	-	-	-	1,027,742
Cash and placements with financial institutions	22,183	-	-	-	22,183
Investment accounts due from designated financial institution	-	382	-	-	382
Financial investments designated at fair value through profit and loss	-	-	-	197,208	197,208
Financial investment available-for-sale	821,761	268,726	2,448,260	2,592,669	6,131,416
Financial investment held-to-maturity	-	-	-	142,168	142,168
Islamic derivative financial assets	51,716	4,232	-	-	55,948
Financing of customers	3,063,738	1,004,063	4,957,337	5,893,134	14,918,272
Statutory deposits with Bank Negara Malaysia	-	-	-	698,636	698,636
Other financial assets	-	113,891	-	-	113,891
Total On-Balance Sheet Exposures	4,987,140	1,391,294	7,405,597	9,523,815	23,307,846
Group	Up to 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Total
31 March 2016	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,008,391	-	-	-	1,008,391
Cash and placements with financial institutions	60,710	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	186,355	186,355
Financial investment available-for-sale	298,397	343,335	3,604,916	1,453,517	5,700,165
Financial investment held-to-maturity	-	-	-	140,608	140,608
Islamic derivative financial assets	32,327	8,274	-	-	40,601
Financing of customers	2,966,014	946,379	4,794,868	5,805,616	14,512,877
Statutory deposits with Bank Negara Malaysia	-	-	-	703,261	703,261
Other financial assets	-	2,092	-	-	2,092
Total On-Balance Sheet Exposures	4,365,839	1,300,080	8,399,784	8,289,357	22,355,060

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Exposures of Financial Assets by Maturity Distribution (cont'd)

Table 10: Maturities of financial assets by remaining contractual maturity (cont'd)

Bank 31 March 2017	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,027,742	-	-	-	1,027,742
Cash and placements with financial institutions	22,183	-	-	-	22,183
Investment accounts due from designated financial institution	-	382	-	-	382
Financial investments designated at fair value through profit and loss	-	-	-	197,208	197,208
Financial investment available-for-sale	821,402	219,202	2,448,259	2,592,670	6,081,533
Financial investment held-to-maturity	-	-	-	142,168	142,168
Islamic derivative financial assets	51,716	4,232	-	-	55,948
Financing of customers	3,063,656	1,004,035	4,968,748	5,901,417	14,937,856
Statutory deposits with Bank Negara Malaysia	-	-	-	698,636	698,636
Other financial assets	-	113,183	-	-	113,183
Total On-Balance Sheet Exposures	4,986,699	1,341,034	7,417,007	9,532,099	23,276,839
Bank 31 March 2016	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,008,391	-	-	-	1,008,391
Cash and placements with financial institutions	60,710	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	177,322	177,322
Financial investment available-for-sale	298,397	343,335	3,604,763	1,453,517	5,700,012
Financial investment held-to-maturity	-	-	-	140,608	140,608
Islamic derivative financial assets	32,327	8,274	-	-	40,601
Financing of customers	2,966,014	946,379	4,794,868	5,814,933	14,522,194
Statutory deposits with Bank Negara Malaysia	-	-	-	703,261	703,261
Other financial assets	-	8,239	-	-	8,239
Total On-Balance Sheet Exposures	4,365,839	1,306,227	8,399,631	8,289,641	22,361,338

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Management Approach

Credit risk is inherent in all credit-related activities such as in the granting of financing facilities and participation in treasury and investment banking activities.

Credit risk exposures are controlled and managed at every stage of the credit process through various methods and techniques. At the point of origination, the credit exposure is assessed with well-defined financing granting criteria, which include the identification of a clear and adequate source of payment or income generation from the customer, structuring of an effective financing package and incorporation of appropriate risk mitigants.

The Bank's credit-origination and granting activities are segregated by business lines based on customer types/business segments. Specifically, these are Business Banking for corporate, commercial and retail SME customers, Consumer Banking for retail/individual customers and Investment Banking for syndications and capital market instruments. These departments are responsible for marketing, developing and managing the Bank's financing and investment assets as well as ensuring the quality and timely delivery of its products and services.

The Bank has an established structure to facilitate the credit approval process which defines the appropriate level of approving authority and limits. These approving authority and limits are duly sanctioned by the Board and are subject to periodic reviews to assess its effectiveness as well as compliance. To enhance the risk identification process, the financing proposals by the origination departments are subjected to independent credit reviews and risk assessments by the relevant credit assessment departments prior to submission to the approving authority for decision.

Credit portfolios are managed and monitored against stipulated portfolio exposure limits with the objective to avoid credit concentration and excessive build-up of exposures and to preserve the credit portfolios' quality through timely and appropriate corrective actions.

The Credit Risk report is produced and deliberated at the management and board level committees on a monthly basis to monitor the overall exposures and limits. Risk Profiling Analysis on selected asset portfolios is conducted on a regular basis to analyze the asset quality for possible deterioration or concentration build-up and potential weaknesses or threats arising from internal and external factors.

Stress Test on credit exposures is used as a tool to identify possible events or future changes in the financial and economic conditions that could have an unfavorable impact on the Bank's exposures. It is also used to assess the Bank's ability to withstand such changes in relation to the capacity of capital and earnings to absorb potentially significant losses.

The monitoring and recovery of delinquent and problematic financing accounts are undertaken by two departments; namely the Consumer Financing Supervision and Recovery Department (CFSRD) and the Business Financing Supervision and Recovery Department (BFSRD). Within the BFSRD, the Early Care and Remedial Management units have been tasked to monitor and undertake pre-emptive measures on business financing with early warning signs to prevent further deterioration and/or initiate rehabilitation actions such as rescheduling and restructuring of the affected accounts.

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Management Approach (cont'd.)

Classification and loss provisioning of the Bank's impaired financing and investment assets is performed upon determination of impairment evidence and by categorization into individual and collective assessment. The process and approach is defined in the GCRP and other related policies and SOPs as prescribed under the FRS139 and BNM guidelines.

The Bank implemented a new risk rating approach for its business and consumer financing portfolios, introduced gradually from year 2011. Credit scorecards using statistical and heuristic-based methodologies were developed and applied to assess the customers' risk levels and assist in the Bank's credit decision. The credit risk grades are also used in portfolio monitoring and limit setting and in building a more robust estimation of credit losses in the future as prescribed under the "Internal Rating Based" (IRB) approach.

Aside from the credit risk rating, the Bank is also enhancing its portfolio management capability through the development of a data mart and acquisition of more analytical and risk management systems. These initiatives are undertaken in Phase 2 of the MBS project and are expected to enhance the Bank's risk management capability in the longer term.

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers

Table 11: Credit quality of financing of customers

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

Financing of customers are analysed as follows:

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

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

Financing of customers are analysed as follows:

Group 31 March 2016	Neither past due nor Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,010,889	267,635	192,189	75,343	4,546,056
- Syndicated financing	508,030	-	-	-	508,030
- Hire purchase receivables	810,831	33,068	28,041	28,456	900,396
- Leasing receivables	-	-	-	9,038	9,038
- Other term financing	6,055,712	69,584	69,898	111,916	6,307,110
Other financing	2,389,720	32,709	7,618	101,717	2,531,764
	13,775,182	402,996	297,746	326,470	14,802,394
Less:					
- Collective assesment allowance	-	-	-	-	(208,439)
- Individual assesment allowance	-	-	-	(81,078)	(81,078)
Total net financing	13,775,182	402,996	297,746	245,392	14,512,877

Basel II -
Pillar 3 Disclosure

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

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

Financing of customers are analysed as follows:

Bank 31 March 2017	Neither past due nor Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,208,374	243,960	176,074	86,530	4,714,938
- Syndicated financing	620,274	-	-	-	620,274
- Hire purchase receivables	705,538	24,275	20,905	22,826	773,544
- Leasing receivables	-	-	-	4,997	4,997
- Other term financing	6,177,608	58,114	79,843	182,982	6,498,547
Other financing	2,561,234	10,235	12,526	59,518	2,643,513
	14,273,028	336,584	289,348	356,853	15,255,813
Less:					
- Collective assessment allowance	-	-	-	-	(236,159)
- Individual assessment allowance	-	-	-	(81,798)	(81,798)
Total net financing	14,273,028	336,584	289,348	275,055	14,937,856

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

Financing of customers are analysed as follows:

Bank 31 March 2016	Neither past due nor Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,010,889	267,635	192,189	75,343	4,546,056
- Syndicated financing	508,030	-	-	-	508,030
- Hire purchase receivables	810,831	33,068	28,041	28,456	900,396
- Leasing receivables	-	-	-	9,038	9,038
- Other term financing	6,065,029	69,584	69,898	111,916	6,316,427
Other financing	2,389,720	32,709	7,618	101,717	2,531,764
	13,784,499	402,996	297,746	326,470	14,811,711
Less:					
- Collective assesment allowance	-	-	-	-	(208,439)
- Individual assesment allowance	-	-	-	(81,078)	(81,078)
Total net financing	13,784,499	402,996	297,746	245,392	14,522,194

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

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

(i) Neither past due nor impaired

Gross financing and advances which are neither past due nor impaired:

- "Good Grade" refers to financing and advances which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory Grade" refers to financing and advances which may have been past due or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

(ii) Rescheduled/restructured financing

Rescheduling or restructuring activities include extended payment arrangements, and the modification and deferral of payments. The carrying amounts by type of financing that would otherwise be past due or impaired whose terms have been renegotiated are as follows:

Table 12: Rescheduled/ restructured financing

Rescheduling or restructuring activities include extended payment arrangements, and the modification and deferral of payments. The carrying amount by type of financing that would otherwise be past due or impaired whose terms have been renegotiated are as follows:

Group and Bank	31 March 2017 RM'000	31 March 2016 RM'000
Term financing		
- Home financing	-	-
- Hire purchase receivables	-	-
- Other term financing	-	-
Total	<u>-</u>	<u>-</u>

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

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

(iii) Past due but not impaired

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

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

Table 13: Past due but not impaired

Group and Bank 31 March 2017	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	131,838	44,236	176,074
- Hire purchase receivables	-	16,217	4,688	20,905
- Other term financing	-	44,160	35,683	79,843
Other financing	-	8,684	3,842	12,526
Total	-	200,899	88,449	289,348

Group and Bank 31 March 2016	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	141,222	50,967	192,189
- Hire purchase receivables	-	22,153	5,888	28,041
- Other term financing	-	46,871	23,027	69,898
Other financing	-	3,437	4,181	7,618
Total	-	213,683	84,063	297,746

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

(iii) Past due but not impaired (cont'd)

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

Group and Bank	31 March 2017 RM'000	31 March 2016 RM'000
Purchase of transport vehicles	20,586	28,207
Purchase of landed properties of which:		
– residential	180,127	195,728
– non-residential	23,272	13,253
Purchase of fixed assets (excluding landed properties)	-	879
Personal use	60,824	56,837
Working capital	1,651	933
Other purpose	2,888	1,909
	289,348	297,746

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	31 March 2017 RM'000	31 March 2016 RM'000
Domestic	-	-
Labuan Offshore	-	-
	-	-

(iv) Impaired financing

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

Individual assessment allowance

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

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

(iv) Impaired financing (cont'd)

Individual assessment allowance (cont'd.)

In addition, all financing considered significant are individually assessed on a case-by-case basis at each reporting date to ascertain if there is any objective evidence that the financing is impaired. The criteria that the Group and the Bank use to determine that there is objective evidence of impairment include:

- a) Bankruptcy petition filed against the customer
- b) Customer resorting to Section 176 Companies Act 1965 (and alike)
- c) Other banks calling their lines (revealed through publicised news, etc)
- d) Customer involved in material fraud
- e) Excess drawing or unpaid profit / principal
- f) 90 days past due
- g) Abandoned project
- h) Future cash flows barely covers profit
- i) Distressed debt restructuring
- j) Improper use of credit lines
- k) Legal action by other creditors

Collectively assessed allowances

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

The financial effects of the adoption of MFRS in relation to other areas on the Group's and the Bank's financial statements are disclosed in Note 2.3.

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose

The following tables present an analysis of the impaired financing by economic purpose.

Group	31 March 2017						Total
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	
Purchase of securities	63	-	-	-	-	93	93
Purchase of transport vehicles	21,687	7,561	(1,260)	-	6,301	19,822	26,123
Purchase of landed properties of which:							
– residential	87,000	-	-	-	-	52,559	52,559
– non-residential	7,706	-	-	-	-	5,887	5,887
Purchase of fixed assets (excluding landed properties)	5,326	1	111	-	112	366	478
Personal use	139,326	-	-	-	-	142,379	142,379
Construction	19,112	15	19,097	-	19,112	586	19,698
Working capital	65,597	69,824	(359)	(20,414)	49,050	11,156	60,206
Other purpose	6,103	3,677	(1,388)	-	2,290	3,311	5,601
	351,920	81,078	16,201	(20,414)	76,865	236,159	313,024

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Group	31 March 2016						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	64	-	-	-	-	103	103
Purchase of transport vehicles	26,876	-	7,561	-	7,561	24,757	32,318
Purchase of landed properties of which:							
– residential	76,335	-	-	-	-	59,338	59,338
– non-residential	8,333	-	-	-	-	6,220	6,220
Purchase of fixed assets (excluding landed properties)	9,038	150	(149)	-	1	772	773
Personal use	93,739	-	-	-	-	101,627	101,627
Construction	15	15	-	-	15	664	679
Working capital	104,795	41,798	34,228	(6,202)	69,824	12,361	82,185
Other purpose	7,275	668	3,009	-	3,677	2,597	6,274
	326,470	42,631	44,649	(6,202)	81,078	208,439	289,517

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Bank	31 March 2017						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment 31 March RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	63	-	-	-	-	93	93
Purchase of transport vehicles	21,687	7,561	(1,260)	-	6,301	19,822	26,123
Purchase of landed properties of which:							
– residential	87,000	-	-	-	-	52,559	52,559
– non-residential	7,706	-	-	-	-	5,887	5,887
Purchase of fixed assets (excluding landed properties)	5,326	-	111	-	111	366	477
Personal use	139,326	-	-	-	-	142,379	142,379
Construction	19,112	15	19,097	-	19,112	586	19,698
Working capital	70,529	69,824	4,573	(20,414)	53,982	11,156	65,139
Other purpose	6,104	3,678	(1,387)	-	2,292	3,311	5,602
	356,853	81,078	21,134	(20,414)	81,798	236,159	317,958

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Bank	31 March 2016						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment 31 March RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	64	-	-	-	-	103	103
Purchase of transport vehicles	26,876	-	7,561	-	7,561	24,757	32,318
Purchase of landed properties of which:							
– residential	76,335	-	-	-	-	59,338	59,338
– non-residential	8,333	-	-	-	-	6,220	6,220
Purchase of fixed assets (excluding landed properties)	9,038	149	(149)	-	-	772	772
Personal use	93,739	-	-	-	-	101,627	101,627
Construction	15	15	-	-	15	664	679
Working capital	104,795	47,798	34,228	(12,202)	69,824	12,361	82,185
Other purpose	7,275	669	3,009	-	3,678	2,597	6,275
	326,470	48,631	44,649	(12,202)	81,078	208,439	289,517

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 15: Impaired financing by geographical distribution

The following tables present an analysis of the impaired financing by geographical distribution.

Group	31 March 2017					
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at RM'000	Collective Assessment Allowance at RM'000
Domestic	351,920	81,078	16,201	(20,414)	76,865	236,133
Labuan offshore	-	-	-	-	-	26
	351,920	81,078	16,201	(20,414)	76,865	236,159
						312,998
						26
						313,024

Group	31 March 2016					
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at RM'000	Collective Assessment Allowance at RM'000
Domestic	326,470	42,631	44,649	(6,202)	81,078	208,385
Labuan offshore	-	-	-	-	-	54
	326,470	42,631	44,649	(6,202)	81,078	208,439
						289,463
						54
						289,517

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 15: Impaired financing by geographical distribution (cont'd)

The following tables present an analysis of the impaired financing by geographical distribution.

		31 March 2017					
Bank	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at RM'000	Collective Assessment Allowance at RM'000	Total Impairment Allowances for Financing RM'000
Domestic	356,853	81,078	21,134	(20,414)	81,798	236,133	317,931
Labuan offshore	-	-	-	-	-	26	26
	356,853	81,078	21,134	(20,414)	81,798	236,159	317,957

		31 March 2016					
Bank	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at RM'000	Collective Assessment Allowance at RM'000	Total Impairment Allowances for Financing RM'000
Domestic	326,470	48,631	44,649	(12,202)	81,078	208,385	289,463
Labuan offshore	-	-	-	-	-	54	54
	326,470	48,631	44,649	(12,202)	81,078	208,439	289,517

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

(iv) Impaired financing (cont'd)

Collateral and other credit enhancements

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

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

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

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at **84.7%** and **84.6%** respectively as at 31 March 2017 (Group and the Bank at 100.6% as at 31 March 2016). The financial effect of collateral held for other financial assets is not significant.

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

(v) Repossessed Collateral

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

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach)

The Group and the Bank use the external rating agencies such as MARC, RAM, Moody's, Standard & Poors, Fitch and R&I for rating of commercial papers (CPs) and corporate bonds (CBs) or participation of syndication or underwriting of PDS issuance.

Each ECAI is used based on the types of exposures as described per Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's and the Bank's credit exposures that are presently not mapped to the ECAI ratings are depicted below as unrated. Rating for financing exposure based on the obligor rating and treasury exposure based on issue rating of the exposure.

Table 16: Rating distribution on credit exposures

Group 31 March 2017		Rating by Approved ECAIS									
Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	-	-	-	-	5,773,468	-	-	-	-	-	5,773,468
Public Sector Entities	-	-	-	-	-	-	-	-	762,502	-	762,502
Banks, Development Financial Institutions & MDBs	5,005	2	93,813	-	128,553	-	-	167,000	210,261	-	604,634
Corporates	743,771	94,580	470,588	121,972	33,488	142,168	-	67,960	5,440,619	264,639	7,379,783
Regulatory Retail	-	-	-	-	-	-	-	-	-	5,630,783	5,630,783
Residential Mortgages	-	-	-	-	-	-	-	-	-	4,233,823	4,233,823
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	382,570	382,570
Total	748,776	94,582	564,400	121,972	5,935,509	142,168	-	234,960	6,413,381	10,511,815	24,767,563
Group 31 March 2016											
Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	-	-	-	-	5,945,011	-	-	-	-	-	5,945,011
Public Sector Entities	-	-	-	-	-	-	-	-	52,626	-	52,626
Banks, Development Financial Institutions & MDBs	25,901	38,281	390,029	-	-	-	-	28,858	262,902	-	745,971
Corporates	954,242	129,595	630,629	1,516,193	58,629	140,608	13,831	-	3,775,538	-	7,219,265
Regulatory Retail	-	-	-	-	-	-	-	-	-	5,252,224	5,252,224
Residential Mortgages	-	-	-	-	-	-	-	-	-	4,472,376	4,472,376
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	304,371	304,371
Total	980,143	167,876	1,020,658	1,516,193	6,003,640	140,608	13,831	28,858	4,091,066	10,028,971	23,991,844

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Bank 31 March 2017		Rating by Approved ECAIS									
Exposure Class	AAA RM'000	AA+	AA	AA-	A	BBB	BB+	BB-	P1/MARC1	Unrated	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	-	-	-	-	5,773,468	-	-	-	-	-	5,773,468
Public Sector Entities	-	-	-	-	-	-	-	-	-	762,502	762,502
Banks, Development Financial Institutions & MDBs	5,005	2	93,813	-	128,553	-	-	167,000	-	210,261	604,634
Corporates	743,771	94,580	470,588	121,972	33,488	142,168	-	67,960	-	5,416,323	7,355,487
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	264,639
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	5,630,783
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	4,233,823
Other Assets	-	-	-	-	-	-	-	-	-	-	382,570
Total	748,776	94,582	564,400	121,972	5,935,509	142,168	-	234,960	-	6,389,086	24,743,267
Bank 31 March 2016											
Exposure Class	AAA RM'000	AA+	AA	AA-	A	BBB	BB+	BB-	P1/MARC1	Unrated	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	-	-	-	-	5,945,011	-	-	-	-	-	5,945,011
Public Sector Entities	-	-	-	-	-	-	-	-	-	52,626	52,626
Banks, Development Financial Institutions & MDBs	25,901	38,281	390,029	-	-	-	-	28,858	-	262,902	745,971
Corporates	954,242	129,595	630,629	1,516,193	58,629	140,608	13,831	-	-	3,775,668	7,219,395
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	5,252,224
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	4,472,376
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	309,626
Other Assets	-	-	-	-	-	-	-	-	-	-	10,034,226
Total	980,143	167,876	1,020,658	1,516,193	6,003,640	140,608	13,831	28,858	-	4,091,196	23,997,229

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class	Moody's S&P Fitch RAM MARC RII Inc RM'000	Ratings of Corporate by Approved ECAIs							
		Aaa to Aa3	A1 to A3	Baa1 to Ba3	BBB+ to BB-	BBB+ to BB-	BBB+ to BB-	B1 to C	Unrated
		AAA to AA-	A+ to A-	BBB+ to BB-	BBB+ to BB-	BBB+ to BB-	BBB+ to BB-	B+ to D	Unrated
		AAA to AA-	A+ to A-	BBB+ to BB-	BBB+ to BB-	BBB+ to BB-	BBB+ to BB-	B+ to D	Unrated
		AAA to AA3	A to A3	BBB1 to BB3	BBB1 to BB3	BBB1 to BB3	BBB1 to BB3	B to D	Unrated
		AAA to AA-	A+ to A-	BBB+ to BB-	BBB+ to BB-	BBB+ to BB-	BBB+ to BB-	B+ to D	Unrated
		AAA to AA-	A+ to A-	BBB+ to BB-	BBB+ to BB-	BBB+ to BB-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures									
Credit Exposures (Using Corporate Risk Weights)									
Group and Bank									
31 March 2017									
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)									
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-	-	-	762,502
Corporates		1,498,870	33,488	142,168	-	-	-	-	5,680,962
Total		1,498,870	33,488	142,168	-	-	-	-	6,443,464
Group and Bank									
31 March 2016									
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)									
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-	-	-	52,626
Corporates		3,230,659	58,629	140,608	13,831	-	-	-	3,775,668
Total		3,230,659	58,629	140,608	13,831	-	-	-	3,828,294

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Short term Ratings of Banking Institutions and Corporate by Approved ECAs						
Exposure Class	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	2	3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	RII Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Group and Bank						
31 March 2017						
Banks, MDBs and FDIs		167,000	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates		-	-	-	-	-
Total		167,000	-	-	-	-
Group and Bank						
31 March 2016						
Banks, MDBs and FDIs		28,858	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates		-	-	-	-	-
Total		28,858	-	-	-	-

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Group and Bank 31 March 2017		Ratings of Sovereigns and Central Banks by Approved ECAIs							
Exposure Class	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C		Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D		Unrated	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D		Unrated	
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C		Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
On and Off Balance-Sheet Exposures									
Sovereigns and Central Banks		-	5,773,468	-	-	-	-	-	
Total		-	5,773,468	-	-	-	-	-	
Group and Bank 31 March 2016		Ratings of Sovereigns and Central Banks by Approved ECAIs							
Exposure Class	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C		Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D		Unrated	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D		Unrated	
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C		Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
On and Off Balance-Sheet Exposures									
Sovereigns and Central Banks		-	5,945,011	-	-	-	-	-	
Total		-	5,945,011	-	-	-	-	-	

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Ratings of Banking Institutions by Approved ECAIs												
Exposure Class	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated					
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated					
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated					
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated					
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated					
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated					
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000					
On and Off Balance-Sheet Exposures												
Group and Bank												
31 March 2017												
Banks, MDBs and FDIs		98,820	128,553	-	-	-	210,261					
Total		98,820	128,553	-	-	-	210,261					
Group and Bank												
31 March 2016												
Banks, MDBs and FDIs		454,211	-	-	-	-	262,902					
Total		454,211	-	-	-	-	262,902					

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows:

Table 17: Credit risk disclosure by risk weights

31 March 2017													
Group	Exposures after Netting and Credit Risk Mitigation										Total Exposures after		Total Risk Weighted Assets RM'000
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Netting and Credit Risk Mitigation RM'000			
Risk-Weights	0%	5,773,468	-	-	-	-	-	-	115,056	5,888,524	-	-	
	20%	-	762,499	476,081	2,055,782	-	-	-	-	3,294,361	658,872	658,872	
	35%	-	-	-	-	-	2,778,346	-	-	2,778,346	972,421	972,421	
	50%	-	-	128,553	463,085	32,032	1,146,904	-	-	1,770,574	885,287	885,287	
	75%	-	-	-	-	2,294,962	33,740	-	-	2,328,702	1,746,527	1,746,527	
	100%	-	-	-	4,737,711	3,286,038	274,834	-	261,510	8,560,093	8,560,093	8,560,093	
150%	-	-	-	20,061	3,032	-	-	37,285	-	60,378	90,567	90,567	
Total	5,773,468	762,499	604,634	7,276,639	5,616,064	4,233,823	-	37,285	376,566	24,680,978	12,913,767	12,913,767	

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2016		Exposures after Netting and Credit Risk Mitigation														Total Exposures after		Total Risk Weighted Assets					
Group		Sovereign & Central Banks		Public Sector Entities		Banks, MDBs and FDIs		Corporate		Regulatory Retail		Residential Real Estate		Equity Exposures		Higher Risk Assets		Other Assets		Netting and Credit Risk Mitigation		Total Risk Weighted Assets	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Risk-Weights	0%	5,945,011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,407	-	6,045,418	-	-	
	20%	-	51,770	745,969	1,857,722	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,655,461	-	531,092	
	35%	-	-	-	-	-	-	-	-	-	2,219,360	-	-	-	-	-	-	-	-	2,219,360	-	776,776	
	50%	-	-	-	297,777	-	22,042	914,597	-	-	-	-	-	-	-	-	-	-	-	1,234,416	-	617,208	
	75%	-	-	-	-	-	2,146,095	169,053	-	-	-	-	-	-	-	-	-	-	-	2,315,148	-	1,736,361	
	100%	-	-	-	4,963,897	-	3,068,310	1,169,367	-	-	-	-	-	-	-	-	-	203,965	-	9,405,539	-	9,405,539	
	150%	-	-	-	40,636	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,636	-	60,955	
Total		5,945,011	51,770	745,969	7,160,032	5,236,447	4,472,377	-	-	-	-	-	-	-	-	-	-	304,372	23,915,978	13,127,931	-	-	

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2017		Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation		Total Risk Weighted Assets
Bank		Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDI RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000		Netting and Credit Risk Mitigation RM'000		RM'000
Risk-Weights														
0%	5,773,468	-	-	-	-	-	-	-	-	115,056		5,888,524		-
20%	-	762,499	476,081	2,055,782	-	-	-	-	-	-		3,294,361		658,872
35%	-	-	-	-	-	-	2,778,346	-	-	-		2,778,346		972,421
50%	-	-	128,553	463,085	-	32,032	1,146,904	-	-	-		1,770,574		885,287
75%	-	-	-	-	-	2,294,962	33,740	-	-	-		2,328,702		1,746,527
100%	-	-	-	4,744,696	-	3,286,038	274,834	-	-	267,514		8,573,082		8,573,082
150%	-	-	-	-	20,061	3,032	-	-	-	-		23,093		34,640
Total	5,773,468	762,499	604,634	7,283,625	5,616,064	4,233,823	-	-	-	382,570		24,656,682		12,870,828

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2016		Exposures after Netting and Credit Risk Mitigation												Total Exposures after		Total Risk	
Bank		Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Regulatory	Residential	Equity Exposures	Higher Risk Assets	Other Assets	Netting and Credit Risk Mitigation	Weighted Assets					
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
Risk-Weights	0%	5,945,011	-	-	-	-	-	-	-	100,406	6,045,417	-	-				
	20%	-	51,770	745,969	1,857,723	-	-	-	-	-	2,655,462	531,092	531,092				
	35%	-	-	-	-	-	2,219,360	-	-	-	2,219,360	776,776	776,776				
	50%	-	-	-	297,777	22,042	914,597	-	-	-	1,234,416	617,208	617,208				
	75%	-	-	-	-	2,146,095	169,053	-	-	-	2,315,148	1,736,361	1,736,361				
	100%	-	-	-	4,964,027	3,068,310	1,169,367	-	-	209,219	9,410,923	9,410,923	9,410,923				
	150%	-	-	-	40,636	-	-	-	-	-	40,636	60,955	60,955				
Total		5,945,011	51,770	745,969	7,160,163	5,236,447	4,472,377	-	-	309,625	23,921,362	13,133,315	13,133,315				

6.0 Credit Risk Mitigation (CRM) Disclosures under the Standardised Approach

Upon assessment of a customer's credit standing and payment capacity and identification of the proposed financing's source of repayment, the Bank may provide a financing facility on a secured, partially secured or unsecured basis. In mitigating its credit exposure, the Group and the Bank may employ Credit Risk Mitigants (CRM) in the form of collaterals and other supports. Examples of these CRMs include charges over residential and commercial properties being financed; pledge over shares and marketable securities, ownership claims over vehicles being financed, and supports in the form of debentures, assignments and guarantees.

The Bank utilise specific techniques to identify eligible collaterals and securities and ascertain their value, and subsequently, implement adequate monitoring process to ensure continued coverage and enforceability.

Credit documentation, administration and disbursement are carried out under clear guidelines and procedures to ensure protection and enforceability of collaterals and other credit risk mitigants. Valuation updates of collaterals are concurrently done during the periodic review of the financing facilities to reflect current market value and ensure adequacy and continued coverage.

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group and the Bank does not have any credit exposure which is reduced through the application of other eligible collateral.

Table 18: Credit risk mitigation on credit exposures

Group	Total Exposures Covered by Eligible Financial Collateral		
	Gross Exposures	Eligible Financial Collateral	*Net Exposures
31 March 2017	RM'000	RM'000	RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	5,773,468	-	5,773,468
Public sector entities	750,517	3	750,514
Banks, Development Financial Institution & MDBs	482,807	-	482,807
Corporates	6,264,026	71,863	6,192,163
Regulatory retail	5,485,315	14,719	5,470,596
Residential real estate	4,190,636	-	4,190,636
Higher risk assets	37,285	-	37,285
Other assets	376,566	-	376,566
Defaulted exposure	114,106	-	114,106
	23,474,727	86,585	23,388,142
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,100,164	-	1,100,164
Derivative financial instruments	192,672	-	192,672
	1,292,836	-	1,292,836
Total Credit Exposures	24,767,563	86,585	24,680,978

Note:

* After netting and credit risk mitigation

6.0 Credit Risk Mitigation (CRM) Disclosures under the Standardised Approach (cont'd)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Group	Gross Exposures	Total Exposures Covered by Eligible Financial Collateral	*Net Exposures
31 March 2016	RM'000	RM'000	RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	5,195,650	-	5,195,650
Public sector entities	49,981	856	49,125
Banks, Development Financial Institution & MDBs	668,202	-	668,202
Corporates	6,609,519	59,232	6,550,287
Regulatory retail	5,203,241	15,776	5,187,465
Residential real estate	4,434,585	-	4,434,585
Higher risk assets	-	-	-
Other assets	304,371	-	304,371
Defaulted exposure	127,918	-	127,918
	22,593,467	75,864	22,517,603
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,288,308	-	1,288,308
Derivative financial instruments	110,068	-	110,068
	1,398,376	-	1,398,376
Total Credit Exposures	23,991,843	75,864	23,915,979

Note:

* After netting and credit risk mitigation

6.0 Credit Risk Mitigation (CRM) Disclosures under the Standardised Approach (cont'd)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Bank 31 March 2017	Total Exposures Covered by Eligible		
	Gross Exposures RM'000	Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central Banks	5,773,468	-	5,773,468
Public Sector Entities	750,517	3	750,514
Banks, Development Financial Institution & MDBs	482,807	-	482,807
Corporates	6,271,012	71,863	6,199,149
Regulatory Retail	5,485,315	14,719	5,470,596
Residential Real Estate	4,190,636	-	4,190,636
Higher Risk Assets	-	-	-
Other Assets	382,570	-	382,570
Defaulted Exposures	114,106	-	114,106
	23,450,431	86,585	23,363,846
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,100,164	-	1,100,164
Derivative Financial Instruments	192,672	-	192,672
	1,292,836	-	1,292,836
Total Credit Exposures	24,743,267	86,585	24,656,682

Note:

* After netting and credit risk mitigation

6.0 Credit Risk Mitigation (CRM) Disclosures under the Standardised Approach (cont'd)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Bank	Total Exposures Covered by Eligible		
	Gross Exposures RM'000	Financial Collateral RM'000	*Net Exposures RM'000
31 March 2016			
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central Banks	5,195,650	-	5,195,650
Public Sector Entities	49,981	856	49,125
Banks, Development Financial Institution & MDBs	668,202	-	668,202
Corporates	6,609,649	59,232	6,550,417
Regulatory Retail	5,203,241	15,776	5,187,465
Residential Real Estate	4,434,585	-	4,434,585
Higher Risk Assets	-	-	-
Other Assets	309,626	-	309,626
Defaulted Exposures	127,918	-	127,918
	22,598,852	75,864	22,522,988
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,288,308	-	1,288,308
Derivative Financial Instruments	110,068	-	110,068
	1,398,376	-	1,398,376
Total Credit Exposures	23,997,228	75,864	23,921,364

Note:

* After netting and credit risk mitigation

7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk (CCR)

Commitments and contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers.

Notwithstanding the above, the Bank establishes specific limits to manage its exposure to off-balance sheet and counterparty risks, which are derived based on, amongst others, the respective counterparty's financial strength and credit rating, sector limits, SCEL limits, connected party, domicile country's risk rating, existing relationship with the Bank and utilization trend of allocated limits. These limits are monitored and reviewed on a regular basis. No material losses are anticipated as a result of these transactions. Risk weighted exposures of commitments and contingencies are as follows:

Table 19: Commitments and contingencies

	Group and Bank				
	31 March 2017		31 March 2016		
	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000
The commitments and contingencies constitute the following :					
Contingent liabilities					
Direct credit substitutes	-	213,136	181,099	61,401	61,401
Trade-related contingencies	22,970	4,594	4,581	9,778	1,956
Transaction related contingencies	425,973	212,986	208,304	247,807	123,904
Obligations under an on-going underwriting agreement	-	-	-	-	-
Commitments					
Credit extension commitment:					
- Maturity within one year	798,577	159,715	146,883	808,248	161,650
- Maturity exceeding one year	1,019,465	509,732	452,990	1,878,796	939,398
Bills of collection	428	-	-	-	-
Islamic derivative financial instruments					
Foreign exchange related contracts	2,875,367	88,561	69,605	1,333,866	61,167
Profit rate related contract	2,000,000	104,111	20,822	3,675,000	48,901
Total off-balance sheet exposures	7,142,779	1,292,836	1,084,285	8,014,896	1,398,377
					574,128

7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk (CCR) (cont'd)

Islamic derivative financial assets/(liabilities)

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

	31 March 2017		31 March 2016	
	Contract/ notional amount RM'000	Fair value Assets RM'000	Contract/ notional amount RM'000	Fair value Assets RM'000
Group and Bank				Liabilities RM'000
Trading derivatives:				
Foreign exchange contracts:				
- Currency forwards	862,936	51,435	680,222	21,123
Less than one year				(19,656)
- Currency swaps	1,545,210	3,502	580,728	19,123
Less than one year				(15,238)
- Currency spot	467,221	1,009	72,916	305
Less than one year				(512)
- Dual currency investment option	-	2	-	50
	2,875,367	55,948	1,333,866	40,601
				(35,456)
Islamic profit rate swap ("IPRS")				
Unhedged IPRS	500,000	-	2,175,000	-
Hedged IPRS	1,500,000	-	1,500,000	-
	4,875,367	55,948	5,008,866	40,601
Total				(49,359)

7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk (CCR) (cont'd)

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

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

	31 March 2017		31 March 2016	
	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000
IPRS	1,500,000	-	1,500,000	(10,544)

Fair Value hedges

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

For the year ended 31 March 2017, the Group and the Bank:-

- (i) recognised a net loss of RM5,412,674 (31 March 2016: 3,465,996) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM7,454,067 (31 March 2016: 4,469,645); and
- (ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM1,771,572 (31 March 2016: RM7,052,482) due to the derecognition of the hedged items.

8.0 Market Risk and Assets-Liability Management (ALM)

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Asset-Liability Management (ALM) refers to the coordinated management of the Group's and the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Group's and the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Group and the Bank.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile that is consistent with Bank's strategic and business plan.

The Bank's market risk management and ALM objectives are to:

- Ensure the implementation of an effective market risk management system in the Bank;
- Assume an appropriate balance between the level of risk and the level of return desired in order to maximize the return to shareholders' funds;
- Ensure prudent management of the Bank's resources to support the growth of the Bank's economic value; and
- Proactively manage the Bank's balance sheet in order to maximize earnings and attain its strategic goal within the overall risk/return preferences.

The Bank has an independent market risk control function that is responsible for measuring and managing market risk exposures in accordance with the Board-approved policies and guidelines. The unit reports to the ALCO Working Committee on a monthly basis, where issues on balance sheet and capital management are proactively discussed and any recommendation and decision reached are then escalated to the ERM, BRMC and Board respectively.

The Bank has formulated several strategies to effectively manage and ensure a sound balance sheet profile that complements both regulatory and business requirements. Among the strategies implemented for FYE 2015/2016 were:

- Build-up of an Islamic Profit Rate Swap (IPRS) portfolio as part of the rate of return risk management, where strategies have been outlined to optimize and hedge against market rate movements;
- Establishment of a subordinated sukuk program as part of the Bank's contingency capital and funding plan that focuses on strengthening the core and stable liquidity requirements as stipulated in the Basel 3 and CAFIB guidelines;
- Concentrate more on sourcing for deposits from retail and SME customers, longer term retail deposits, and deposits from transactional and operational accounts; and
- Review and enhancement of deposit products and features and introduction of more innovative deposit and investment account products.

The Bank's market risk management and ALM processes, which include risk identification, measurement, mitigation, monitoring and reporting are guided by the Market Risk and ALM Policies and Guidelines ("MRAPG") and the Trading Book Policy Statement ("TBPS").

The Bank defines and segregates its trading and banking book positions as outlined under the Trading Book Policy Statement. The policy covers the definition of trading and banking book for financial instruments, classification, performance and limit monitoring, position valuation and hedging requirements.

8.0 Market Risk and Assets-Liability Management (ALM) (cont'd)

Market Risk Measurement

1. Value at Risk

Value at Risk which includes the historical simulation is widely used by the Bank as a tool to measure the risk of loss on a specific portfolio of financial assets, limit setting activities and market forecasting.

2. Sensitivity Analysis

The Bank uses various methodologies in assessing the sensitivity of the Bank's portfolio against changes in the market variables.

3. Stress Testing and Scenario Analyses

Stress testing and scenario analyses are used as market risk and ALM tools for evaluation of potential impact on the Bank's performance under plausible extreme adverse conditions. The stress testing include the assessment on the funding and market liquidity, rate of return risk, displaced commercial risk and currency volatility.

Valuation Policy

The Group and the Bank adhere to the minimum prudent valuation practices as stipulated in the CAFIB and FRS139 guidelines. Based on these prudential requirements, broad internal guidelines have been drawn out as summarized below:

• Systems and Controls

The Group and the Bank have established and maintained adequate systems and controls to give the management and supervisors the confidence that the valuation estimates are prudent and reliable.

• Valuation Methodologies

There are three levels of fair value hierarchy applied to reflect the level of judgment involved in estimating fair values. The hierarchy is as follows:

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement that is directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

8.1 Market Risk (Disclosures for Portfolios under the Standardised Approach)

As at 31 March 2015, the Group and the Bank used the standardized approach in computing the market risk weighted assets of the trading book position of the Group and the Bank. The following is the minimum regulatory requirement for market risk.

Table 21: Minimum regulatory requirement for market risk

Group and Bank

31 March 2017

	Long Position RM' 000	Short Position RM' 000	Risk weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	1,049	(1,407)	10,011	801
Foreign Currency Risk	13,691	(16,473)	16,473	1,318
Total	14,740	(17,879)	26,483	2,119

Group and Bank

31 March 2016

	Long Position RM' 000	Short Position RM' 000	Risk weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	704	(586)	17,961	1,437
Foreign Currency Risk	16,631	(894)	46,237	3,699
Total	17,335	(1,480)	64,198	5,136

8.2 Disclosure for Equities

The classification of equity investments must be made at the point of transaction. Equities are classified under the banking book when they are acquired and held for yield or capital growth purposes.

The Bank also engages in direct acquisition of newly-listed quoted shares. As stipulated under the TBPS, these investments are considered under the trading position with the exception of investments in subsidiaries and associates which would require prior BNM approval. Equities held under the trading book position are subject to market risk capital charge as specified in the CAFIB.

The oversight and supervision of investments in equities and equity funds resides within the Investment Committee's (IC) authority. This covers decisions on purchase and sale of stocks and ongoing review and monitoring of performance.

Table 22: Equity exposures

Group and Bank
31 March 2017

	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/(Losses) RM'000
Publicly Traded			
Investment in Unit Trust Funds	-	-	-
Investment in Quoted Shares	109,977	109,977	(8,423)
Total	109,977	109,977	(8,423)

31 March 2016

	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/(Losses) RM'000
Publicly Traded			
Investment in Unit Trust Funds	-	-	-
Investment in Quoted Shares	95,776	95,776	(27,251)
Total	95,776	95,776	(27,251)

8.3 Disclosure for Rate of Return Risk in Banking Book (“RORBB”)

Rate of Return Risk (“RoR”) Management

Rate of return risk refers to the variability of the Bank’s assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. The Bank actively manages the following risks:

Table 23: Rate of return risks

Risk	Definition
Repricing Risk	Timing differences in the maturity and repricing of the Bank’s assets and liabilities
Yield Curve Risk	Unanticipated yield curve shifts that has adverse impact on the Bank’s income and economic values
Basis Risk	Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics
Optionality/ Embedded Option Risk	The risk arising from options embedded in the Bank’s assets, liabilities and off-balance sheet portfolio

Rate of Return Risk Measurement

The Bank measures various parallel rate shocks scenarios (up to 100 basis points as per Basel II recommendations) and its impact on earnings and equities by assessing key assumptions which incorporates the Bank’s balance sheet profile, business strategies, economic outlook and behavioural analysis of non-maturity deposits. Among the various analyses that are carried out are:

1. Earning at Risk (EaR)

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

2. Economic Value of Equity (EVE)

Economic value of a bank can be viewed as the present value of the Bank’s expected net repricing balance weighted by duration, which can be defined as the expected repricing balance on assets minus the expected repricing balance on liabilities plus the expected net repricing balance on off-balance-sheet position. The sensitivity of a bank’s economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

3. Value at Risk (VaR)

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

8.3 Disclosure for Rate of Return Risk in Banking Book ("RORBB") (cont'd)

Rate of Return Risk Measurement (cont'd)

4. Repricing Gap Analysis

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

5. Other Risk Assessment

Simulation analysis is used to evaluate the impact of possible decisions that includes assessment on product pricing, new product introduction, derivatives and hedging strategies, changes in the asset-liability mix and short term funding decisions.

Rate of Return Risk in the Banking Book ("RORBB")

Table 24: Sensitivity analysis of rate of return risk

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

Increase/(decrease) in basis points	Tax rate	Group		Bank	
		-50 Basis Points	+50 Basis Points	-50 Basis Points	+50 Basis Points
		RM'000	RM'000	RM'000	RM'000
31 March 2017					
Effect on profit after tax	24%	4,305	(4,305)	4,514	(4,514)
Effect on other comprehensive income, net of tax	24%	96,974	(96,974)	95,362	(95,362)
Effect on equity		122,630	(122,630)	120,573	(120,573)
31 March 2016					
Effect on profit after tax	24%	3,282	(3,282)	3,282	(3,282)
Effect on other comprehensive income, net of tax	24%	75,592	(75,592)	74,600	(74,600)
Effect on equity		117,001	(117,001)	115,644	(115,644)

8.4 Liquidity Risk

Liquidity and Funding Risk

Liquidity risk is best described as the inability to fund any obligation on time as they fall due, whether due to increase in assets or demand for funds from the depositors. The Bank will incur liquidity risk if it is unable to create liquidity and this has serious implication on its reputation and continued existence.

In view of this, it is the Bank's priority to manage and maintain a stable source of financial resources towards fulfilling the above expectation. The Bank, through active balance sheet management, ensures that sufficient cash and liquid assets availability are in place to meet the short and long term obligations as they fall due.

Generally, liquidity risk can be divided into two types, which are:

- **Funding Liquidity Risk**

Refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost.

- **Market Liquidity Risk**

Refers to the Bank's potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

As stated in the policy, the Bank's liquidity risk magnitude segregated into the following:

Table 25: Liquidity risk indicators

Magnitude	Indicators
Low	Earnings and capital exposure from the liquidity risk profile is negligible.
Moderate	Earnings or capital exposure from the liquidity risk profile is manageable.
High	Funding sources and liability structure suggest current or potential difficulty in maintaining long-term and cost-effective liquidity.

The Bank monitors the maturity profile of its assets and liabilities so that adequate liquidity is maintained at all times. The Bank's ability to maintain a stable liquidity profile relies primarily on its ability to grow and retain its customer deposit base. The Bank's marketing strategy is therefore focused on ensuring a balanced mix of deposits, hence reducing concentration or over-reliance on a specific source of deposit or funding.

Stability of the deposit base minimizes the Bank's dependency on volatile short-term deposits. Considering the effective maturities of deposits based on retention history (behavioral method/ analysis) and availability of liquid investments, the Bank is able to ensure sufficient liquidity.

The Asset & Liability Working Committee (ALCO) meets on a monthly basis to review the Bank's liquidity gap profile and deliberates on appropriate strategies to manage and mitigate the risk exposure. In addition, liquidity stress test is periodically conducted to address strategic issues concerning liquidity risk.

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

To effectively manage its liquidity, the Bank has the following policies and strategies in place:

- Management under normal condition:

Normal condition is defined as the situation in which the Bank is able to meet any liquidity demands when they come due.

The Bank monitors its liquidity positions through liquidity controls such as maximum cumulative outflows, deposits concentration, financing to deposits ratio, and controlled financing draw down level.

- Management under crisis condition:

Crisis condition is defined as the situation in which the Bank faces difficulties to meet liquidity demand when they fall due. The crisis can be classified into 4 levels as follows:

Contingency Level	Trigger / Status
Level 0	Business as usual
Level 1	Material change in funding risk, internal or external environment
Level 2	Increasing probability of liquidity crisis – ERM to invoke contingency plan
Level 3	Liquidity crisis – escalated to BRMC for immediate actions

Further, as required under the Basel 3 guidelines, the Bank has put in place the relevant measures and monitoring processes on liquidity management through the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) computations. In accordance with the BNM guidelines on LCR issued on 31 March 2015, the Bank shall at all times hold adequate stock of High Quality Liquid Asset (HQLA) to ensure that the LCR level is maintained in compliance with minimum threshold and timeline below:

With effect from	1-Jun-15	1-Jan-16	1-Jan-17	1-Jan-18	1 January 2019 and thereafter
Minimum LCR	60%	70%	80%	90%	100%

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity.

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 March 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	908,976	110,610	8,156	-	-	-	-	1,027,742
Cash and placements with financial institutions	-	-	22,183	-	-	-	-	22,183
Investment accounts due from designated financial institution	-	-	-	-	382	-	-	382
Financial investments designated at fair value through profit and loss	1	-	-	-	-	-	-	197,208
Financial investment available-for-sale	5,087	120,511	273,509	422,654	268,726	2,448,260	2,592,669	6,131,416
Financial investment held-to-maturity	-	-	-	-	-	-	-	142,168
Islamic derivative financial assets	1,021	22,626	17,560	10,509	4,232	-	-	55,948
Financing of customers	26,679	1,149,119	1,080,069	807,871	1,004,063	4,957,337	5,893,134	14,918,272
Other assets	-	43,546	-	-	77,761	10,252	899,464	1,031,023
TOTAL ASSETS	941,764	1,446,412	1,401,477	1,241,034	1,355,164	7,415,849	9,724,642	23,526,342
LIABILITIES AND EQUITY								
Deposits from customers	6,395,675	5,158,588	4,784,519	1,784,192	1,375,893	380,306	38,309	19,917,482
Deposits and placements of banks and other financial institutions	250,523	301,361	200	-	1,612	7,958	-	561,654
Bills and acceptances payable	-	9,196	-	-	-	-	-	9,196
Islamic derivative financial liabilities	285	22,512	16,974	10,688	3,777	8,852	-	63,088
Other liabilities	-	24,004	-	-	37,178	7,086	-	68,268
Subordinated sukuk	-	-	4,262	-	-	249,702	-	253,964
Senior sukuk	-	-	14,724	-	-	499,395	-	514,119
Total Liabilities	6,646,483	5,515,661	4,820,679	1,794,880	1,418,460	1,153,299	38,309	21,387,771
NET MATURITY MISMATCH	(5,704,719)	(4,069,249)	(3,419,202)	(553,846)	(63,296)	6,262,550	7,525,418	-
Commitments and contingencies								
Contingent liabilities	218	19,939	41,334	14,607	142,904	414,130	28,948	662,080
Commitments	27,903	53,724	195,406	44,210	134,986	312,783	1,049,030	1,818,042
Islamic derivative financial instruments	670,675	952,817	752,581	322,378	976,916	1,200,000	-	4,875,367
Total commitments and contingencies	698,796	1,026,480	989,321	381,195	1,254,806	1,926,913	1,077,978	7,355,489

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 March 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	812,501	195,890	-	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	186,355	186,355
Financial investment available-for-sale	10,283	35,782	61,003	191,329	343,335	3,604,916	1,453,517	5,700,165
Financial investment held-to-maturity	-	-	-	-	-	-	140,608	140,608
Islamic derivative financial assets	494	2,600	17,692	11,541	8,274	-	-	40,601
Financing of customers	-	1,536,172	800,037	629,805	946,379	4,794,868	5,805,616	14,512,877
Other assets	-	-	-	-	71,309	-	915,873	987,182
TOTAL ASSETS	823,278	1,770,444	939,442	832,675	1,369,297	8,399,784	8,501,969	22,636,889
LIABILITIES AND EQUITY								
Deposits from customers	7,156,697	5,350,521	3,689,945	972,379	2,406,899	27,181	39,806	19,643,428
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	8,632	-	442,252
Bills and acceptances payable	-	29,350	-	-	-	-	-	29,350
Islamic derivative financial liabilities	569	35	13,846	13,189	7,817	13,903	-	49,359
Other liabilities	-	9,566	-	-	60,350	-	567	70,483
Subordinated Sukuk	-	-	6,079	-	-	-	400,000	406,079
Total Liabilities	7,258,409	5,520,113	3,911,456	985,568	2,475,316	49,716	440,373	20,640,951
NET MATURITY MISMATCH	(6,435,131)	(3,749,669)	(2,972,014)	(152,893)	(1,106,020)	8,350,068	6,065,659	-

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 March 2017	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	908,976	110,610	8,156	-	-	-	-	1,027,742
Cash and placements with financial institutions	-	-	22,183	-	-	-	-	22,183
Investment accounts due from designated financial institution	-	-	-	-	382	-	-	382
Financial investments designated at fair value through profit and loss	1	-	-	-	-	-	197,207	197,208
Financial investment available-for-sale	5,087	120,152	273,509	422,654	219,202	2,448,259	2,592,670	6,081,533
Financial investment held-to-maturity	-	-	-	-	-	-	142,168	142,168
Islamic derivative financial assets	1,021	22,626	17,560	10,509	4,232	-	-	55,948
Financing of customers	26,679	1,149,088	1,080,040	807,849	1,004,035	4,968,748	5,901,417	14,937,856
Other assets	141	43,546	-	-	75,998	10,252	907,090	1,037,027
TOTAL ASSETS	941,905	1,446,022	1,401,448	1,241,012	1,303,849	7,427,259	9,740,552	23,502,047
LIABILITIES AND EQUITY								
Deposits from customers	6,397,152	5,168,881	4,785,026	1,784,192	1,375,893	380,306	38,309	19,929,759
Deposits and placements of banks and other financial institutions	250,523	301,361	200	-	1,612	7,958	-	561,654
Bills and acceptances payable	-	9,196	-	-	-	-	-	9,196
Islamic derivative financial liabilities	285	22,512	16,974	10,688	3,777	8,852	-	63,088
Other liabilities	-	23,590	-	-	36,941	-	-	60,531
Subordinated sukuk	-	-	4,262	-	-	249,702	-	253,964
Senior sukuk	-	-	14,724	-	-	499,395	-	514,119
Total Liabilities	6,647,960	5,525,540	4,821,186	1,794,880	1,418,223	1,146,213	38,309	21,392,311
NET MATURITY MISMATCH	(5,706,055)	(4,079,518)	(3,419,738)	(553,868)	(114,374)	6,281,046	7,570,164	(22,343)
Commitments and contingencies								
Contingent liabilities	218	19,939	41,334	14,607	142,904	414,130	28,948	662,080
Commitments	27,903	53,724	195,406	44,210	134,986	312,783	1,049,030	1,818,042
Islamic derivative financial instruments	670,675	952,817	752,581	322,378	976,916	1,200,000	-	4,875,367
Total commitments and contingencies	698,796	1,026,480	989,321	381,195	1,254,806	1,926,913	1,077,978	7,355,489

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 March 2016	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	812,501	195,890	-	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	177,322	177,322
Financial investment available-for-sale	10,283	35,782	61,003	191,329	343,335	3,604,763	1,453,517	5,700,012
Islamic derivative financial assets	494	2,600	17,692	11,541	8,274	-	-	40,601
Financing of customers	-	1,536,172	800,037	629,805	946,379	4,794,868	5,814,933	14,522,194
Other assets	-	-	-	-	77,238	-	922,691	999,929
TOTAL ASSETS	823,278	1,770,444	939,442	832,675	1,375,226	8,399,631	8,509,071	22,649,767
LIABILITIES AND EQUITY								
Deposits from customers	7,169,989	5,358,021	3,689,945	972,379	2,406,899	27,181	39,806	19,664,220
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	8,632	-	442,252
Bills and acceptances payable	-	29,350	-	-	-	-	-	29,350
Islamic derivative financial liabilities	569	35	13,846	13,189	8,013	13,707	-	49,359
Other liabilities	-	8,310	-	-	60,859	-	567	69,736
Subordinated sukuk	-	-	406,079	-	-	-	-	406,079
Total Liabilities	7,271,701	5,526,357	4,311,456	985,568	2,476,021	49,520	40,373	20,660,997
NET MATURITY MISMATCH	(6,448,423)	(3,755,913)	(2,972,014)	(152,893)	(1,100,600)	8,349,915	6,079,928	-

9.0 Operational Risk Management("ORM") Disclosures

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and systems, human factors, and/or from various external events. The objective of operational risk management (ORM) is to effectively manage these risks to minimize possible financial losses arising from operational lapses.

In relation to ORM, the key risk organs which play a critical role in the overall integrated risk management framework are the ORM unit, Operational Risk Management Committee (ORMC), Internal Audit, Compliance, and the business lines.

The management of operational risks is targeted at preventing risk events and damages (by in-process and managerial controls), handling critical situations (via contingency plans and business continuity management (BCM)) and mitigating potential loss (collaterals). These are achieved partly by instituting appropriate process and management controls and implementing clear and comprehensive contingency plans and BCM.

The risk management processes and controls are established in line with the Bank's own operational risks while relying on relevant guidelines, regulatory requirements and standard market practices as guidance and benchmarks. By establishing and operating a system of control procedures that commensurate with its risks, the Bank limits its exposure to an acceptable level in accordance with its risk appetite.

The Muamalat Operational Risk Solution (MORiS)

The **MORiS** is a web based application that is used as a tool in risk identification and assessment. It also acts as a centralized loss incidents database by capturing and storing loss-related data and is used to track risk exposures against established key risk indicators (KRI) overtime.

Its key objective is to improve monitoring and reporting of risk activities in branches and the head office through the Risk & Control Self-Assessment (RCSA), Incident Management Data Collection (IMDC) and Key Risk Indicator (KRI).

Business Continuity Management (BCM)

The Bank adopts the BNM's Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that would enable the Bank to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

BCM Methodology

The Bank prepares the Business Continuity Plan (BCP) by completing the Risk Assessment (RA) and the Business Impact Analysis (BIA). RA is a tool used to identify potential threat to all business function. A BIA will be carried out to identify critical business functions' recovery time objective (RTO) and maximum tolerable downtime (MTD) taking into account the Bank's resources and infrastructure. The RA and BIA session are conducted annually with the business units.

9.0 Operational Risk Management("ORM") Disclosures (cont'd.)

ORM Minimum Capital Requirement

The Group and the Bank adopt the Basic Indicator Approach (BIA) to determine the minimum capital requirement for its operational risk. Under this approach, the Group and the Bank set aside a fixed percentage (α or alpha factor) of 15% of positive annual average gross income, averaged over the previous three years. The Group and the Bank minimum capital is presented in table below:

Table 27: ORM minimum capital requirement

	31 March 2017		31 March 2016	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	1,131,625	90,530	1,078,204	86,256
Bank	1,115,342	89,227	1,062,151	84,972

10.0 Shariah Governance Disclosures

Overview

BMMB's shariah governance structure is governed by BNM's guidelines on "Shariah Governance Framework for Islamic Financial Institutions (IFIs)", and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

Shariah governance system as defined by The IFSB Guiding Principles on Shariah Governance System on Institutions Offering Islamic Financial Services (IFSB-10) refers to a set of institutional and organizational arrangements to oversee Shariah compliance aspects in IFIs.

In this context, Shariah non-compliance risk defined as "The risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee (SC) of BMMB and relevant Shariah Authorities (SA) committees."

This risk is managed through the Shariah Governance Framework ("the Framework"), which is endorsed by the Shariah Committee and approved by the Board. The Framework is drawn up in accordance to the Shariah Governance Framework for Islamic Financial Institutions issued by BNM on 22 October 2010.

To ensure the operations and business activities of the Bank remain consistent with Shariah principles and its requirements, the Bank has established its own internal Shariah Committee and internal Shariah Organs, which consist of Shariah Department, Shariah Audit under Internal Audit Department, Shariah Review and Compliance under the Compliance Department, and Shariah Risk under Risk Management Department.

Shariah Governance Structure

Internal Shariah Control

Shariah compliance management is driven top down from the Board through the SC who has the responsibility of understanding Shariah related matters in the activities assumed by the Group and the Bank.

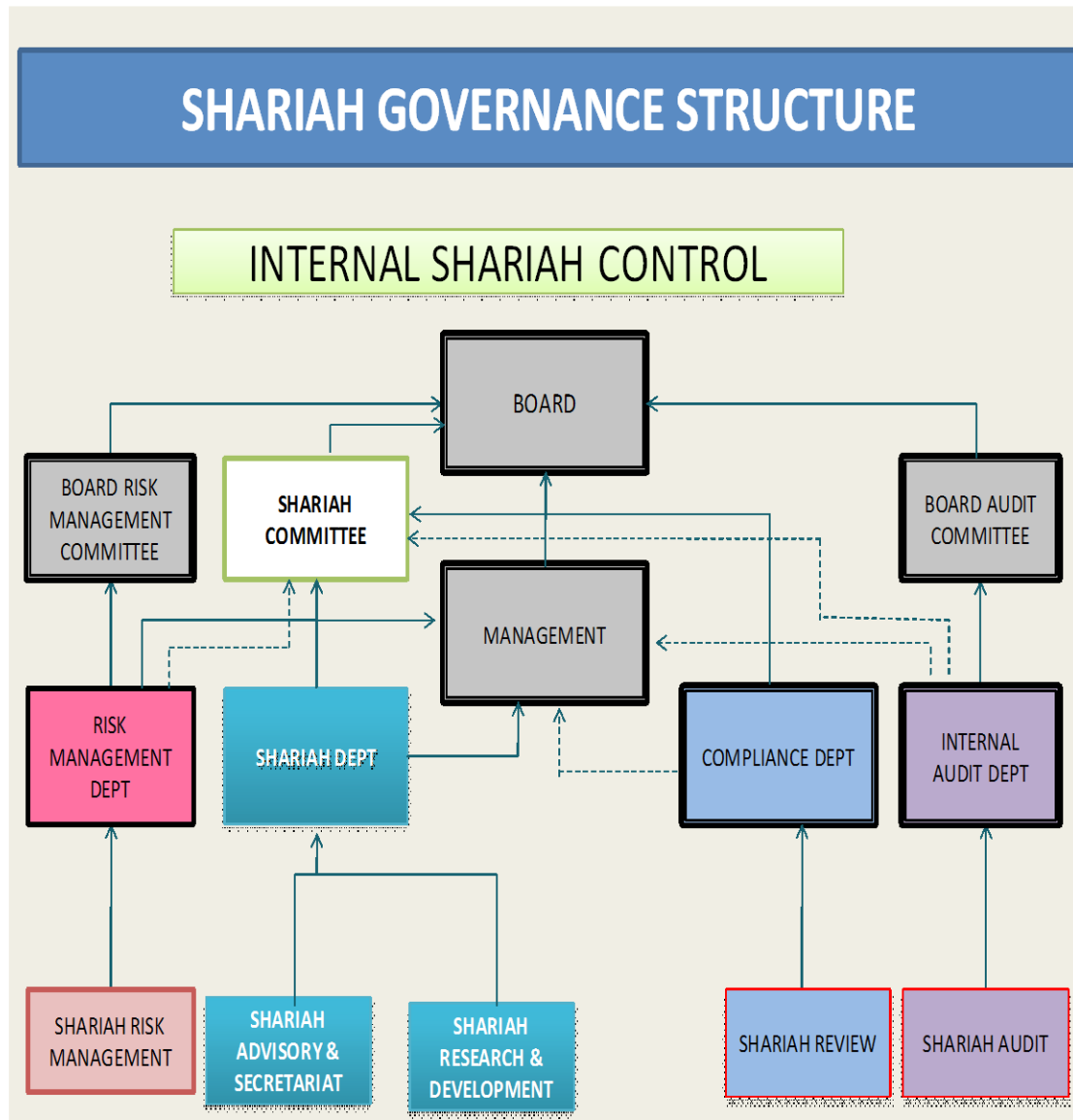
The Group and the Bank align its Shariah Management and Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and ensure the integration of compliance management.

To ensure that the compliance management functions are able to provide an independent evaluation of its overall business decision and strategies, the functions are segregated to the business operating units.

10.0 Shariah Governance Disclosures (cont'd)

Shariah Governance Structure (cont'd)

Table 28: Shariah governance structure



10.0 Shariah Governance Disclosures (cont'd)

Rectification Process of Shariah Non-Compliance Income (SNCI) and Unidentified Funds

Earning and Expenditure Prohibited by Shariah

Policy on Management of Shariah Non-Compliant Income was formulated pursuant to the BNM's Shariah Governance Framework for IFI, which defines the principles and practices to be applied by the Bank in managing its SNCI.

SNCI is an income generated from any transaction(s) that breaches the governing Shariah principles and requirements as determined by the Bank's SC and/or other Shariah Authorities (SA).

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

The amount of SNCI and events decided by SC is as follows:

31 March 2017	31 March 2016
RM 217.25 - 1 incident plus monthly Nostro interest received	Event - NIL plus monthly Nostro interest received

Any reported SNCI will be utilised to fund charitable activities as guided by SC of the Bank.

Unidentified fund / *Shubhah*

During the bank's daily operation, there are certain funds received by the bank where the source is not clear or uncertain. These funds are therefore not recognised as income and are retained in the *Maslahah Ammah* account. The utilisation of the fund follows the similar procedure set for the SNCI funds.

Example of unidentified funds are cash excess at teller and ATM machines and unidentified credit balances.

The earning prohibited by Shariah and the unidentified fund during the year was recorded at RM80,447 (2016: RM34,722).

Branch Network

(To contact Branches; please call 1300 88 8787)

REGIONAL OFFICE FEDERAL TERRITORY

Bank Muamalat Malaysia Berhad
Regional Office Federal Territory
1st Floor, No.32 & 33, Jalan Medan Pusat Bandar 4, Seksyen 9,
43650 Bandar Baru Bangi, Selangor D.E
No.Fax : 03-8925 5894

BRANCHES

WILAYAH PERSEKUTUAN

Jalan Melaka

1st Floor, Blok Podium
Menara Bumiputra
21, Jalan Melaka
50100 Kuala Lumpur.
Faks : 03-2032 5997

Alam Damai

No. 52A-1, and 56,
Wisma Alam Damai,
Jalan Alam Damai 1, Cheras,
56100 Kuala Lumpur
Faks : 03-9101 8023

Jalan Ipoh

Ground Floor, Wisma TCT
No. 516-1, Batu 3, Jalan Ipoh
51200 Kuala Lumpur.
Faks : 03-4043 1467

Jalan Tar

No 399, Ground Floor,
Bangunan UMNO Lama
Jln Tuanku Abdul Rahman,
50100 Kuala Lumpur.
Faks : 03-2697 8020

Taman Melawati

268, 269 & 270, Jalan Bandar 12
Taman Melawati, 53100 Kuala Lumpur.
Faks : 03-4107 4625

Sungai Besi

No 2&2A, Jalan Tasik Utama 7,
Medan Niaga Tasik Damai,
Sg Besi, 57000,
Kuala Lumpur
Faks : 03-9058 1476

Putrajaya

No.2 & 4, Ground & 1st Floor,
Jalan Diplomatik 2,
Pusat Komersial Diplomatik,
Precinct 15,
62050 Putrajaya.
Faks : 03-8889 2053

BUREAU DE CHANGE

Kuala Lumpur International Airport (KLIA1)

Lot No. MTBD 12a, Level 5,
International Departure Level,
Main Terminal Building (MTBD),
Kuala Lumpur International Airport,
64000 KLIA, Sepang, Selangor.
Faks : 03-8787 1346

Kuala Lumpur International Airport (KLIA2)

Level 2, Lot No. S6-2-A24,
International Departure Level (Airside),
KLIA2, 64000 Sepang, Selangor.
Faks : 03-8787 1687

Senai International Airport

Lot KA15, Aeromall,
Senai International Airport,
81250 Johor Bahru, Johor.
Faks : 07-597 0612

REGIONAL OFFICE SELANGOR & N.SEMBILAN

Bank Muamalat Malaysia Berhad
Regional Office Selangor & N.Sembilan
Mezzanine Floor,
Kompleks PKNS, 40000 Shah Alam.
No.Fax : 03-5510 6611

SELANGOR

Batu Caves

No. 3A & 3A-1 & No.5
Prima Samudera, Jln Samudera Utara, 11, Taman Samudera
68100, Batu Caves, Selangor Darul Ehsan
Faks: 03-6186 2387

Kajang

Ground, 1st & 2nd Floor,
No. 2-1-G/1/2, Jalan Prima Saujana 2/1,
Prima Saujana, 43000 Kajang, Selangor Darul Ehsan.
Faks : 03-8733 8014

Kelang

No.46 & 48,
Jalan Kelicap, 42A/Ku1,
Klang Bandar Diraja, Off Jalan Meru,
41050 Klang, Selangor
Faks : 03-3344 4146

Petaling Jaya

No. B-29-1 & 2,
Blok B, Jaya One 72A,
Jalan Universiti, 46200, P.J
Selangor Darul Ehsan
Fax : 03-7954 1196

Laman Seri

Ground & 1st Floor,
No.G03A & 103A,
Laman Seri Business Park,
No. 7, Jalan Sukan, Seksyen 13,
40100 Shah Alam, Selangor.
Faks : 03-5510 0239

Rawang

No. 9 & 11,
Jalan Bandar Rawang 1,
Bandar Baru Rawang,
48000 Rawang.
Faks: 03-6092 1677

Shah Alam, Pkns

G-1, 2 & 3, Ground Floor,
Kompleks PKNS,
40000 Shah Alam.
Tel : 03-5510 6511
Faks : 03-5510 6611

Subang Jaya

Ground & First Floor,
No. 1, Jalan USJ Sentral 2,
USJ Sentral,
47500 Subang Jaya,
Selangor Darul Ehsan
Fax : 03-8022 1729/ 8022 1730

Bandar Baru Bangi

Ground, 1st & 2nd Floor, D32 & D33, Jalan Medan Pusat Bandar 4,
Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.
Faks : 03-8925 5884

Universiti Islam Antarabangsa

Ground & First Floor, Azman Hashim Complex, PT 5063, Mukim
Setapak, Universiti Islam Antarabangsa Malaysia, Jalan Gombak,
53300 Kuala Lumpur.
Faks : 03-6187 8579

Glenmarie, Shah Alam

No.2, Jalan Presiden F U1/F,
Accentra Glenmarie, Seksyen U1,
40150, Shah Alam.
Faks : 03-5569 1435

Ampang Point

No.23 & 23-A,
Jalan Memanda 7/1,
Off Jalan Ampang,
68000 Ampang, Selangor.
Faks : 03-4270 0215

NEGERI SEMBILAN

Seremban

Wisma Great Eastern,
Mo. 105, 107 & 109,
Jalan Yam Tuan,
70000 Seremban,
Negeri Sembilan.
Faks : 06-762 7218

Port Dickson

No. 3 & 3A, Jalan Remis 2,
Medan Remis, Telok Kemang,
71050 Port Dickson,
Negeri Sembilan.
Faks : 06-646 2331

Gemas

No. 16, Jalan DS1/1,
Dataran Satria 1,
73400 Gemas,
Negeri Sembilan.
Faks : 07-948 2106

REGIONAL OFFICE NORTHERN

Bank Muamalat Malaysia Berhad
Regional Office Northern,
3rd Floor, No. 64, Lebuhraya Pantai,
Georgetown,
10300 Pulau Pinang.
No.Fax : 04-261 1503

PERAK

Ipoh

Ground & Mezzanine Floor,
Wisma Maju UMNO,
Jalan Sultan Idris Shah,
30000 Ipoh.
Faks : 05-243 4997

Parit Buntar

No. 40 & 42, Jalan Wawasan 4,
Taman Wawasan Jaya,
Pusat Bandar Baru,
34200 Parit Buntar, Perak
Faks : 05-716 7102

Seri Manjung

Ground & 1st Floor,
No. 392, Taman Samudera,
32040 Seri Manjung Perak
Faks : 05-688 4931

Taiping

98-100, Ground & 1st Floor,
Jalan Kota, 34000 Taiping.
Faks : 05-807 8375

KEDAH

Alor Setar

Tingkat Bawah & Mezzanine,
Lot No. 2242 & 1009,
Menara Dewan Perhimpunan Melayu Kedah (DPMK),
Lebuhraya Darul Aman,
05100 Alor Setar.
Faks : 04-734 0248

Souq Al-Bukhary

Ground Floor,
Bazaar Souq Al-Bukhary,
No. 1, Jln Tun Abdul Razak,
05200 Alor Setar.
Faks : 04-731 5546

Kulim

No. 6, Bangunan Al-Ikhwan,
Pusat Perniagaan Putra,
Jalan Kilang Lama,
09000 Kulim.
Faks : 04-490 7714

Sungai Petani

No. 21, Lot 88,
Jalan Perdana Heights 2/2,
Perdana Heights,
08000 Sungai Petani, Kedah
Faks : 04-421 5007

Branch Network

PULAU PINANG

Bayan Baru

2A-G-26 & 2A-G-28,
Quartermile, Solok Mayang Pasir,
Bayan Baru, 11950 Pulau Pinang.
Faks : 04-641 1058

Seberang Jaya

Ground, 1st & 2nd Floor,
No. 27 & 28, Jalan Todak 2,
Bandar Sunway Seberang Jaya,
13700 Perai, Butterworth,
Pulau Pinang.
Faks : 04-399 3797

Lebuh Pantai

Ground Floor,
No. 64, Lebuh Pantai, 10300,
Georgetown Pulau Pinang.
Faks : 04-261 1700

PERLIS

Kangar

No. 11 & 13, Jalan Bukit Lagi,
01000 Kangar.
Faks : 04-976 4799

REGIONAL OFFICE EAST COAST

Bank Muamalat Malaysia Berhad
Regional Office East Coast,
Tingkat 2,
Bangunan Perbadanan Menteri Besar Kelantan,
Jalan Kuala Krai,
15150 Kota Bharu,
Kelantan Darul Naim
No.Fax : 09-743 3993

TERENGGANU

Kuala Terengganu

1, Jalan Air Jerneh,
20300 Kuala Terengganu.
Faks : 09-622 3543

Kg. Raja

Lot 5678 & 5679,
Taman D'Lahar,
Gong Kepas,
Kampung Raja,
22200, Besut, Terengganu Darul Iman
Faks : 09-697 5566

KELANTAN

Kota Bharu

Ground & 1st Floor, Lot2 & Lot 275,
Bangunan Perbadanan Menteri
Besar Kelantan (PMBK),
Jalan Kuala Krai, 15150 Kota Bharu.
Faks : 09-744 4622

Kok Lanas

Ground & 1st Floor, Lot PT 5080 Kompleks Perniagaan Saidina Ali,
Jalan Kuala Krai, Kok Lanas
16450 Kota Bharu.
Faks : 09-788 6828

Jalan Sultan Yahya Petra

Ground Floor,
Lot PT 265 & PT, 266, Wisma Nik Kob,
Jalan Sultan Yahya Petra,
15200 Kota Bharu.
Faks : 09-747 3230

Jeli

Ground & First Floor,
No. PT4646, Lot 2003,
PN 3523,17600
Bandar Jeli, Kelantan
Faks : 09-944 8228

Tanah Merah

No. 692, 693 & 694,
Kompleks Perniagaan Humaira,
Pusat Bandar Tanah Merah,
17500 Tanah Merah
Fax: 09-9544550

Gua Musang

Ground Floor, PT 13772, 13773 & 13774,
Bandar Baru Gua Musang,
18300 Gua Musang,
Fax: 09-9122069

PAHANG

Kuantan

B-114 & B-116,
Sri Dagangan Centre,
Jalan Tun Ismail, 25000 Kuantan.
Faks : 09-516 2853

Mentakab

6 & 7, Jalan Tun Abd Razak,
28400 Mentakab.
Faks : 09-277 3306/2306

Pekan

G-02, Ground Floor,
Bangunan UMNO (Bahagian Pekan)
Jalan Teng Que,
26600, Pekan,
Pahang Darul Makmur
Faks : 09-422 3751

Temerloh

Ground & First Floor,
C-8, Jalan Tengku Ismail,
Temerloh,
28000 Pahang Darul Makmur
Faks : 09-2962 364

REGIONAL OFFICE SOUTHERN

Bank Muamalat Malaysia Berhad
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Lot 1 & 2, Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor
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MELAKA

Melaka

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75050 Melaka.
Faks : 06-286 7518

Taman Cheng Baru

Ground & 1st Floor,
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Taman Cheng Baru,
75250 Melaka.
Faks : 06-312 5091

JOHOR

Johor Bahru

Ground & 1st Floor,
Lot 1 & 2, Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor
Faks : 07-224 0811

Batu Pahat

24-25, Ground & 1st Floor,
Jalan Kundang, Taman Bukit Pasir, 83000 Batu Pahat.
Faks : 07-432 4945

Universiti Tun Hussein Onn Malaysia (UTHM)

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Universiti Tun Hussein Onn Malaysia,
86400 Parit Raja, Batu Pahat.
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Johor Jaya

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Taman Johor Jaya,
81100 Johor Bahru.
Faks : 07-355 8106

Kluang

No. 1, Jalan Persiaran Dato' Haji Ismail Hassan,
86000 Kluang.
Faks : 07-774 4419

Kulai

Ground & 1st Floor,
No. 32, Jalan Sri Putra 1,
Bandar Putra, 81000 Kulai, Johor
Faks : 07-662 1570

Segamat

No. 37 & 38, Jalan Genuang Perdana,
Taman Genuang Perdana,
85000 Segamat, Johor
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Branch Network

Taman Universiti

Ground & 1st Floor,
No 28, Jalan Kebudayaan 5,
Taman Universiti,
81300 Skudai.
Faks : 07-520 5503

Kota Tinggi

No. 23,25 & 27, Jalan Sri Warisan 1,
Kota Tinggi Heritage Mall,
81920, Kota Tinggi, Johor.
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KIOSK

Sg. Udang

No. 11, Jalan Kerambit 1,
Bandar Baru Sungai Udang,
76300 Sungai Udang, Melaka.
Tel : 06-3515 700
Faks : 06-3515 700

REGIONAL OFFICE EAST MALAYSIA

Bank Muamalat Malaysia Berhad
Regional Office East Malaysia
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No.18, Jalan Haji Saman,
88000 Kota Kinabalu. Sabah
Tel : 088-233 024 / 025 / 026
Faks : 088-233 530

SARAWAK

Kuching

Lot 456, 457 & 458,
Al Idrus Commercial Centre,
Jalan Satok, 93400 Kuching, Sarawak.
Faks : 085-418 111

Bintulu

Ground 1st & 2nd Floor,
No. 252, Lot 73 Park City Commercial Centre, Jalan Tanjung Batu,
97012 Bintulu
Faks : 086-337 461

Miri

433-434 Ground & First Floor
Jalan Bendahara
98000 Miri
Sarawak
Faks : 085-418 111

SABAH

Kota Kinabalu

Ground & Mezzanine Floor,
Wisma Gek Poh,
No.18, Jalan Haji Saman,
88000 Kota Kinabalu. Sabah
Faks : 088-239 128

Labuan

Ground Floor & 1st Floor,
Block A, Lot 25,
Lazenda Centre,
Jalan OKK Abdullah,
87007, Wilayah Persekutuan Labuan.
Faks : 087-424 204

Tawau

Lot 69 & 70, Ground & First Floor,
Kubota Square,
Jalan Kubota,
91000 Tawau, Sabah.
Faks : 089-771 493