STRENGTHENING OUR ROLE AND IMPACT

FOR A SUSTAINABLE FINANCIAL ECOSYSTEM

1 TRIPLE BOTTOM LINE APPROACH

We go beyond profit maximisation to create a positive impact on the economy, society and environment

GOVERNANCE 2

We are transparent in providing information so that our customers make better and more responsible financial decision

CULTURE

THESE PRINCIPLES ARE THE CULTURE EMBEDDED IN AND PRACTISED BY THE BANK

3 REAL ECONOMY

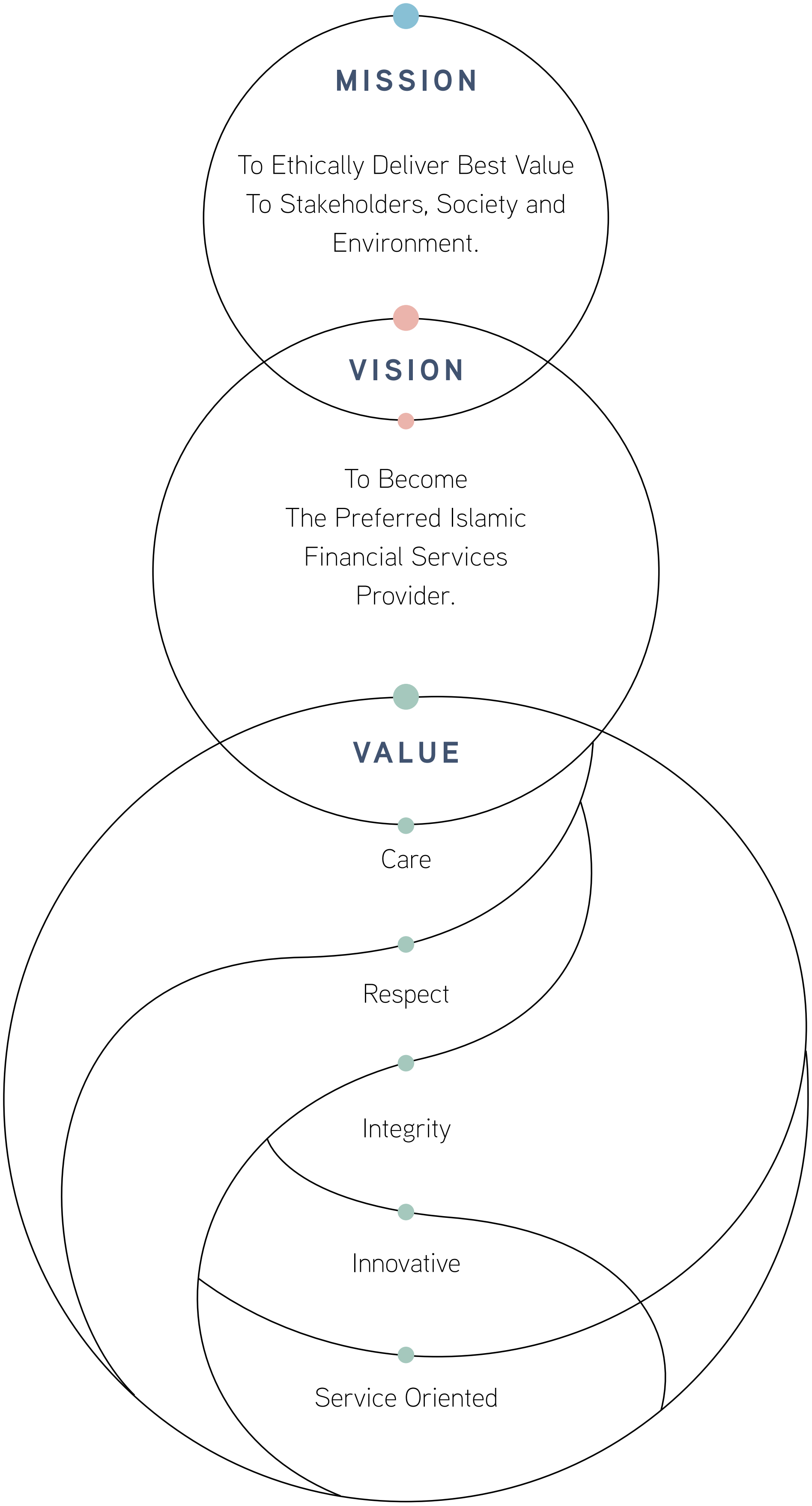
We invest in the real economy and find ways to bank the unbankable in fulfilling social and environmental needs

5 CLIENT-CENTRED

We strengthen our long-term relationship by understanding and satisfy client's financial needs

LONG-TERM RESILIENCY 4

We build strategies for long-term resiliency in withstanding disruption



INSIDE THIS REPORT

“In the name of Allah, the Most Gracious, the Most Merciful”

Bank Muamalat is a value-driven Islamic bank and aims to contribute to a sustainable financial ecosystem. This means adopting strategies that balance our business objectives with social and environmental considerations. We fully support Bank Negara Malaysia’s Value-Based Intermediation (“VBI”) and subscribe to the practices of the Global Alliance for Banking on Values (“GABV”) as we strive to become the preferred Islamic Financial Services Provider.

SECTION I: ABOUT US

SECTION III: STRATEGY

SECTION IV: PERFORMANCE

SECTION VI: GOVERNANCE

SECTION VII: THE FINANCIAL

SECTION VIII: OTHERS INFORMATION

ABOUT THIS REPORT

"

WE AT BANK MUAMALAT MALAYSIA BERHAD ("BANK MUAMALAT" OR "THE BANK") BELIEVE IN KEEPING OUR STAKEHOLDERS INFORMED OF OUR OPERATIONS AND PERFORMANCE. OUR ANNUAL REPORTS ARE PRODUCED FOR THIS PURPOSE. IN LINE WITH OUR OBJECTIVE, OUR ANNUAL REPORTS PROVIDE A CONCISE ACCOUNT OF THE FINANCIAL LANDSCAPE IN WHICH WE OPERATE, THE CHALLENGES WE FACE, OUR STRATEGIES TO OVERCOME THESE CHALLENGES, AND HOW WE HAVE PERFORMED BASED ON THESE.

"

ABOUT THIS REPORT

In presenting our performance for each financial year, we are guided by best practices such as Bursa Malaysia Securities Berhad ("Bursa Malaysia")'s Main Market Listing Requirements as well as local and international reporting standards. Given a gradual shift globally, and in Malaysia, towards integrated reporting which focuses on how an organisation creates value for its stakeholders, this year we have embarked on a journey towards a more comprehensive format of presenting data. Stakeholders will therefore find our inaugural Sustainability Statement, which is based on the GRI Sustainability Reporting Standards.

Through this Sustainability Statement, we aim to create clarity and transparency regarding our non-financial performance, and contributions towards the economic, environmental and social ("EES") advancement of the country. In the process, we believe we will be able to gain greater confidence of the public as to actions taken in matters that are important to them, thus strengthen our stakeholder relationships.

We are pleased to disclose the Bank's 2018 material topics, which refers to the following indicators of the Global Reporting Initiative ("GRI") Standards: 103, 201, 202, 204, 205, 302, 307, 401, 402, 404, 405, 406, 413, 418, 419, FS7, FS13 and FS14. According to our materiality assessment, the most pertinent issues for Bank Muamalat this year were Customer Experience, Responsible Financing, Ethics and Integrity, Compliance, Training and Education and Economic Performance.

All information included in this report refers to the financial year ended 31 March 2018 ("FY2018"), unless stated otherwise, covering all our operations within Malaysia.

As this is our first attempt at integrated reporting, we realise that we are not able to provide the depth and breadth of non-financial disclosure as we would like. However, as we improve our data management systems, we will continuously enhance our data collection hence produce more detailed disclosure in subsequent reports. Our commitment is based on the firm belief that transparent communication is key to delivering value to our stakeholders. Moving forward, we plan to develop sustainability targets and align our efforts to the UN Sustainable Development Goals.

This report has been produced with the primary intention of answering questions our stakeholders may have regarding our values, strategies and direction. In this regard, we highly value your feedback. To help us make our reports more relevant, please direct your comments or queries to vbi_bmmb@muamalat.com.my.

"AS WE IMPROVE OUR DATA MANAGEMENT SYSTEMS, WE WILL CONTINUOUSLY ENHANCE OUR DATA COLLECTION HENCE PRODUCE MORE DETAILED DISCLOSURE IN SUBSEQUENT REPORTS."

IMPACT STORY

Group CEO & Managing Director of Soon Soon Oilmills Sdn Bhd

"Established in 1979, Soon Soon Oilmills is a leading integrated food and feed ingredients company with nine factories located in Klang and Penang employing about 1,000 people. We supply ingredients such as oils, flour, proteins and grain products to both the food and feed industries. When we started 30 years ago, our focus was on operational integration to create better efficiencies. Recently, our focus has shifted towards differentiating our products by ensuring they are more environment-friendly, safer and better for the consumer.

Bank Muamalat is a relatively new bank, and offers a fresh approach to the banking sector in many ways. They are operationally efficient and will go out of their way to meet the needs of their customers. More important, Bank Muamalat always shows interest in our business operations and direction. The fact that they are the first Malaysian bank to join the Global Alliance for Banking on Values ("GABV") shows that they are serious about the environment, social well-being and ethical banking. Our company shares the same values as well. Therefore, Bank Muamalat is our bank of choice for our local and global expansion."

BANKING ON VALUES:

Moving Forward Together

The banking business has changed due to the globalisation and the advent of new technologies. But one thing remains the same for Bank Muamalat: our focus on Islamic values. As a fully Shariah-compliant organisation, Bank Muamalat believes, over and above making profits, we are responsible for influencing social change and creating value for people and the planet. Today, we have taken another step to deepen this commitment by adopting Bank Negara Malaysia's Value-Based Intermediation ("VBI") and subscribing to the principles of Global Alliance of Banking on Values. Through the practice of values-driven initiatives, we hope to build a sustainable, inclusive future for us and our stakeholders.

For more information,
http://www.soonsoonoil.com.my

AT A GLANCE

2nd Highest Profit Before Tax

We recorded our 2nd highest profit before tax of RM230.5 million, driven by higher revenue and improvement in impairment of assets.

The RM20.0 million investment in Project Ar-Rahn on the Investment Account Platform ("IAP") received an overwhelming response with the investment book oversubscribed by more than 1.20 times.

1.2x oversubscription of Project Ar-Rahn on IAP

i-Muamalat Mobile App Launched

The Bank introduced another innovative channel for customers to access our products and services anytime anywhere. Our new app is downloadable via Apple Store and Google Play Store.

Bank Muamalat is the 1st Islamic bank in the world and the 1st in South East Asia to become a member of the Global Alliance for Banking on Values ("GABV"), an independent network of banks using finance to deliver sustainable economic, social and environmental development.

1st Islamic Bank and 1st Bank in South East Asia to be a Member of GABV

Muamalat Gold-i Account Introduced

Muamalat Gold-i Account provides the flexibility to purchase a minimum of 1 gram or RM10 worth of gold, with free safekeeping by the Bank.

We extended our waqf function further through collaborations with the Kelantan Islamic Religious and Malay Customs Council ("MAIK") and Negeri Sembilan Islamic Council.

Collaboration on Waqf Expanded

ABOUT BANK MUAMALAT

Bank Muamalat is one of two independent full-fledged Islamic financial institutions in Malaysia. The Bank's origins date back to 1 October 1999 when the Islamic banking assets and liabilities of three local banks, namely Bank Bumiputra Malaysia, Bank of Commerce (Malaysia) and BBMB Kewangan, were merged. Today, the Bank ranks 8th out of 16 Islamic banks in the country in terms of asset size. The Bank has two shareholders, DRB-HICOM and Khazanah Nasional Berhad, which hold 70% and 30% equity in the organisation respectively.

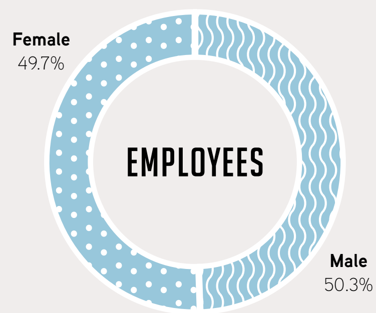
Bank Muamalat's network spans across 63 branches nationwide through which the Bank provides a wide range of Islamic banking products and services to Malaysians and foreigners. These include foreign currency deposits, investment accounts, foreign exchange trading, working capital financing, trade financing, project and contract financing, venture capital and Islamic capital market services.

As a pioneering Islamic bank in the country, Bank Muamalat is supported by highly qualified Shariah scholars with extensive experience in Islamic jurisprudence. This group provides counsel on issues pertaining to Shariah products and services, including activities to raise Islamic capital.

> **"BANK MUAMALAT'S NETWORK SPANS ACROSS 63 BRANCHES NATIONWIDE THROUGH WHICH THE BANK PROVIDES A WIDE RANGE OF ISLAMIC BANKING PRODUCTS AND SERVICES TO MALAYSIANS AND FOREIGNERS."**

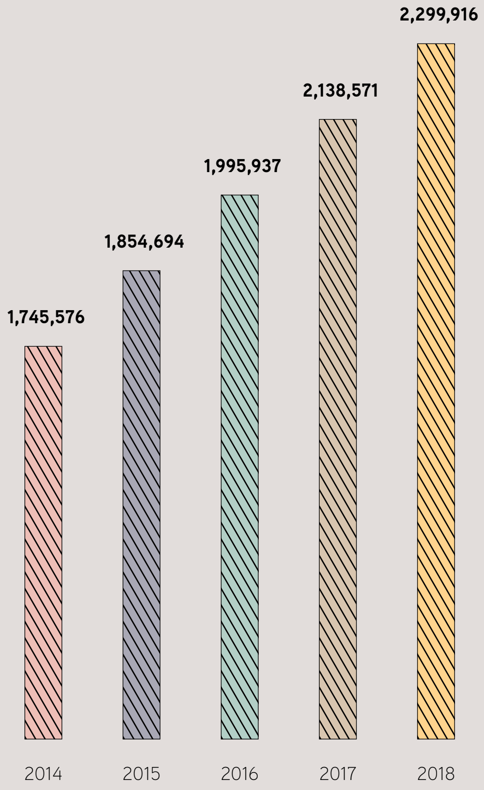
The Bank is a member of the Global Alliance for Banking on Values ("GABV"), an independent network of banks and banking cooperatives worldwide that operate under the Principles of Sustainable Banking. GABV focuses on returns to the real economy and acts as a financial intermediary to support social and environmental impacts. Bank Muamalat is the first Islamic bank to be accepted as a member of the alliance.

The Bank employs a total of 1,652 dedicated staff, comprising 49.7% females and 50.3% males.

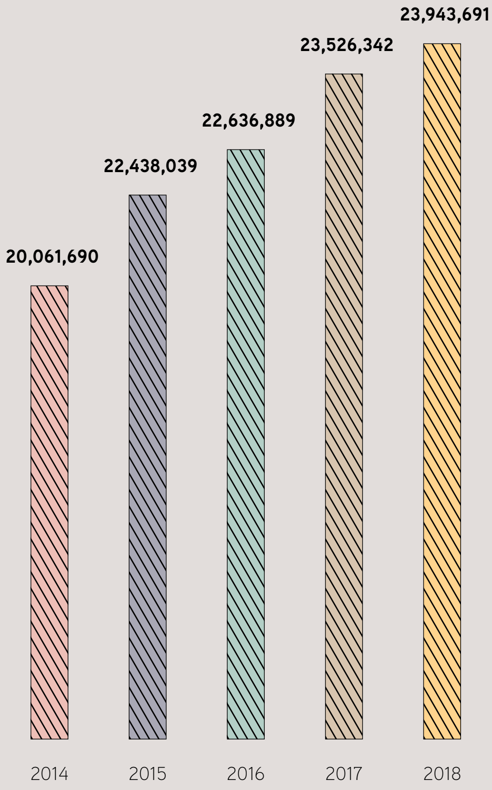


10 YEARS FINANCIAL HIGHLIGHTS

Total Shareholders Fund (RM '000)



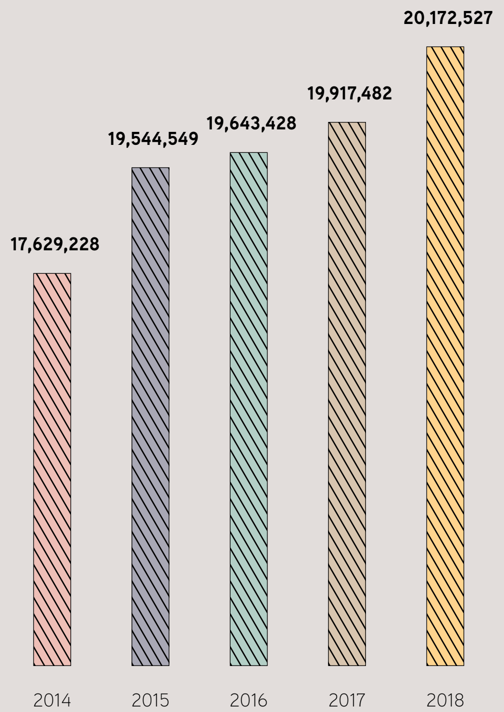
Total Asset (RM'000)



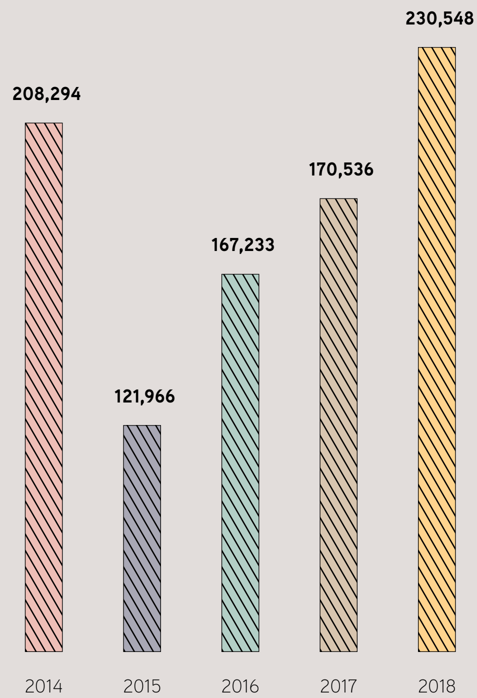
	2008	Jan 2009 - Mar 2010	2011 Restated
Total Shareholders Fund (RM'000)	702,236	1,319,131	1,348,286
Profit/(Loss) Before Tax (RM'000)	44,068	142,061	186,785
Profit/(Loss) After Tax (RM'000)	31,951	98,834	120,433
Total Assets (RM'000)	14,398,645	16,733,420	18,659,940
Total Deposits (RM'000)	12,447,970	14,920,856	16,216,173
Total Financing (RM'000)	6,427,747	7,037,126	7,495,007
No. of Branches	48	49	51
No. of Service Centres/ Kiosk	5	6	4
No. of Offshore Branches/ Labuan	1	1	1
No. of Staff	1,419	1,584	1,763
Return on Asset (%) - PreTax	0.31	0.73	1.06
Return on Equity (%) - PreTax	6.12	11.24	15.24

10 YEARS FINANCIAL HIGHLIGHTS

Total Deposits (RM'000)



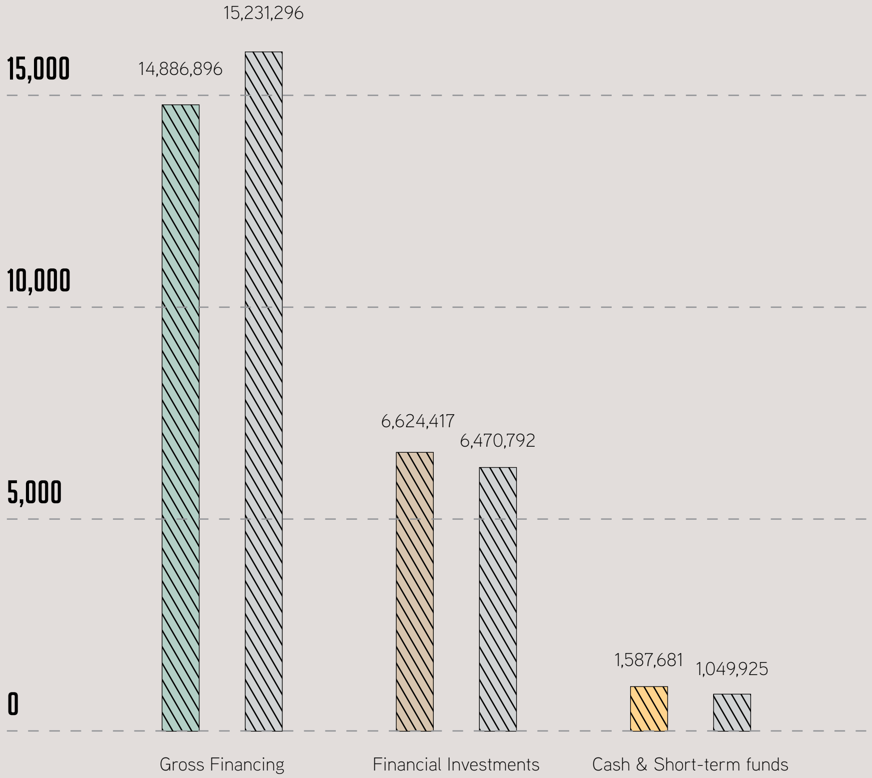
Profit Before Tax (RM'000)



2012 Restated	2013	2014	2015	2016	2017	2018
1,401,004	1,598,476	1,745,576	1,854,694	1,995,937	2,138,571	2,299,916
103,006	235,963	208,294	121,966	167,233	170,536	230,548
69,244	167,936	151,564	89,280	131,909	149,907	181,625
20,504,037	21,071,590	20,061,690	22,438,039	22,636,889	23,526,342	23,943,691
18,151,087	18,744,179	17,629,228	19,544,549	19,643,428	19,917,482	20,172,527
9,064,271	10,352,626	11,899,691	13,414,670	14,512,877	14,918,272	14,687,846
58	59	59	59	61	62	63
2	7	7	7	1	1	1
1	1	1	1	1	1	1
1,929	2,099	2,135	1,987	1,703	1,733	1,636
0.53	1.14	1.01	0.57	0.74	0.74	0.97
7.49	15.73	12.46	6.78	8.69	8.25	10.39

ASSETS PERFORMANCE

ASSET PORTFOLIO (RM'000)

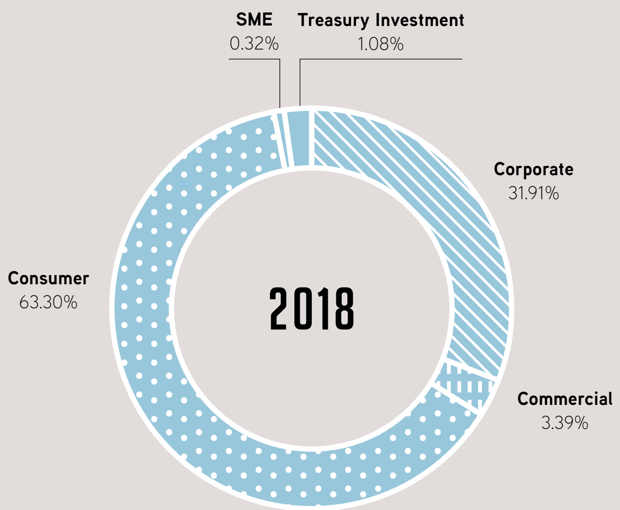


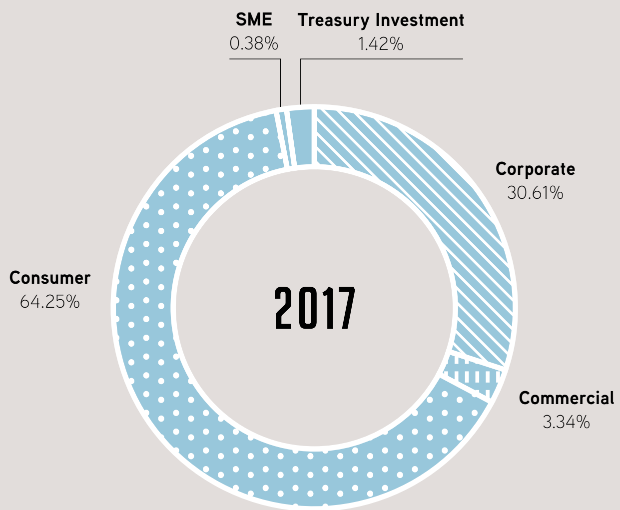
Gross Financing
2018
14,886,896

Financial Investments
2018
6,624,417

Cash & Short-term funds
2018
1,587,681

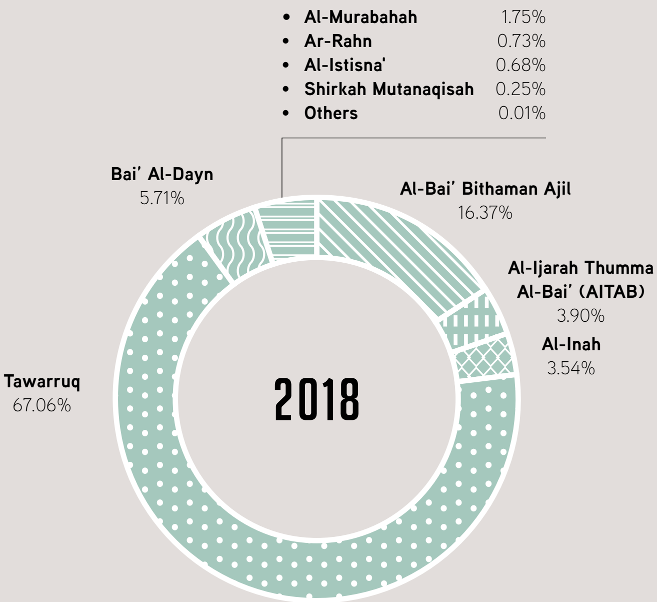
FINANCING BY BUSINESS SEGMENT

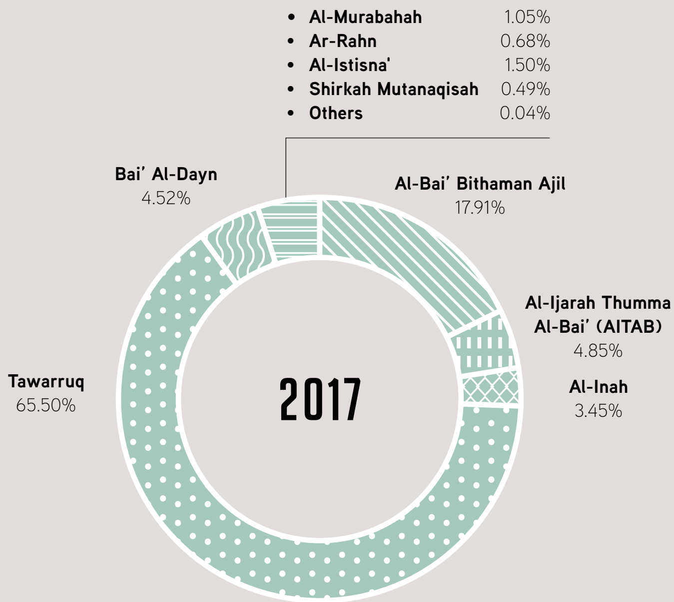




ASSETS PERFORMANCE

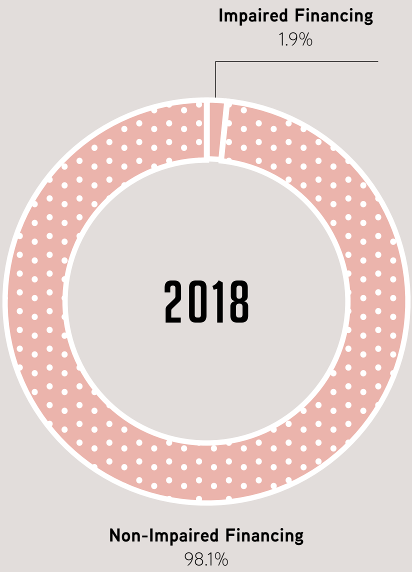
FINANCING BY ISLAMIC CONTRACT

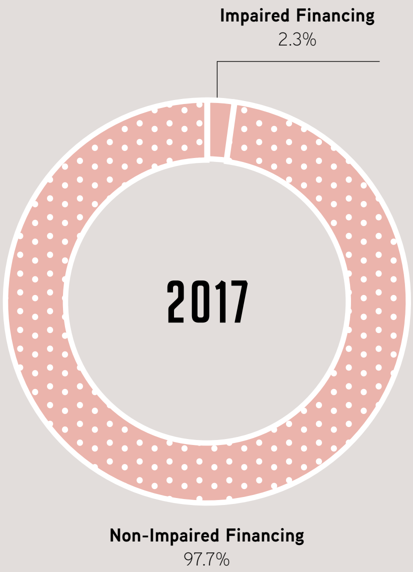




ASSET QUALITY

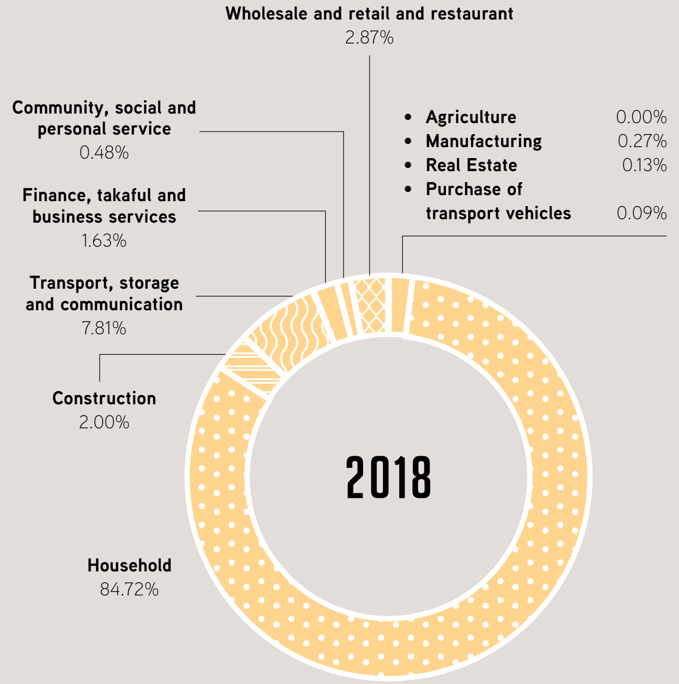
	Gross Impaired Financing	Gross Impaired Financing ratio	Financing loss reserve ratio	Collective assessment ratio
2018 (RM Mil)	285.4	1.9%	66.7%	1.2%
2017 (RM Mil)	351.9	2.3%	89.1%	1.6%

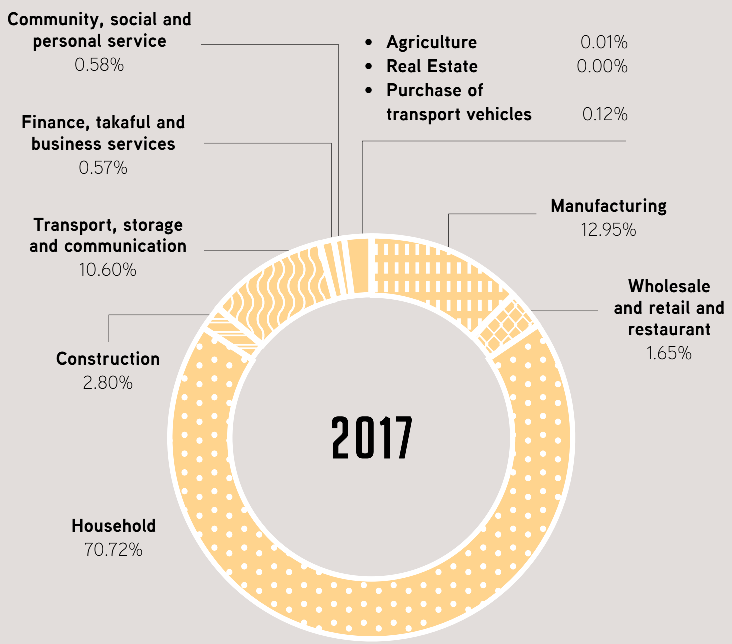




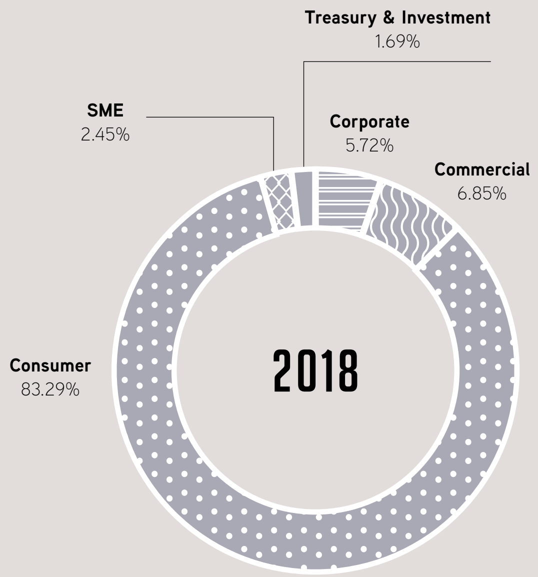
ASSETS PERFORMANCE

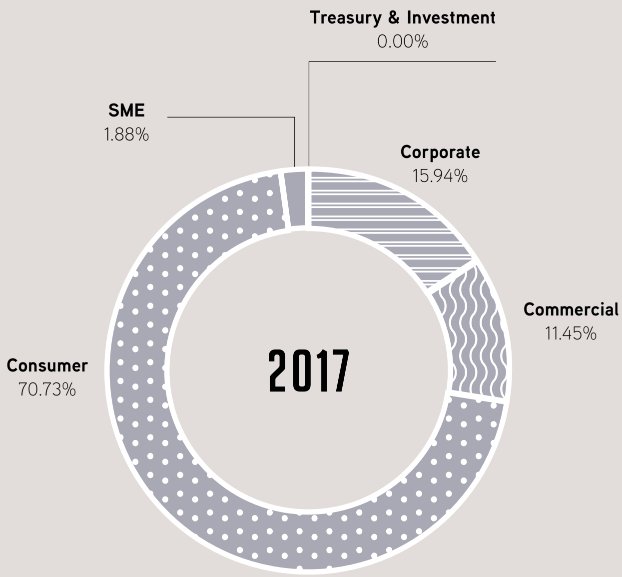
IMPAIRED FINANCING BY SECTOR





IMPAIRED FINANCING BY BUSINESS SEGMENT

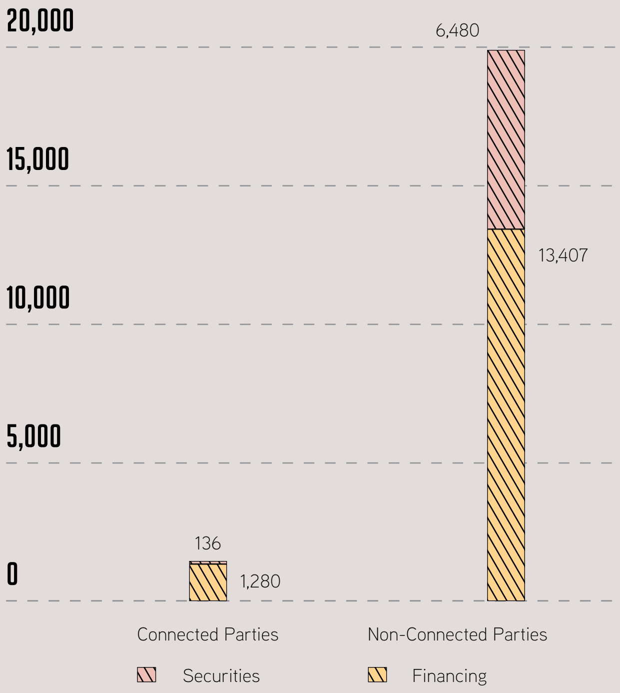




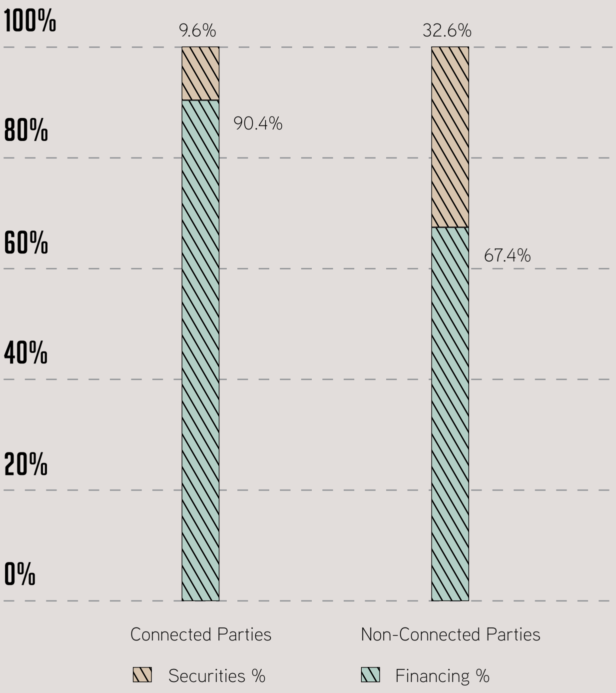
CONNECTED PARTIES

As at end of FY2018, connected parties exposure accounted for 5.5% of Bank Muamalat's total outstanding credit exposure of RM26 billion. The amount stood at 57.0% against the Bank's capital base of RM2.48 billion. Both measurements were well below thresholds set by Bank Negara Malaysia.

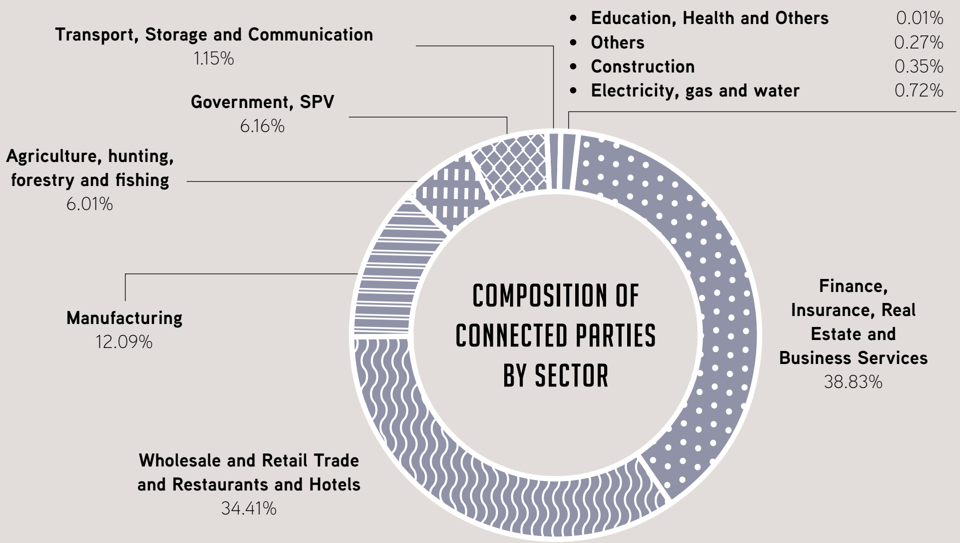
Connected Parties Exposure by Financial Instrument as at March 2018 (RM'Mil)



Connected Parties VS Non-Connected Parties Exposure as at March 2018



Connected Parties Exposure by Sector as at March 2018



MEDIA HIGHLIGHTS

MUSLIM DEVELOPMENT

Bank Muamalat, Maik introduce 'waqf' fund

KOTA BARU: Bank Muamalat Malaysia Bhd yesterday launched a waqf fund in collaboration with the Kelantan Islamic Religious and Malay Customs Council (Maik).

The fund, called "Wakaf Maik Muamalat", aims to encourage people to donate and help the development of Muslims' economy in the state.

The fund was officially launched by Regent of Kelantan Tengku Dr Muhammad Faiz Petra, who is also Maik president.

Maik deputy president Dr Nik Mohd Azlan Abd Hadi said he hoped the fund, which was supported by five other Islamic banks, would benefit the people.

"We will focus on four sectors –

"Our first project will be the setting up of a mu'alaf (converts) centre in Tumpat."

Bank Muamalat Malaysia chief executive officer Datuk Mohd Redza Shah Abdul Wahid said through the collaboration, Bank Muamalat would work with the five other banks to use banking channels for customers to contribute to the fund, especially in Kelantan.

The five banks are Affin Bank Bhd, Bank Islam Malaysia Bhd, Bank Kerjasama Rakyat Malaysia Bhd, Maybank Islamic Bhd and RHB Islamic Bank Bhd.

"From the banks, the collection will be handled by a joint management committee. The committee will also plan and conduct

Regent of Kelantan and Maik president Tengku Dr Muhammad Faiz Petra (right) receiving a cheque of RM500,000 from Bank Muamalat Malaysia chief executive officer Datuk Mohd Redza Shah Abdul Wahid (second from right) in Kota Baru yesterday. With them are Maik deputy president Mohd Azlan Abd Hadi (left) and Wakaf Maik Muamalat joint management committee chairman Tan Sri Mohamad Rizam Tenuku Abdul Aziz. PIC BY SYAMSI SUHAIMI

TEROKA KEUNIKAN BANDAR

Projek Telekung fokus 74 stesen LRT, monorel

Sasar RM3 bilion

Bank Muamalat mahu salur 60 peratus pinjaman kepada segmen pengguna, bakinya korporat

i-Muamalat Mobile beri kemudahan 500,000 pelanggan

Langkawi: Bank Muamalat Malaysia Berhad (Bank Muamalat) semalam melancarkan aplikasi mudah alih i-Muamalat Mobile yang boleh dimuat turun secara percuma oleh pengguna.

Majlis pelancaran disempurnakan Perdana Menteri, Datuk Seri Najib Razak sempena Karnival Digital Langkawi di Dewan Pameran Antarabangsa Mahsuri (MIEC), di sini.

Ketua Pegawai Eksekutif Bank Muamalat, Datuk Mohd Redza Shah Abdul Wahid berkata, buat masa ini aplikasi itu menawarkan perkhidmatan pertanyaan baki, pindahan wang, pembayaran bil dan tambah nilai kredit telefon mudah alih.

"Kemudahan ini bakal memberi kemudahan kepada lebih 500,000 pelanggan sedia ada kami, malah ia turut boleh digunakan oleh orang ramai yang bukan pemegang akaun dengan Bank Muamalat untuk menyemak

MOHD Redza Shah (kanan) bersama kakitangannya menunjukkan kad debit selepas melancarkan i-Muamalat Mobile.

"Buat permulaan dua sekolah dipilih melaksanakan projek perintis MyDebit iaitu Sekolah Menengah Kebangsaan Mahsuri dan Maktab Mahmud cawangan Langkawi sebelum kita perluaskan kepada semua sekolah.

"Pembangunan aplikasi i-Muamalat Mobile dan sistem MyDebit dibuat secara pakej membabitkan kos keseluruhan RM2 juta," katanya.

Sementara itu, Pengerusi Jawatankuasa Sains, Inovasi dan Teknologi Maklumat, Komunikasi dan Teknologi Tinggi dan Sumber Manusia negeri, Datuk Norsabrina Mohd Noor berkata, Digital Langkawi anjuran kerajaan

Muamalat银行万元捐快捷通祈祷室

工商资讯

莫哈末利德查（左）及佐哈里芬莱查在为 Project Telekung 揭开序幕后，探讨接下来的第二阶段计划。

MENYANTUNI PENDUDUK KAMPUNG PULAU SELAKAN

SC to set up institute for corporate directors

BANK MUAMALAT EYES RM250M FOR MGI

BMMB ahli pertama GABV di Asia Tenggara

Peserta teruja dapat bantu penduduk kampung

Kuala Lumpur

Bank Muamalat dilantik ejen bank Islam tawar produk ASNB

Bank Muamalat dilantik sebagai ejen bank Islam sepenuhnya bagi menawarkan produk Amanah Saham Nasional Berhad (ASNB) di semua 64 cawangan seluruh negara.

Pengerusi Bank Muamalat, Tan Sri Dr Mohamed Munir Abdul Majid berkata, sebagai ejen ASNB, semua cawangan Bank Muamalat akan menjadi wakil saluran perkhidmatan untuk pelanggan membuat transaksi seperti pembukaan akaun, membeli dan menjual unit saham dengan mudah.

"Menerusi kerjasama ini, kami komited untuk meningkatkan kualiti perkhidmatan dan kecekapan pengurusan kewangan Bank Muamalat.

"Dalam masa sama, kami akan memasarkan produk ASNB dengan perkongsian ilmu pengurusan pelaburan amanah saham," katanya.

Sejak dilancarkan sebagai ejen ASNB pada 15 Januari lalu, cawangan Bank Muamalat telah merekodkan transaksi sejumlah RM4.37 juta membabitkan 584 pelanggan dalam masa empat hari operasi.

Menurutnya, dengan pelancaran skim pembiayaan Amanah Saham Bumiputera (ASB) kelak, rekod transaksi jual dan beli unit saham amanah ASNB di cawangan Bank Muamalat dijangka meningkat.

CALENDAR OF EVENTS 2018

April 2017

01 Apr 17 Leadership Talk With Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil Bin Jamil

09 Apr 17 Launch Muamalat Sport Recreational Club - Central

15 Apr 17 Launch Muamalat Sport Recreational Club - Northern

16 Apr 17 Program Kayuhan Amal Bank Muamalat - MAIPs 2017

16 Apr 17 Majlis Penyerahan Sumbangan Wakaf Selangor Muamalat kepada UnimapCare Clinic dan Pusat Dialisis Tuanku Syed Putra, Kangar, Perlis

23 Apr 17 Launch Muamalat Sport Recreational Club - East Malaysia

22 Apr 17 Golf Muhibbah 2017

29 Apr 17

Programme with Orkids Kids at the Little Kingdom

May 2017

03 May 17

Projek Telekung bersama Prasarana

14 May 17 Jom Kayuh BMMB & PROTON

20 May 17 Wakaf Selangor Muamalat Menyumbang Peralatan Perubatan Kepada Hospital Raja Permaisuri Bainun

23 May 17 Ceramah Perdana - Suci Hati

23 May 17 A Phd Program for Bank Muamalat staff

26 May 17 Doa Selamat - Lambaian Kaabah 2017

26 May 17 Bank Muamalat Malaysia Berhad Menyumbang Van Jenazah Kepada Masjid Al-Akram Datuk Keramat Kuala Lumpur

27 May 17 Kursus Lambaian Kaabah 2017

29 May 17

Lambaian Kaabah 2017

Jun 2017

08 Jun 17

Iftar @ Masjid Jamek

15 Jun 17 Iftar @ IQKL

Jun 17 A Helping Hand For Needy Folk (Johor) in collaboration with Malaysian Red Crescent Society (MRCS)

18 Jun 17 BMMB BREAK FAST & FURIOUS 4 : Iftar with Mahaad Tahfiz, Special Children and Orphanage

20 Jun 17 Distribute Bubur Lambuk

21 Jun 17

Majlis Khatam Al-Quran

21 Jun 17

Majlis Perasmian Wakaf Negeri Sembilan Muamalat

CALENDAR OF EVENTS 2018

July 2017

12 Jul 17 — Corporate Raya and The Official Launch of Muamalat Gold-i Account

18 Jul 17 — Warna Warni Raya - Rumah Sukan

19 Jul 17 — Majlis Doa Selamat dan Hari Raya Bank Muamalat Cawangan Alor Star, Kedah

27 Jul 17 — Forum Perdana - DRB-Hicom

August 2017

3-6 Aug 17 — Karnival Kewangan Sabah

19 Aug 17 — Bank Muamalat Melancarkan Kemudahan Aplikasi Perbankan Mudah Alih @ Langkawi

29 Aug 17 — Program Negaraku

September 2017

2-6 Sep 17 — Merdeka Adha Dive 2017

8 Sep 17 — CIBAFI Strategic Meeting

9 Sep 17 — Media Night 2017

13 Sep 17 — Bank Muamalat Launches Oh Yeah Campaign! -"Hartawan Emas"

Sep 17 — Avillion Coastal Ride 2017

Sep 17 — Majlis Tilawah Al-Quran 2017

27 Sep 17 — Signing Ceremony Project Ar-Rahn On Investment Account Platform (IAP) Between Muamalat Venture Sdn Bhd And IAP Integrated Sdn Bhd

28 Sep 17 — Forum Perdana Ehwal Islam, Bank Negara Malaysia

29 Sep 17 — Sultan Selangor Berkenan Melancarkan Klinik Bergerak Wakaf Selangor Muamalat

October 2017

3-5 Oct 17

The 14th Kuala Lumpur Islamic Finance Forum 2017 (KLIFF 2017)

06 Oct 17 Pink October Month : Ribbon Distribution

13 Oct 17 Pink October Month : Fuji Apple Distribution. Theme " An Apple a Day Keeps the Doctor Away"

20 Oct 17 Pink October Month : Kit Kat Distribution

26 Oct 17

Wakaf Selangor Muamalat Menyumbang Mesin Dialisis Kepada Pusat Dialisis MAIS, Yayasan Islam Darul Ehsan

27 Oct 17 Pink October Month : Pink Roses Distribution

November 2017

06 Nov 17

Wakaf Selangor Muamalat Menyumbang Kepada St John Ambulans Malaysia Dan Hospital Tengku Ampuan Rahimah, Klang

9 Nov 17 Forum Perdana - Kuching

Nov 17 Sports Houses Season 2017 #fitmuamalat

23 Nov 17 Forum Perdana - Unizar Terengganu

30 Nov 17

Back2School (Orphanage)

December 2017

3-5 Dec 17 Chairman's Visit To BDC Kota Kinabalu

5 Dec 17 5S Award Giving Ceremony

8-10 Dec 17 Back2School (Staff)

14 Dec 17 Back2School (Surau Mutiara)

16 Dec 17 Program Menembak bersama PERHEBAT(Jugra)

23 Dec 17 Laksamana Purple Ride 2017

January 2018

10 Jan 18 Bank Muamalat Menyumbangkan 2 buah van jenazah kepada Masjid Jamek Sungai Nibong Besar, Pulau Pinang dan Surau Al-Mahdi, Taman Bukit Subang, Shah Alam.

16 Jan 17 MOU Signing Ceremony Between Bank Muamalat Malaysia Berhad And Dnexport Sdn Bhd

17 Jan 18 Pemangku Raja Kelantan Berkenan Merasmikan Wakaf Maik Muamalat (WMM)

18 Jan 18 Karnival Kewangan Kedah

22 Jan 18 Bank Muamalat Malaysia Berhad Dilantik Sebagai Ejen Amanah Saham Nasional Berhad

28-30 Jan 18 Program Ziarah Mahabbah & Kebajikan ke Pulau Banggi, Kudat Sabah

February 2018

25 Feb 18 Wakaf Selangor Muamalat Menyumbang Kepada Pusat Dialisis Ar-Rahman, Bachok, Kelantan

March 2018

8 Mar 18 Forum Perdana Ehwal Islam 'Seiring Sejalan' di Seri Perdana, Putrajaya

CHAIRMAN'S STATEMENT

Dear Shareholders,

"

It gives me pleasure to present Bank Muamalat Malaysia Berhad's annual report for the financial year ended 31 March 2018 ("FY2018"). Amidst a challenging and complex banking environment, our business and financial performance for the year was commendable.

"

Tan Sri Dato' Dr. Mohd Munir Abdul Majid

Chairman

The Bank saw a 35.2% increase in profit before zakat and taxation to RM230.5 million from RM170.5 million in the previous financial year, while our total distributable income and net income rose by 10.2% and 21.9% respectively, to close at RM1.24 billion and RM666.8 million.

The increase in total net income was primarily contributed by higher investment income, gains from the sale of investment securities and higher write-back of impairment on financing. In addition, income attributable to depositors dropped by 0.7%, partly as a result of reduced concentration on high-cost wholesale deposits. These positive trends, however, were offset by fair valuation loss on financial investments, and loss from foreign exchange transactions.

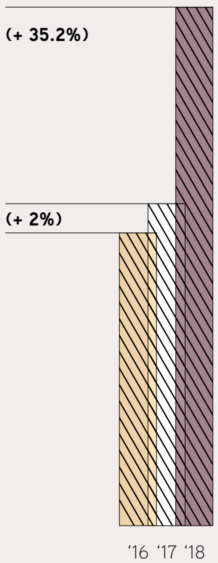
The Bank's return on assets ("ROA") was sustained at 1%. In terms of capital adequacy, Bank Muamalat's key capital ratios remained healthy, with a core capital ratio of 16.04% and total capital ratio of 18.38%. The total capital ratio remains above Bank Negara Malaysia ("BNM")'s requirement of 12.5%.

HIGHLIGHTS OF THE YEAR

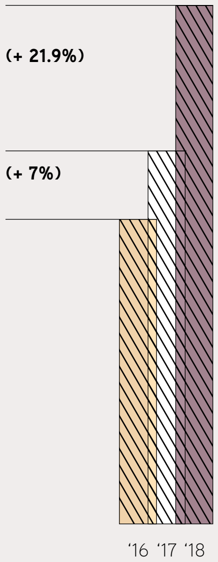
Innovation is key in any competitive industry, and it gives me pleasure to share that our Bank continues to introduce new products and services that not only exemplify our corporate value of being Innovative but also those that demonstrate Care, Respect and Integrity, as well as being Service Oriented.

A significant development was to enter into an agreement with IAP Integrated Sdn. Bhd. to list Project Ar-Rahn on the Investment Account Platform ("IAP"). Subsequent to this, we have been collaborating with Permodalan Kelantan Berhad ("PKB") and other organisations to enable entrepreneurs to pitch their projects. I am proud to say that Project Ar-Rahn has to date received encouraging response from prospective retail and institutional investors.

Profit Before Tax (PBT)



Total Revenue



In terms of governance, the Board is especially pleased that as of November 2017, Bank Muamalat has become a member of the Global Alliance for Banking on Values (GABV). GABV is an independent network of the world's leading value-based banks and banking cooperatives with a shared mission to use finance to deliver sustainable economic, social and environmental development. Bank Muamalat is the first bank in Southeast Asia and the first Islamic bank in the world to join GABV, reflecting our commitment to value-based banking.

Membership in GABV will help us step up all initiatives centred around being a Value Based and Socially Responsible Intermediary. Through the alliance, we will gain greater exposure to sustainable banking practices and learn from other GABV members that have already established their footprints in value-based banking. As a member of GABV, our triple bottom line (TBL) will be closely monitored. This will help us ensure we meet our own TBL targets, as encompassed in our 5-year strategic business plan.

Further underlining our commitment to being a value-based Islamic financial institution, our Management proposed to change our mission statement from "To Deliver Best Value to the Stakeholders" to "To Ethically Deliver Best Value to the Stakeholders, Society and the Environment". This has subsequently been approved by the Board.

In terms of value creation, in FY2018, we expanded our waqf contributions, adding Kelantan and Negeri Sembilan to our list. Through our contributions, we help to further develop education and health services provided. As at end of FY2018, we had collected a total of RM20,399,277.45 in waqf funds, with collection for the financial year alone amounting to RM3,213,428.08.

We also assist many small-scale business owners and individuals through Ar-Rahn, an Islamic pawnbroking service that charges no interest above a fee for the safekeeping of gold. Our goal is to create a "Gold Ecosystem" through which we can engage in buying and selling of gold with our customers. To ensure affordability of gold investment, we enable purchases from as low as RM10.

We have also continued to support the well-being of current and retired armed forces personnel and their families through various products and services, from saving to investment, debt consolidation and microfinancing. We also offer affordable housing schemes and, under our corporate social responsibility ("CSR") umbrella, provide marriage sponsorship and education funds for their children. This year, the Head of our Consumer Banking was appointed to the Board of the Army's Education Fund.

Moving forward, Bank Muamalat seeks to support entrepreneurs by developing a sustainable business model in collaboration with government organisations such as TEKUN and MARA.

LOOKING FORWARD

Despite increased market volatility amid concerns surrounding trade tension in major economic countries, private demand consumption in major and regional economies continues to expand at a robust pace. Against this backdrop, we will accelerate our growth momentum as we focus on customer centricity and connectivity, increase productivity and establish more effective partnerships. In FY2019, we will concentrate on growing our SPF, Home and Auto Financing as well as Ar-Rahn services. Apart from striving for desirable profits, we will continue to strengthen our value-based banking principles as we march towards becoming the preferred Islamic Financial Services Provider.

("ROA") was sustained at
1%

Bank Muamalat's core capital ratios
16.04%

Bank Muamalat's total capital ratio
18.38%

ACKNOWLEDGEMENTS

On behalf of the Board and Management, I would like to thank Tengku Dato' Seri Hasmuddin Tengku Othman, who resigned from the Board on 18 April 2018 after serving as a Non-Executive Director for a good 12 years. At the same time, the Board warmly welcomes Dato' Haji Che Pee Samsudin and Dato' Ibrahim Taib who were appointed on 29 March 2018. We look forward to their wise counsel and contributions backed by many years of experience.

I personally would like to take this opportunity to thank my fellow Board members for their invaluable guidance and leadership throughout the year, the Bank's Management for their steady leadership, and all employees for their hard work and commitment to the Group.

My acknowledgements would not be complete without also recognising the contributions of the Government and its regulatory bodies in maintaining a healthy financial ecosystem; our shareholders, for their faith in the Bank; and our customers, who continue to inspire us to do better.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

BANK MUAMALAT EARNED A TOTAL OF RM1,219.81 MILLION IN REVENUE, UP FROM RM1,215.73 MILLION IN FY2017

We achieved a profit before tax of RM230.5 million, the second highest in our history.

Despite a challenging banking environment, Bank Muamalat Malaysia Berhad ("Bank Muamalat" or "the Bank") continued to be guided by Shariah principles to record quite an impressive financial performance while further entrenching our social citizenry. We achieved a profit before tax of RM230.5 million, the second highest in our history. At the same time, we underlined our commitment to value-based sustainable banking through adoption of Bank Negara Malaysia ("BNM")'s Value Based Intermediation ("VBI") and membership of the Global Alliance for Banking on Values ("GABV"). GABV is an independent network of banks and banking cooperatives that advocate 'Principles of Sustainable Banking' with a focus on returns to the real economy and triple bottom line approach (Profits, People and Planet).

CHIEF EXECUTIVE OFFICER'S STATEMENT

MACROENVIRONMENT

The year 2017 was challenging for the banking industry in Malaysia. While the country's gross development product ("GDP") grew at an impressive 5.9% - the highest in the past three years – the banking sector lagged with growth coming in at 4.1%, which was lower than the 5.3% achieved in 2016. Within this environment, however, the Islamic banking sector continued to outperform the overall banking system, recording 11.6% growth. Taking a broader-based view, Islamic assets have been expanding steadily in the last 10 years, from RM230.9 billion in 2007 to RM829.8 billion as at end 2017 making up 30% of the total banking industry assets, compared to 15.5% in 2007.

A key factor driving Islamic banking growth is the fact that the sector operates on sound Islamic principles which are widely acknowledged for its responsible lending practices. Further deepening the sector's contributions to society and the environment, BNM has introduced VBI guidelines to strengthen the role of Islamic banking institutions in managing economic, social and environmental issues such as rising socio-economic inequity, lack of affordable housing and climate change.

> **"A KEY FACTOR DRIVING ISLAMIC BANKING GROWTH IS THE FACT THAT THE SECTOR OPERATES ON SOUND ISLAMIC PRINCIPLES WHICH ARE WIDELY ACKNOWLEDGED AS LENDING TO RESPONSIBLE PRACTICES."**

Within the regulatory sphere, BNM is currently monitoring banks' net stable funding ratio ("NSFR") in preparing banking institutions for the upcoming Basel III requirements. These require banks to maintain a stable funding profile with regards to assets, which could lead to an increase in funding costs. The regulatory changes, together with stiffening competition between banks, create a challenging environment in which it is becoming increasingly important for banks to have in place policies and procedures for sustainable growth.

BANK MUAMALAT'S FINANCIAL PERFORMANCE

For the financial year ended 31 March 2018 ("FY2018"), Bank Muamalat earned a total of RM1,219.81 million in revenue, up from RM1,215.73 million in FY2017. This was driven primarily by higher income due to improvement in our deposits. Our profit before tax increased by a significant 35.19%, from RM170.54 million in FY2017 to RM230.55 million, supported by higher revenue recorded for the financial year as well as a gain of RM53.47 million in writebacks.

Despite the war for deposits, we managed to grow our deposits to RM20.17 billion from RM19.92 billion in the previous financial year, with a 43.75% increase in deposits from individuals to RM2.28 billion. Along with 23.68% growth in current accounts, our overall Current Account and Savings Account ("CASA") base expanded by 18.46% to RM5.00 billion. This was partly contributed by the Tawarruq-based CASA product launched in FY2017, which saw a doubling in number of accounts.

I am also pleased to share that both our return on equity ("ROE") and return on assets ("ROA") improved – from 8.25% to 10.39% and 0.74% to 0.97% year on year ("YoY") respectively; while increased focus on asset quality led to a decrease in gross non-performing financing ratio, from 2.31% to 1.92% YoY.

Consumer Banking continued to be the major contributor to the Bank's total financing portfolio, accounting for approximately 63% of the total, with positive performance in other financial parameters. Profitability increased by 26.96%, mainly as a result of a 28.82% growth in non-funded income to RM45.35 million. At the same time, the marhun outstanding for our Ar-Rahn or Islamic pawnbroking grew 5.5% to RM138.1 million in FY2018.

Business Banking, which contributed to around 35% of the Bank's total financing, also performed very well, recording a 79.32% increase in profits, mainly from funded and non-funded income. This was further supported by lower allocations for expenses, lower funding costs and gains in individual and collective assessment.

Our full-fledged Islamic fund management company, Muamalat Invest Sdn Bhd ("MISB"), which services the wholesale market segment, continued to grow its assets under management ("AUM"), which stood at RM3.29 billion at end of FY2018, as compared to RM170 million in FY2012. Its wholesale funds as well as discretionary and non-discretionary mandates today have captured around 9% of the total Islamic wholesale fund net asset value ("NAV").

OPERATIONAL REVIEW

In order to maintain our customers and attract new ones, we continue to focus on developing exciting products and services that meet their needs while adhering to Shariah principles thus building our reputation of being a value-based bank.

Recognising that most consumers today are digitally savvy, we have embarked on various online as well as mobile products. In FY2018, we added to our digital portfolio by introducing the i-Muamalat Mobile app, which is downloadable via Google Play Store and Apple Store. With the app, our customers can check their bank balance, perform bank transfers, make bill payments, reload their mobile prepaid cards, and enjoy the convenience of online, cashless shopping. In addition, they are able to access useful information such as prayer times, the location of the nearest Bank Muamalat branch or ATM; and avail of functions such as a financial calculator. With the inbuilt QR code scan, they can also contribute to charities and selected mosques. Since its launch in August 2017, approximately 24,564 customers have downloaded the app as of March 2018.

Another key launch for the financial year was the introduction of the Muamalat Gold-i Account. Introduced in July 2017, the account complements the Muamalat Gold-i scheme launched in April 2016 by making gold investments more affordable. Through this account, customers are able to purchase 99.99% pure gold as low as RM10. The gold bars are certified by Perth Mint Australia, which is accredited by the London Bullion Market Association. Customers are given a passbook with details of their gold, and can use the passbook for online gold trading. The popularity of this account is reflected in the fact that as of March 2018, a total of 2,016kg of gold has been sold in transactions involving more than 24,000 customers.

It is also with pride to share that, during the year, Permodalan Nasional Berhad ("PNB") appointed Bank Muamalat as an official Amanah Saham Nasional Berhad ("ASNB") agent. This means that customers have the convenience of selling and/or buying ASNB units at any of our 63 branches.

As a value-based bank, in 2011 we entered into a partnership with Perbadanan Wakaf Selangor ("PWS") to introduce Wakaf Selangor Muamalat, a waqf scheme that provides a platform for our customers to contribute towards the well-being of the underprivileged. This year, we extended the scheme by launching similar collaborations with the State Religious Councils of Negeri Sembilan and Kelantan. We hope to take the initiative across more states in the country in the coming years.

Total revenue
RM1,219.81 million

Deposits grew to
RM20.17 billion

("ROE") improved to
10.39%

("ROA") improved to
0.97%

Muamalat Invest Sdn Bhd ("MISB") grew its AUM to
RM3.29 billion

In FY2018, we added to our digital portfolio by introducing the i-Muamalat Mobile app.

"A KEY INITIATIVE IN GROWING OUR TALENT IS TO OFFER CROSS-DIVISIONAL CAREER MOBILITY WHICH ENABLES OUR PEOPLE TO DEVELOP NEW FUNCTIONAL SKILLS WHILE ENHANCING THEIR LEVEL OF WORK SATISFACTION."

MANAGING OUR PEOPLE

We recognise that to achieve our business goals and strategies, we require people who have the skills and knowledge to execute our plans efficiently and effectively. We therefore seek to attract the best talent in the market by offering competitive remuneration packages, and provide a work environment that is suitable for professional, personal and spiritual growth.

A key initiative in growing our talent is to offer cross-divisional career mobility which enables our people to develop new functional skills while enhancing their level of work satisfaction. Meanwhile, our Human Resources department consistently conducts training needs analyses to identify gaps in our capabilities and talent pool, which are filled with appropriate programmes. To support our Shariah-compliant business model, and to engender a value-based culture, we also organise Shariah accreditation and technical knowledge programmes. In addition, we encourage our people to pursue post-graduate programmes such as MBAs and PhDs in collaboration with DRB-HICOM University. To keep our employees appraised of their performance, we carry out transparent and fair assessments as well as reward high-performers on annual basis.

SUSTAINABILITY PRACTICE AND REPORTING

Our commitment to sustainable banking practices is underlined by being a member of GABV as well as the fact that the Bank was among the earliest within the local Islamic banking fraternity to adopt the VBI. While we believe that operating along the lines of Shariah principles has ensured responsible practices in the past, this year we decided to conduct a materiality analysis in order to have a clear indication of stakeholders' expectation of the Bank.

As a result of this analysis, we have identified issues that are important to our stakeholders, which will help us shape our strategies and direction as we strive to achieve a holistic balance of our financial, social and environmental performance. Key targets will be set for each material issue, and we will monitor our progress, using data gathered from the different systems implemented.

For the first time, too, we are reporting on our sustainability initiatives to provide our stakeholders with a clear and comprehensive picture of what we are doing in matters that are important to them. As we are just embarking on this journey, we recognise that we may not be able to attain the breadth and depth of disclosure as we would like it to be. However, we are committed to improving our data-gathering and monitoring processes and assure our stakeholders that we will keep enhancing the scope and integrity of our reporting in the years to come.

OUR OUTLOOK

As the global economy continues to improve, we expect to see an uplift in market sentiment along with more accommodative financial conditions and further recovery in commodity prices. In Malaysia, GDP is expected to come in at around 4.2%-4.4% in 2018 which, though less than in 2017, is still relatively robust. Although the business landscape is mired in uncertainty as we await the full gamut of policy changes from the new government, the overall sentiment is positive, and the banking sector is likely to remain accommodative with the overnight policy rate ("OPR") remaining at 3.25%

for the rest of 2018. Within this environment, loan and financing growth is anticipated to remain strong even as the Sales and Services Tax ("SST") is introduced.

However, challenges abound with the implementation of MFRS9 as of January 2018. With this new accounting standard, banks are required to change how they measure, reserve for and report credit losses, with more sensitive provisioning for expenses based on the origins of credit assets and credit migration drivers.

In the coming year, we will make concerted efforts to live up to our new mission 'To Ethically Deliver Best Value to the Stakeholders, Society and the Environment.' As we further deepen a culture of ethics, we also seek to communicate our actions and operations to the public clearly and transparently. We will be driven by our 5-year Strategic Business Plan to further diversify our market presence with a more extensive range of innovative products that are value-based and socially responsible, and to address the needs of those who are currently under-served. We also intend to introduce a new, value-based credit scoring system to promote companies/projects that contribute positively to society and the environment.

Our value-based premise will be driven by further digitalisation of systems and processes within the Bank to deliver a better customer experience, more effective sales and marketing, and also to transition into a paperless environment. Through online systems, we hope to obtain valuable customer feedback while better serving our local communities. This will be supported by personnel from headquarters visiting our branches to understand their customer-interfacing needs.

One of the underpinning thrusts in becoming a value-based intermediary is to foster growth of local entrepreneurs. In this context, we hope to collaborate with government agencies such as MARA, Credit Guarantee Corporation ("CGC") and SME Corporation to offer products that meet the specific requirements of SMEs and to nurture a healthy SME ecosystem.

IN RECOGNITION

It is remarkable what can happen when people join forces around a common cause, and I feel truly humbled to see the passion in our people as they work together to fulfil our mission to create value for those we serve. With the energy and vigour in Bank Muamalat, I feel confident that we will have an increasingly more positive impact on society as we work ethically and efficiently, enhance our risk culture, and embrace challenges as well as changes in meeting our stakeholders' needs.

We have a great team here at Bank Muamalat and I would like to thank every member of our family wholeheartedly for his or her commitment to the Bank. I am also grateful for the dedication of our Board of Directors and my colleagues in Management for their undivided focus on achieving the Bank's goals and mission.

Dato' Haji Mohd Redza Shah Abdul Wahid
Chief Executive Officer

STATEMENT FROM THE CHAIRMAN OF SHARIAH COMMITTEE

In the Name of Allah, the Most Gracious, the Most Merciful

"We would like to extend our warmest congratulations to the Board of Directors and Management of Bank Muamalat for their passion and genuine desire to ensure the Bank's productivity and profitability are founded on the dictates and requirements of Shariah."

USTAZ HAJI AZIZI CHE SEMAN

Chairman, Shariah Committee

Assalamualaikum Warahmatullahi Wabarakatuh

Alhamdulillah, all praise to Allah SWT, 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 with allegiance to contributing towards uplifting Islam to the last droplet of blood. With this Annual Report 2018, we are pleased to share the activities of Bank Muamalat Malaysia Berhad ("Bank Muamalat") in a transparent manner, in line with the Islamic *da'wah* via promoting the Islamic banking system, *In-sha-Allah*.

> "A Muslim is a brother of another Muslim, so he should not oppress him, nor should he hand him over to an oppressor. Whoever fulfills the needs of his brother, Allah will fulfill his needs; whoever brings his (Muslim) brother out of a discomfort, Allah will bring him out of the discomforts of the Day of Resurrection, and whoever screens a Muslim, Allah will screen him on the Day of Resurrection."
>
> *(Narrated by Al-Bukhari, No.622)*

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. Under the Bank's commercial banking portfolio, we provide a wide range of deposits, financing and banking products and services that cater to the demands of the broad Malaysian market, irrespective of race or religion.

As an Islamic bank, it is essential for all Bank Muamalat's products, processes, documentation, marketing, IT systems and other related matters to be in line with Shariah principles and guidelines. This, indeed, forms the primary function of the Shariah Committee ("SC"). Guided by the Bank's Shariah Governance Framework ("SGF"), the SC has continuously reviewed new product offerings to assure compliance with policy documents on Shariah contracts by Bank Negara Malaysia ("BNM") throughout the year. Moving forward, we expect to refine our SGF to incorporate new Shariah governance principles which are to be issued soon by BNM.

Among the new products and services endorsed during the financial year 2017/2018 (FY2018) was collaboration with Permodalan Kelantan Berhad ("PKB") under the Investment Account Platform ("IAP"). We also encouraged customers to make affordable investments with Muamalat Gold-i Account and ASB Term Financing, while promoting a number of social and wealth management services such as estate planning, takaful, home Quran and *janazah* management. A new wealth management service catering specifically to affluent customers, called Muamalat Beyond, is also set to be launched in FY2019, following our approval.

In the context of economic development, Islam presents integrated and proactive approaches for the development and promotion of *wakaf* institutions, which recently included collaboration with financial institutions. Bank Muamalat already had a history of cooperation with Perbadanan Wakaf Selangor ("PWS") to collect and manage Wakaf Selangor Muamalat ("WSM"). This year, we extended the same service to Perbadanan Wakaf Negeri Sembilan ("PWNS") and Majlis Agama Islam Kelantan ("MAIK") under Wakaf Negeri Sembilan Muamalat ("WNSM") and Wakaf MAIK Muamalat ("WMM"). Moving forward, we hope to initiate more *wakaf* collaborations with other state bodies, *In-sha-Allah*.

We would like to extend our warmest congratulations to the Board of Directors and Management of Bank Muamalat for their passion and genuine desire to ensure the Bank's productivity and profitability are founded on the dictates and requirements of Shariah. We are also very thankful to the staff for their cooperation in providing us adequate information, thus enabling each SC deliberation to be carried out meticulously and judiciously.

In-sha-Allah, with an excellent banking system, we are able to channel *da'wah* and attract more people towards Islamic banking and, subsequently, other services provided under the Islamic financial system. Adhering to the highest principles of Islam, and with excellent customer service, our vision is for Bank Muamalat to become a leader in quality Islamic banking as we continue along the never-ending journey to please Allah and gain His blessings.

Thank you

Regards
Chairman
Shariah Committee

OBJECTIVE/PURPOSE AUTHORITY

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.

for the detail, refer to Term of Reference of Shariah Committee

IMPACT STORY

Interesting concept:

Insight from Almir Colan, Director of Australian Centre for Islamic Finance (AUSCIF)

"The debit card is appropriately named after the Prophet (saw)'s young and exemplary wife, Saidatina Aisya Bte Abu Bakar. No doubt, it was Saidatina Aisya's intelligence that inspired Bank Muamalat to develop this unique card which is not only Shariah-compliant but also comes with the feature of waqf.

For every ringgit of income that the Bank receives from the interchange fee imposed on usage of the debit card, the Bank contributes 10% to Wakaf Selangor Muamalat, which in turn channels its funds towards building schools, upgrading hostels, improving libraries, contributing to medical facilities, etc. Basically, it is used to improve health and education services for the underprivileged.

In other words, every time the Aisya debit card customer swipes the card to perform a payment transaction, the customer contributes to waqf. Nothing feels better than doing charity while spending for daily consumer items."

A DIFFERENT WAY TO BANK:

Promoting Social Welfare

Waqf is a unique fund framework introduced by Islam that allows more affluent members of society to voluntarily contribute towards the well-being of others. In 2011, we entered into a collaboration with Perbadanan Wakaf Selangor ("PWS") to introduce the first cash waqf scheme, Wakaf Selangor Muamalat. Funds accumulated are channeled to designated waqf activities, thus provide the public a platform to assist in developing the underprivileged. This year, we expanded the fund by collaborating with the Islamic Religious Councils in Negeri Sembilan and Kelantan. We also launched the world's first Shariah-compliant debit card, called Aisya, through which we will contribute to waqf with every interchange fee received from merchants.

For more information,
http://www.muamalat.com.my/wakafmuamalat

INDUSTRY AND MARKET OVERVIEW

MACROECONOMIC REVIEW & OUTLOOK

GLOBAL

2018 Review

Global economic growth strengthened to 3.8% in 2017, supported by investment recovery in advanced economies, continued strong growth in emerging Asia and Europe as well as signs of recovery in several commodity prices and activities. With the strong momentum established, global growth is projected to expand to 3.9% in 2018, driven predominantly by improved market sentiment, accommodative financial conditions, the effects of expansionary fiscal policy in the US as well as a continued rebound in commodity prices.

Among advanced economies, gross domestic product ("GDP") in the US is forecasted at 2.9% in 2018 and 2.7% in 2019, reflecting stronger-than-expected activity, firmer external demand and the macroeconomic impact of tax reform stimulating short-term activity. The Eurozone is predicted to record 2.2% GDP growth in 2018 and 2.0% in 2019, driven by stronger-than-expected domestic demand, supportive monetary policy and improved external demand prospects. Japan's GDP forecast (1.0% in 2018; 0.9% in 2019) reflects more favourable external demand prospects, rising private investment and the impact of a supplementary budget for 2018. However, its medium-term prospects remain weak, largely due to a shrinking labour force.

GLOBAL GDP IN 2018

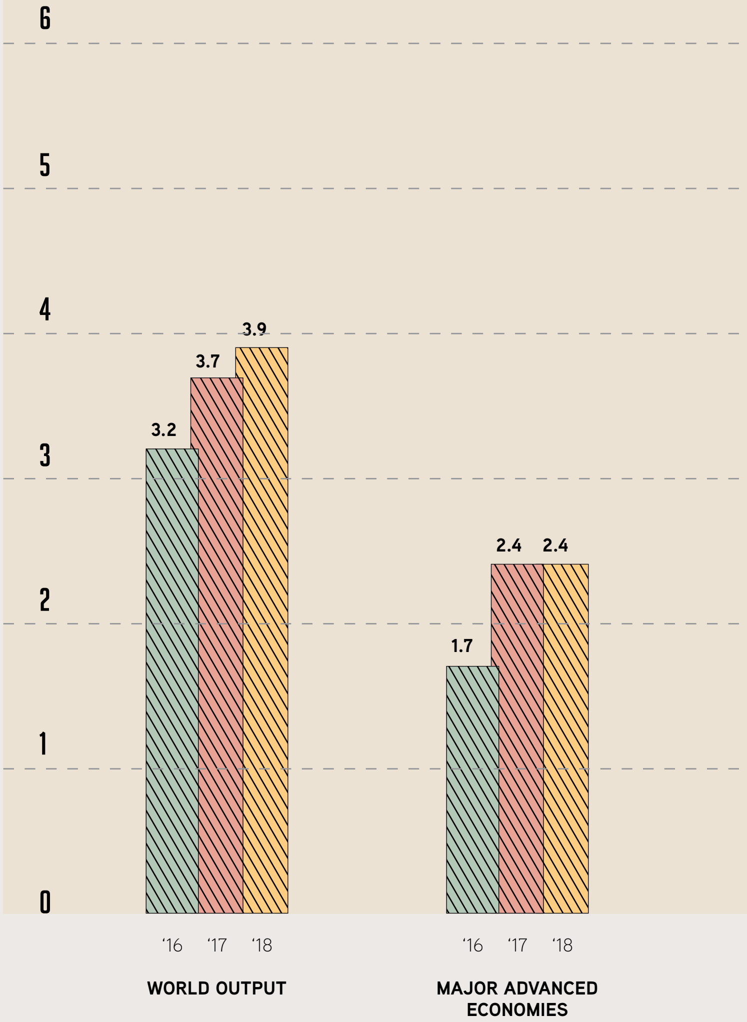
Global economic growth in 2018

3.9%

GDP of Major Advanced Economies growth in 2018

2.4%

GLOBAL REAL GDP (%, CHANGE)

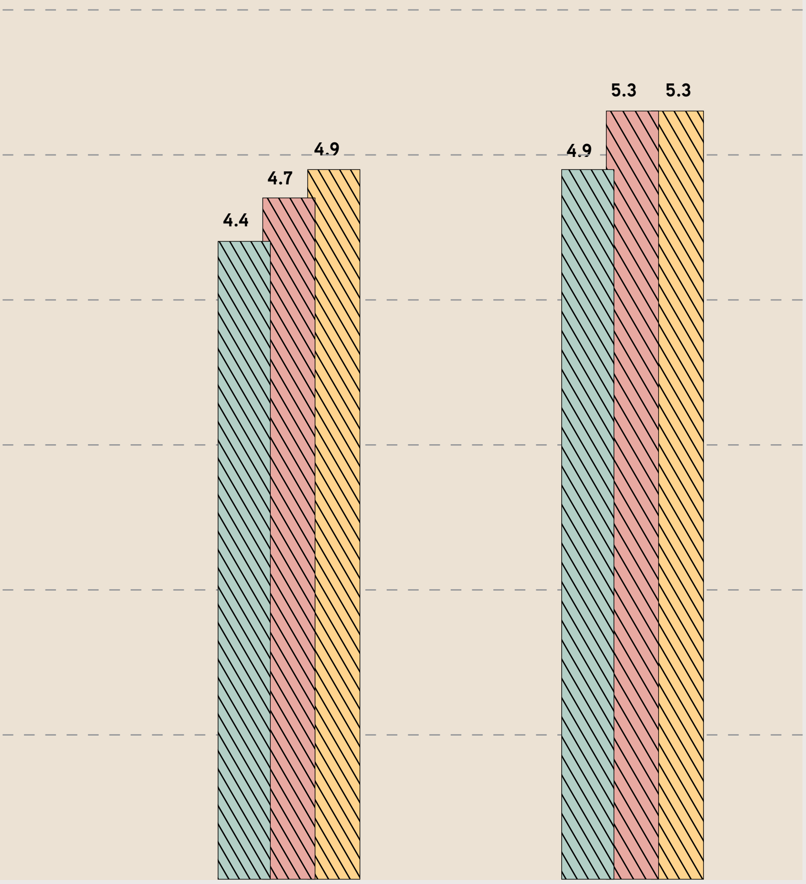


GDP of Emerging Market and Developing Economies growth in 2018

4.9%

GDP of ASEAN-5 growth in 2018

5.3%



Within the sphere of developing markets, China's GDP has been forecasted to come in at 6.6% in 2018 and 6.4% in 2019 as the economy continues to shift away from investment towards private consumption and from industrial to the services sector. However, an accumulation of vulnerabilities clouds the medium-term outlook. Singapore's GDP forecast lies within the range of 2.5%-3.5% for 2018, reflecting robust growth of the manufacturing sector which largely supported its 2Q2018 growth of 3.9%. Manufacturing growth is, however, expected to slow down in the remaining part of this year due to expected easing in China's exports and investment growth.

Given the trade war between the US and China that was re-ignited on 6 July 2018 when both nations slapped levies on USD34 billion of each other's exports, the GDP forecast for the world's two largest economies could see 0.25% downside this year.

GLOBAL REAL GDP (%, change)	2016	2017	2018E
World Output	**3.2**	**3.7**	**3.9**
Major Advanced Economies	**1.7**	**2.4**	**2.4**
US	1.5	2.3	2.9
Eurozone	1.8	2.4	2.2
Germany	1.9	2.5	2.2
France	1.1	2.3	1.8
Italy	0.9	1.5	1.2
Spain	3.3	3.1	2.8
Japan	1.0	1.7	1.0
UK	1.8	1.7	1.4
Canada	1.4	3.0	2.1
Emerging Market and Developing Economies	**4.4**	**4.7**	**4.9**
Brazil	(3.5)	1.0	1.8
Russia	(0.2)	1.5	1.7
India	7.1	6.7	7.3
China	6.7	6.9	6.6
Hong Kong	2.2	3.8	3.6
Singapore	2.0	3.6	3.2
ASEAN-5	**4.9**	**5.3**	**5.3**
Indonesia	5.0	5.1	5.3
Thailand	3.2	3.9	4.1
Malaysia	4.2	5.9	5.0
Philippines	6.9	6.7	6.7
Vietnam	6.2	6.8	6.8

Source: Overview of World Economic Outlook Projections by IMF

INDUSTRY AND MARKET OVERVIEW

Outlook for 2019

Global economic growth in 2019 is expected to remain at 3.9% as the same factors prevailing in 2018 will be in play. Beyond 2019, global growth is expected to gradually decline to about 3.7% due to a potential slowdown in advanced economies, although the momentum is expected to remain strong in emerging markets and developing economies, as commodity exporters reap the benefits of recovery in prices while structural reforms continue to raise productivity and investment flow.

The escalating threat of a global trade war created by the US has put a dampener on near-term forecasts for global trade and overall economic growth. Any further monetary tightening by the US Federal Reserve would also have a global impact as higher US interest rates lead to increased demand for US treasury assets. It would also add further pressure on emerging market assets and currencies given the risk of capital outflow and concomitant increase in domestic interest rates in the near term.

MALAYSIA

2018 Review

Bank Negara Malaysia ("BNM") forecasted Malaysia's 2018 GDP to be around 5.5%-6.0%. GDP growth came in at 5.4% in 1Q2018, a tad slower than 5.9% recorded in the previous quarter. This was mainly due to moderate growth in domestic demand, pulled down by lower growth of 5.2% y-o-y in private sector expenditure (4Q2017: 7.4%) as well as a slight decline (-0.1% y-o-y) in public sector spending. Nevertheless, two major economic sectors, namely services and manufacturing, remained buoyant.

As an exporting country and given the country's exposure to the international supply chain, it is expected that Malaysia will not be spared from the trade war. The US and China are, moreover, among Malaysia's major trading partners. Electrical and electronics ("E&E") products formed 37% of Malaysia's export revenue, followed by oil & gas related products (21%), manufacture of metal (5%), machinery, equipment and parts (4.3%) and palm oil (4.2%). As Malaysia's exports to China are mainly intermediate goods that are re-exported to the US, trade dispute between the two economies could adversely impact Malaysia's export growth.

Malaysia GDP by Demand and Sectors (%, change)	2016	2017	1Q2018
Real GDP	4.2	5.9	5.4
By Demand:			
Domestic Demand	4.3	6.5	4.1
Private Consumption Expenditure	6.0	7.0	6.9
Government Consumption Expenditure	0.9	5.4	0.3
Gross Fixed Capital Formation	2.7	6.2	0.1
External Demand :	(3.8)	10.6	67.9
Exports of Goods and Services	1.2	18.9	3.7
Imports of Goods and Services	1.9	19.9	(2.0)
By Sectors:			
Agriculture, Forestry & Fishing	(5.2)	7.2	2.8
Mining & Quarrying	2.1	1.0	0.1
Manufacturing	4.4	6.0	5.3
Construction	7.4	6.7	4.9
Services	5.7	6.2	6.5

Source: Dept of Statistics Malaysia

Outlook for 2019

Generally, analysts expect Malaysia's GDP to grow 4.2%-4.4% in 2019. However, the country's economic outlook will be affected by policy changes introduced by the new government and geopolitical concerns which include the escalating threat of global trade war. Nevertheless, near-term economic growth will still be reliant on resilient domestic consumption, which should support defensive sectors such as healthcare/pharmaceuticals, consumer goods and education.

While major export sectors such as E&E, petroleum and chemicals face uncertainties in terms of trade demand and volume due to impending trade disputes, the export of rubber gloves will not be affected as the country exports finished goods rather than intermediary products. Meanwhile, ongoing reviews of mega projects have affected the construction/infrastructure sector and its value chain, as the momentum of contract flows and project implementation have been interrupted.

BANKING SECTOR REVIEW & OUTLOOK

2018 Review

As at March 2018, Malaysia's banking system loan/financing growth remained around the 4% benchmark to record 4.4% y-o-y (vs. 4.5% in February 2018). Growth for the household segment remained 6% y-o-y for the second consecutive month while that for the business segment moderated to 2.9% y-o-y (vs. 3.2% in Feb 2018). Growth seen in the household segment was mainly supported by residential property (9.0% y-o-y, highest since March 2017); personal use (5.4% y-o-y, highest since June 2017); and credit cards (3.9% y-o-y, highest recorded since March 2015). Slower growth in the business segment, meanwhile, was mainly due to: mining (-13.2% y-o-y vs. -11.5% in February); and agriculture (-8.6% y-o-y vs -0.5% in preceding month); although saved by growth in the construction sector (14.9% y-o-y vs. 12.7% in February).

System deposits sustained stable growth, rising 5.3% y-o-y to RM1.81 trillion (vs. 4.2% in February 2018) contributed by fixed deposits and current accounts, which increased by 10.5% y-o-y and 8.2% y-o-y, respectively. Nevertheless, current account and savings account ("CASA") decelerated marginally by 4.4% y-o-y (vs. 4.5% in February 2018), with the CASA composition reducing to 26.9% of total deposits (vs. 27.6% in February), mainly due to lower current deposits.

In terms of asset quality, the banking industry's gross impaired loan/financing ("GIL/F") ratio inched up from 1.55% at end February 2018 to 1.57% at end March 2018 mainly as a result of higher impairment in the business segment of RM441 million. Generally, analysts foresee a possible deterioration in asset quality and project a higher gross impaired loan/financing ratio of 1.8% for end 2018, citing property-related loans/financing as being vulnerable, including those extended to developers and construction companies.

Overall, Malaysia's banking industry remains well-capitalised with the risk-weighted capital ratio ("RWCR"), core capital ratio and common equity tier 1 ("CET1") ratio at 17.53%, 14.06% and 13.22%, respectively, as at end March 2018.

Outlook for 2019

Analysts opine that BNM is likely to maintain the Overnight Policy Rate ("OPR") at 3.25% for now, as the degree of monetary accommodativeness is consistent with intended policy. The current OPR is expected to remain for the rest of 2018 unless there is a surprise dip in private sector spending. Trimming the OPR now would be risky given tightening global financial conditions, trade tensions, market turbulence, capital outflows and depreciating emerging-market currencies. In addition, keeping the OPR unchanged throughout the year would help stabilise the Malaysian Ringgit ("MYR") against the US Dollar ("USD") even as the US Federal Reserve continues with its monetary tightening policy.

Generally, loan/financing growth is expected to remain strong in 2018 but the momentum could soften with an expected easing of auto sales and consumer spending following the introduction of the Sales and Services Tax ("SST"). Limited upside for expansion of the business segment is also foreseen as some companies could hold back their investment/expansion plans in view of policy uncertainties.

Going forward, BNM will officially launch the value-based intermediation ("VBI") initiative scorecard for participating Islamic banks in October 2018. VBI will be a game-changer in Islamic finance as it gives equal weight to both economic value creation and upholding ethical values. It will also strengthen the role and impact of Islamic banking consistent with sustainable shareholder returns and long-term interests. The scorecard is being developed with the help of the VBI Community of Practitioners ("COP") which includes Bank Islam, Bank Muamalat, CIMB Islamic, Agrobank, HSBC Amanah, Maybank Islamic, AmBank Islamic, Alliance Islamic and Standard Chartered Saadiq. All the banks are already working towards getting a good score on their VBI scorecards that will be announced in October 2018.

CURRENT BUSINESS MODEL

OUR CAPITAL INPUTS

1

Financial

We obtain financial input from our operations, depositors, shareholders and other investment instruments

2

Intellectual

Our intellectual property, our product innovations, our strategic partnership with various clients, our digital knowledge, policies and procedures as well as our frameworks

3

Manufacturing

Our physical as well as digital infrastructure

4

Human

Our skilled employees, Board of Directors and other committees motivated by our mission and vision

5

Social & Relationship

The communities we operate in and the clients we deal with

OUR STRATEGY:

Bank Muamalat is a two-house bank that serves both retail and wholesale segment. As an Islamic bank we are driven to achieve our mission by conducting our business in a socially responsible and ethical manner, in line with Maqasid Shariah goals. In transforming Bank Muamalat into a premier Islamic financial institution, our strategy is geared towards achieving the objective of:

In delivering values, our strategies are executed through our current 5-year Strategic Business Plan

We plan to strengthen our base by complying with all regulatory requirements especially net stable funding ratio (NSFR) as well as improving our asset quality

We aim to deliver products and financial solutions that cut across critical areas as well as penetrating new untapped markets by harnessing digital technologies

We aspire to be the preferred provider of investment solutions through product expansion and customer base diversification

OUR GOVERNANCE:

Bank Muamalat is committed to the highest standards of

- Governance
- Ethics
- Integrity

1

Our diverse and knowledgeable Board of Directors ensures best practices are adopted while providing oversight to the Management Committee in creating long-term shareholder and stakeholder value

1

Strengthening the Bank's base to ensure our continuous long term resiliency in withstanding internal and external disruption

2

Meeting the stakeholders' needs by transforming the Bank through digitalization to ethically deliver best value to the stakeholders, the society and the environment

OUR STRATEGIC OBJECTIVES:

- We plan to excel in customer service and deliver an exceptional customer experience at all times
- We aim to be recognised as a socially responsible bank through our own approach to sustainability, innovation and leadership
- We plan to become the banker of choice for the local communities we serve with each branch focusing on its target segment

2

We ensure established and comprehensive internal and external risk management processes, policies and frameworks are in place to continuously deliver and sustain the Bank's value propositions

3

Our shared values of Care, Respect, Integrity, Innovative and Service-oriented have become our trademark in serving our stakeholders

4

Our employees are essential assets, and we seek to create a work environment that is inspiring, healthy and welcoming to allow our employees to develop professionally and empower them to work effectively in line with our mission

OUR STAKEHOLDERS

Customers

Meeting our customers' financial needs via our various products and services offered through our innovative channels that are in line with the Shariah rules and principles

Shareholders

Returns generated from strategic investment for our shareholders is driven by focus on growing our business

Regulators

Constant efforts to maintain the highest standards of compliance and risk management, in line with all regulatory requirements to ensure the sustainability of the businesses and the communities that we serve

Community

Continuous support in community empowerment via contributions towards elevating the well-being of society

Employees

Our focus on talent development, culture transformation and a system of rewards creates a supportive work environment that promotes work-life balance

DELIVERING ON CURRENT STRATEGY

5-YEAR STRATEGIC BUSINESS PLAN

In achieving our objective of **strengthening the bank's base** as well as in **meeting the stakeholders' needs**, our 5-Year Strategic Business Plan for the year 2017-2021 consists of these five main pillars, namely;

1) harnessing digital technologies;
2) becoming the preferred investment solutions provider;
3) positioning Bank Muamalat as the banker of choice for local communities;
4) being recognised as a socially responsible bank; and
5) delivering customer service excellence at all touchpoints.

To ensure we achieve our objectives, we have set out a roadmap with two main phases: the Structural Adjustment Phase and New Vision Phase. The structural adjustments place the Bank on a stronger footing to pursue our Business Plan goals.

STRUCTURAL ADJUSTMENT PHASE

Key objective

- To comply with regulatory requirements, via asset tapering with a focus on retail deposits growth while improving asset quality

Key initiatives & achievements

- Issuance of RM500 million sukuk
- Sold RM500 million in house financing with recourse to Cagamas
- FTA campaign for retail customers raised more than RM1 billion deposits
- Complied with the requirement in May 2017, ahead of December 2017 target

NEW VISION PHASE

I. HARNESSING DIGITAL TECHNOLOGIES

Key objectives

- To target tech-savvy customers from all income brackets
- To develop a platform that is convenient for e-transactions
- To engage customers at all touchpoints
- To provide customers with interactive and efficient digital solutions for banking transactions

Key initiatives & achievements

- Launch of mobile app in August 2017
- Online account opening for existing customers
- Enhanced Retail Internet Banking ("RIB") and Corporate Internet Banking ("CIB")
  - RIB: Multiple payments and transfer to favourite payees
  - RIB: placement for Fixed Term Account-i
  - CIB: Standing instruction for single payment

II. BECOMING THE PREFERRED INVESTMENT SOLUTIONS PROVIDER

Key objectives

- To grow our fee-based income and penetrate new markets with relevant products and solutions
- To become the preferred provider of Islamic investment solutions

Key initiatives & achievements

- Gold product bundling with CASA deposits to improve low-cost fee-based income
- Introduced Muamalat Gold-i account in addition to the sale and purchase of Perth Mint physical gold
- Introduced Takaful Specialist Model to promote takaful and generate fee-based income in branches
- Investment Account Platform
  - Identifying potential deals for areas like Ar-Rahnu and transportation as well as potential investors
  - Issuance of Project Ar-Rahn 2, which was oversubscribed by more than 1.2 times

III. POSITIONING BANK MUAMALAT AS THE BANK OF CHOICE FOR LOCALISED COMMUNITIES

Key objectives

- To become the banker of choice for each localised community that we serve
- To expand into more communities through product and service diversification meeting consumer, business and wealth & affluent banking needs
- To cater to all localised communities within the segment of consumers, business, wealth & affluent and others

Key initiatives & achievements

- Bank Muamalat was appointed as an ASNB agent
- Launched ASB financing scheme in FY2018
- Establishing special units dedicated to specific segments within Business Banking, with the initial unit targeting cooperatives
- Introduced Customer Retention Programme targeting customers of more than five years with good credit ratings by offering dedicated product & pricing
- Providing Ar-Rahnu services at all 63 branches
- Achieved 99.4% of trade finance assets target through improved processeswith good credit ratings by offering more attractive pricing

IV. BEING RECOGNISED AS A SOCIALLY RESPONSIBLE BANK

Key objectives

- To achieve Maqasid Shariah goals through socially responsible and ethical end-to-end business
  - Product features – all products to be embedded with social based elements
  - Financial inclusion – banking services to be offered to a broad segment of society
  - Corporate Social ("CSR") - to ensure the Bank gives back to society
  - Waqf initiatives - to promote waqf as an economic distribution tool for society

Key initiatives & achievements

- Changed the Bank's mission statement from 'To Deliver Best Value to the Stakeholders' to 'To Ethically Deliver Best Value to the Stakeholders, Society and the Environment'
- Became the first Islamic bank and the first in South East Asia to join the GABV
- Subscribed to BNM's Value-based Intermediation (VBI) initiative
- Financing for bicycles, expansion of waqf services to Negeri Sembilan and Kelantan as well as debt consolidation through home refinancing
- Under CSR, donated dialysis machines to three centres and hearses to [3] mosques

V. DELIVERING CUSTOMER SERVICE EXCELLENCE AT ALL TOUCHPOINTS

Key objectives

- To gain customer satisfaction at every touchpoint hence earn their loyalty and positive advocacy through lean processes, coordinated marketing, digitalisation, and employee rewards and recognition for exemplary performance

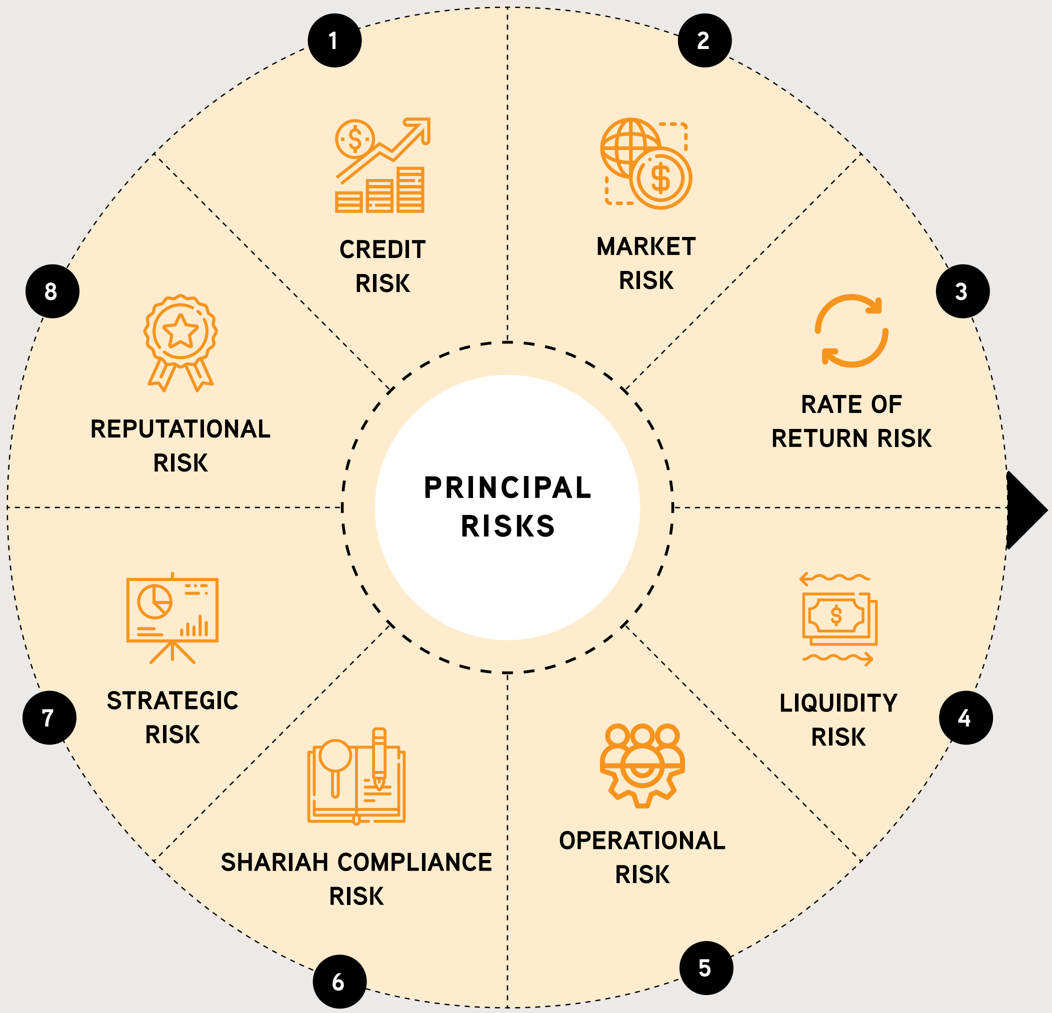
Key initiatives & achievements

- Enhanced branding via social media and brand marketing
- Received ISO Certification for Feedback Handling by SIRIM in May 2017
- Reviewed 'Program Ceria Tetamu' to incorporate key elements in the new Mesra Muamalat Service programme – training conducted for staff at branches
- Improved processes for better turnaround times:
  - Streamlined and simplified fully secured bank guarantee (FSBG) processes at related departments
  - Standardised reporting on Queue Management System
  - New system layout for Ar-Rahnu
- Transform customer care from cost to profit
  - Leverage existing customer care as strategic asset
  - Collaborate with strategic partners (takaful operators) on income generating activities

PRINCIPAL RISKS AND UNCERTAINTIES

RISK IS INTRINSIC TO ALL BUSINESSES AND CAN LEAD TO VARIOUS IMPACTS ON INCOME AND CAPITAL. AT BANK MUAMALAT, WE IDENTIFY AND MANAGE OUR RISKS IN A HOLISTIC MANNER TO ENSURE OUR BUSINESS CONTINUITY AND THE SUSTAINED ABILITY TO CREATE VALUE FOR OUR SHAREHOLDERS AND OTHER STAKEHOLDERS.

In the table below, we outline the principal risks within our operating environment and define the ways in which they could affect Bank Muamalat as well as how we respond to them.



PRINCIPAL RISKS AND UNCERTAINTIES

	HOW WE DEFINE THEM	HOW WE RESPOND
1	The Bank's risk of financial loss from the failure of a client or counterparty to meet their obligations as they fall due	• Bank Muamalat has a comprehensive Credit Risk Framework that has a well-established reporting and monitoring structure that is endorsed by Board • The framework which consists of policies, processes, measurement tools and methodologies that are regularly reviewed and updated to ensure its continued relevance and effectiveness
2	Risk of losses in the Bank's on and off-balance sheet, earnings and capital position as a result of market movements in rates, foreign exchange, equity and commodity prices	• The Bank's risk management framework addresses market risks exposures where they are managed in order to optimize return on risk and maintain a market profile that is consistent with the approved strategic business plan • An independent market risk control function is used to quantify risk exposures
3	The risk which may impact our trading and banking book portfolios due to the variability of assets and liabilities as a result of volatile market benchmark rates	• Various measurement tools and analyses to study the impact on earnings and balance sheet profiles in managing the risk exposure • Risk tolerance limit are built along these measurement to manage and mitigate the related risk exposures
4	Risk of the Bank's inability to fund financial obligations on time, arising from increases in asset or demand for funds from depositors	• Our primary focus in liquidity management is to assess all cash inflows against outflows to identify any potential shortfall going forwards and this includes the funding requirements for off-balance sheet commitments • The Bank has also established a comprehensive liquidity crisis contingency framework with set triggers and management action plan
5	Risk of loss due to inadequate or failed internal processes, people and system or from external events impacting the organisation, including third-party business processes where it is not limited to operational functions	• In managing operational risks, we targeted at preventing risk event and damages (by in-process and managerial control), handling critical situations (via contingency plans and business continuity management ("BCM")) and mitigating potential losses • Bank Muamalat aims to limit its exposure to an acceptable level in accordance with the risk appetite
6	Risk of failure to comply with Shariah rules and principles as outlined by the Shariah Committee (SC) of Bank Muamalat and other relevant Shariah regulatory committees	• Among the main responsibilities of our Shariah Risk Management Unit ("SRMU") include the formulation of policies and guideline on Shariah risk management and executing the required governance and oversight processes • The Bank also applies the principles outlined in the Shariah Governance Framework by Bank Negara Malaysia ("BNM")
7	Risk of unpredicted adverse impact on the Bank's performance arising from fundamental strategic and business decisions and their execution	• Bank Muamalat looks at risks associated with its current and future business plans and strategies and identifies situations that can be of potential threat towards achieving the strategic objectives
8	Risk of adverse impact on the Bank's profitability, operations or shareholder value arising from negative perception of the Bank due to our conduct or business practices	• The Bank manages reputational risk through established policies and controls in its business and risk management processes • The Bank also do proactive monitoring and identification of potential reputational events to mitigate risks in a timely manner

For further details on how we manage our risks, please refer to our Statement on Risk Management on pages 116 to 123 of this Annual Report.

IMPACT STORY

Encouraging work-life balance

To encourage healthy work-life balance, Bank Muamalat has established a sports house system for our staff. Every employee is assigned to a sports house, each named after a famous Muslim commander, and inter-house games are held at the state as well as national levels. In this manner, employees are given the opportunity to demonstrate their sporting talent. Other than the annual Sports Carnival, we organise workout classes and also encourage staff to join external sport activities. Since 2017, we have been awarding employees with points for each activity they join. Active employees are rewarded with cash vouchers while the highest point collectors from each house were awarded a trip to Annapurna Base Camp in Nepal!

ENGAGING OUR EMPLOYEES:

Ensuring Work-Life Balance

Our employees are our most important asset. As they represent the Bank, we seek to instill Islamic values in our people and support their spiritual growth. At the same time, we invest in creating an inclusive workplace that thrives on professionalism, integrity, mutual respect and care for each other while also promoting a balanced approach to work and life. In order to attract and retain the best, we offer continuous training and development programmes, and organise non-work related activities to enhance our employees' well-being. Our goal is to motivate our employees so they in turn contribute to the Bank's ongoing performance.

CONSUMER BANKING

Consumer Banking's Financing
RM9.43 billion

Non-Funded Income
28% growth

Ar-Rahnu income
29% growth

CONSUMER BANKING IN FY2018

Consumer Banking is responsible to develop, manage and market BMMB's line of consumer financing products. Here in Bank Muamalat, Consumer Banking oversees these departments which are consumer financing, wealth management, deposit & marketing as well as business development.

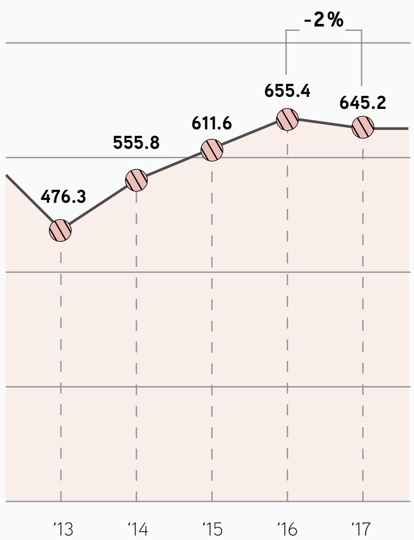
The consumer banking environment in FY2018 was challenged by a continued downward trend of disposable income and dip in employment rate, which led to rising household debt and growing debt consolidation by customers to reduce commitment. Consumer Banking growth will continue to leverage on proven strategies which include secured financing and forming strategic alliances with several core target groups. In light of suppressed margins, Consumer Banking will also embrace the bank-wide commitment to reduce operational costs in order to facilitate the capacity to invest in supporting technology and digitalization to fuel a new level of customer experience and service excellence.

Consumer Banking's revenue decreased by RM10.17 million or 2% driven by a 4% declined in financing asset.

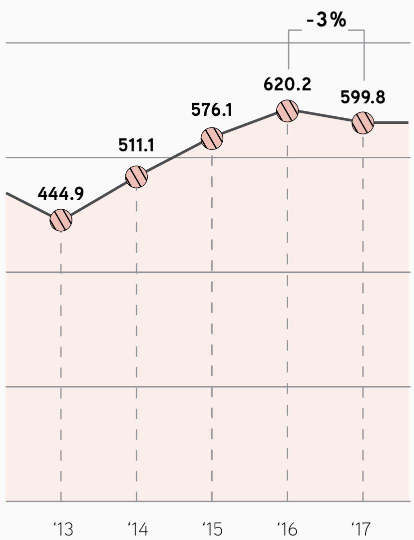
Assets growth slowed down in 2011 as the Bank's entered its first phase of the 5-Year Strategic Business Plan which is the "Structural Adjustment Phase". This explained the decrease in financing asset especially in personal financing and auto financing which declined 4% and 17%, respectively. The decline in those sectors has reduced the financing income by 3% or RM20.4 million in FY2018.

With the slowing down in asset growth, focus has now been shifted on growing the non-funded income. Overall Non Funded Income for FY2018 increased by RM9.9 million or 28% contributed by high fee income from Wealth Management and Ar-Rahnu business which always delivered top margins and is also highly collateralised. A significant grew in Ar-Rahnu income of 29% from RM10.6 million to RM13.6 million in FY2018 has also contributed to the achievement of Non Funded Income.

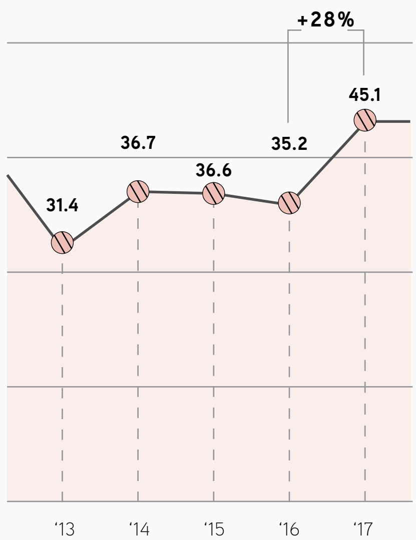
REVENUE TREND



FINANCING (FUNDED) INCOME



NON-FUNDED INCOME



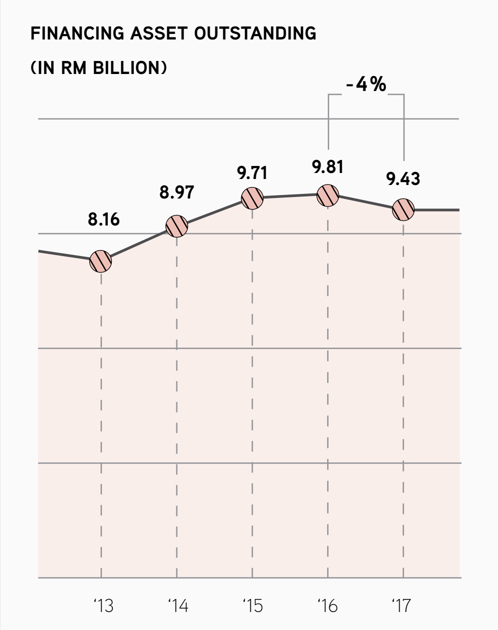
CONSUMER FINANCING

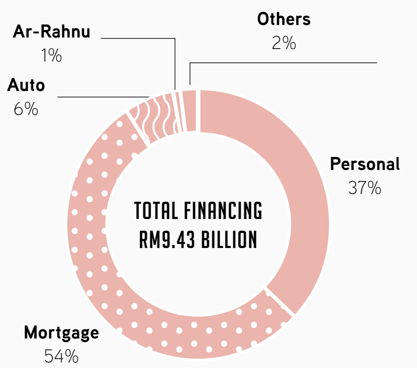
The shrinking market saw an upsurge in new and exciting value propositions by competing banks thus giving rise to the risk of customer migration. During the year, rapidly escalating challenges required Consumer Banking to constantly evaluate and improve its business operations in order to keep up with the industry. House and Auto Financing were challenged by competitive pricing which lowered the profit margin. Rising property prices and lower disposable income also led to a downtrend in affordable buyers seeking financing. Changes in consumer spending pattern also affected Personal Financing.

Through much hard work, focus and adherence to strategy, Consumer Banking closed the year with RM9.43 billion financing outstanding.

With total assets of RM9.43 billion, Consumer Banking remained the biggest contributor to the Bank both in asset as well as income portfolio. Mortgage financing still contributed the biggest portion of Consumer Banking with 54% financing asset which increased 1% from previous year followed by Personal Financing of 37% share.

CONSUMER BANKING

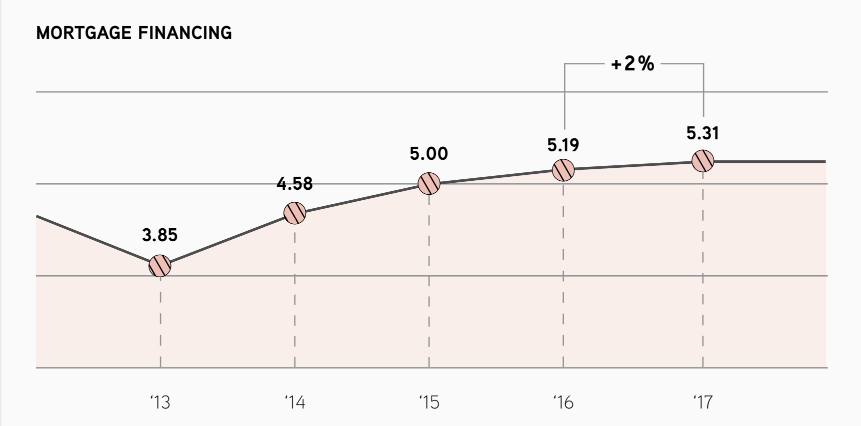




MORTGAGE FINANCING

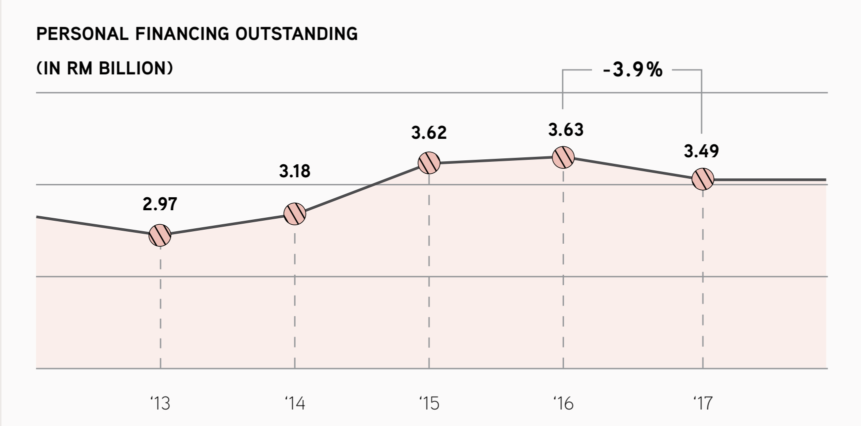
House and fixed asset financing was the top performer for Consumer Banking in 2017, recording growth of 2% to RM5.31 billion attributed to package financing and aggressive joint promotion with developers, residence associations and management corporations.

We will sustain the growth in residential property financing segment by focusing on broader base mass market and home mortgages through our SMART House scheme and SMART 1Hutang package. This was spurred by our strategy to increase market penetration by promoting house financing via Employer Tie Up-Package, supporting government initiatives for home ownership, and engaging in aggressive joint promotion with developers, residence associations and management corporations.



PERSONAL FINANCING

Personal financing, offered by Bank Muamalat, is the key driver for Bank's Group business. For FY2018, total personal financing outstanding stood at RM3.49 billion as at FY2018, a 3.9% slightly declined from FY2017. At Bank Muamalat, personal financing is mainly dedicated to Armed Forces, staff of government agencies, statutory bodies, government linked corporations and large corporations.



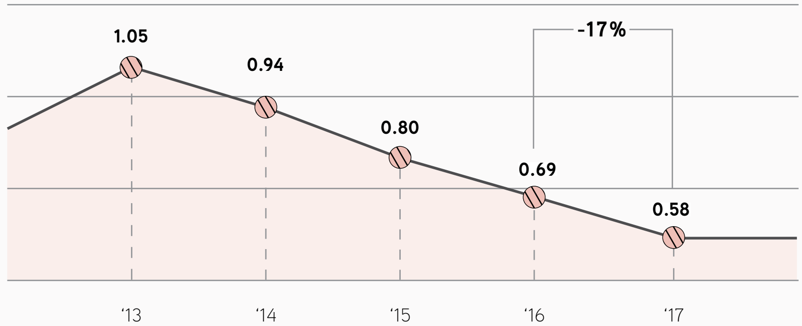
We will remain disciplined and prudent in credit underwriting; continue to be vigilant and proactive in recovering impaired assets whilst pursuing growth opportunities in personal financing portfolio. We will continue to focus on growing the government and pensioner segments for deduction at source and selected category within the government segment for non-deduction at source. Our efforts to grow both segments will ensure that asset quality is not compromised. We will continue to support personal financing products with marketing and awareness campaigns to remain competitive. We will also work on developing personal financial education programmes to highlight the importance of managing personal finances.

AUTOMOBILE FINANCING

The Bank continued to drive business volume and market share in "Hire Purchase Financing" through targeted market segmentation strategy, aggressive marketing initiatives and business collaboration with established vehicle dealers especially Proton car dealers. Growth in financing for hire purchase was a negative of 3.9% YoY mainly due to lower disbursement arising from stiff pricing competition.

The automotive industry is expected to remain challenging in the year ahead in view of the cautious consumer sentiment and business confidence. In addition, intense competition among auto vehicle financiers will continue and further exert pressure on pricing resulting in continued profit margin squeeze. Moving forward, the Bank aims to regain some of the growth momentum for this portfolio when vehicle sales pick up its pace again. The Bank will also strive to enhance its penetration rate in targeted growth segments such as new passenger vehicles, secondhand passenger vehicles and light commercial vehicles as well as big-bike segment.

AUTO FINANCING OUTSTANDING (IN RM BILLION)



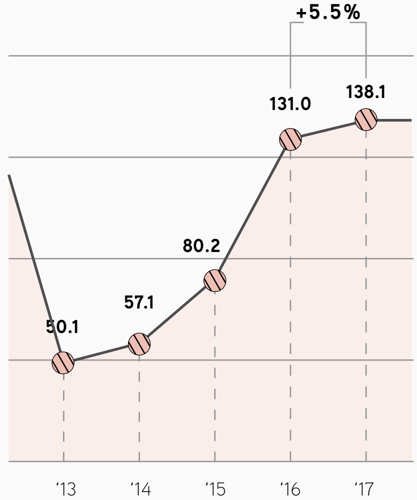
AR-RAHN

Ar-Rahn provides easy access of capital with a low safekeeping fee to help the low-income group compared to the conventional pawnshop that operates on an interest based profit mechanism. More banks have now started to develop Ar-Rahn services as one of their product offerings and this encouraging trend will potentially reduce the dominance of the traditional conventional pawning which has existed in the country years back.

The application of Ar-Rahn will enable the society to enhance the economy and gain more benefits out of it. Thus, the application of rahn in the current banking practice is important to realise the above agenda and hand in hand to safeguard the interest of both parties by ensuring the customers fulfill the duties of a debtor in the most efficient and secure manner.

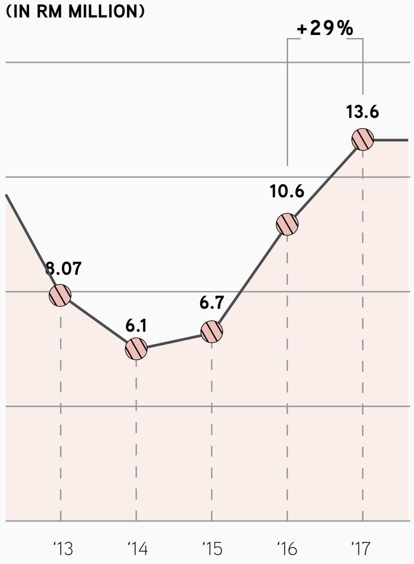
The Bank's Ar-Rahn marhun outstanding grew by 5.5% to stand at RM138.1 million in FY2018 which contributed a significant growth in Ar-Rahnu income of 29% at RM13.6 million. The services are available at all 63 branches. The acceptance of Gold Bar for Ar-Rahnu services in FY2018 has also contributed to the significant growth of overall Ar-Rahnu Marhun and Income.

AR RAHNU MARHUN OUTSTANDING (IN RM MILLION)



CONSUMER BANKING

AR RAHNU INCOME
(IN RM MILLION)



MOVING FORWARD

The Bank will continue to build on its strengths to further develop its business and sustain its market position. The Bank will continue to focus on sustaining its operational excellence and efficiency, adopt prudent and responsible financing practices, while upholding strong corporate governance and compliance culture as well as sound risk management practices. However, property market is anticipated to become more resilient with greater integrated developments, particularly in larger cities with connectivity to public transportation and amenities. In Budget 2018, the government has put greater emphasis on supply of affordable housing. Besides that, many end-financing schemes were introduced to assist the lower and middle income earners to have access to financing. The Bank will also actively be involved in providing house financing package for government's home ownership programmes and closer engagement with developers for Perumahan Penjawat Awam 1Malaysia ("PPA1M"), perumahan Satu Tentera Satu Rumah ("SASAR") and waqf land projects nationwide. In focusing on these projects, the Bank helped to realise the value of Malaysia's affordable homes agenda in promoting home ownership to those of limited means.

Given that personal financing is a major contributor towards our earnings, greater emphasis would be placed on dedicated customer segments within this sector. We will continue to harness opportunities in the Islamic banking space to serve niche market segments. Target areas will include term financing-i for investment in Amanah Saham Bumiputera (ASB) and Cashline financing, which are expected to diversify and further improve our earnings. The ASB financing is a special arrangement between PNB, Ministry of Defense and Ministry of Home Affairs specifically designed for Police and Armed Forces with the objective of educating and inculcating the savings behaviors and improve credit worthiness amongst the members especially the lower income group.

To improve productivity and profitability, we will drive sales and productivity improvements across all distribution channels, reduce costs to serve through greater adoption of online and self-service platforms as well as centralisation of some activities and services, plus offer differentiated customer experiences for each segment.

We will also look at opportunities on digitisation across consumer products which will include developing digital capabilities to improve the overall customer experience at all touch points. At the same time, we will capitalise on business opportunities made possible by new digital payment capabilities. Measures will also be taken to achieve better asset quality management through responsible lending practices and enhanced collection capabilities across all products.

BUSINESS BANKING

Trade Finance Income Increased By
26% growth

Fee Income to
RM15.3 million

Financing Income Rose
6% growth

Bank Muamalat's Business Banking Division ("BBD") provides a full suite of financial products and offerings to Corporate, Commercial and SME customers required to manage successful domestic and export-focused businesses.

In FY2018, BBD continued to grow its short-term financing facilities and increase its fee-based income, in line with the Bank's five-year business plan to improve our financing yield and non-fund based income while managing our asset quality. Focus was directed on increasing its customer base, especially businesses involved in exports through the provision of trade finance and forex facilities. To support its export-related services, the Trade Finance Department was beefed up in terms of numbers and capacity-building of personnel. This led to steady growth in average trade financing assets from RM712 million as at end FY2017 to RM836 million at end FY2018. The division has not only achieved its broad-based goal of increasing its share of the customer's wallet, but has also recorded an exceptional profit before tax ("PBT") that was 372% over the budget.

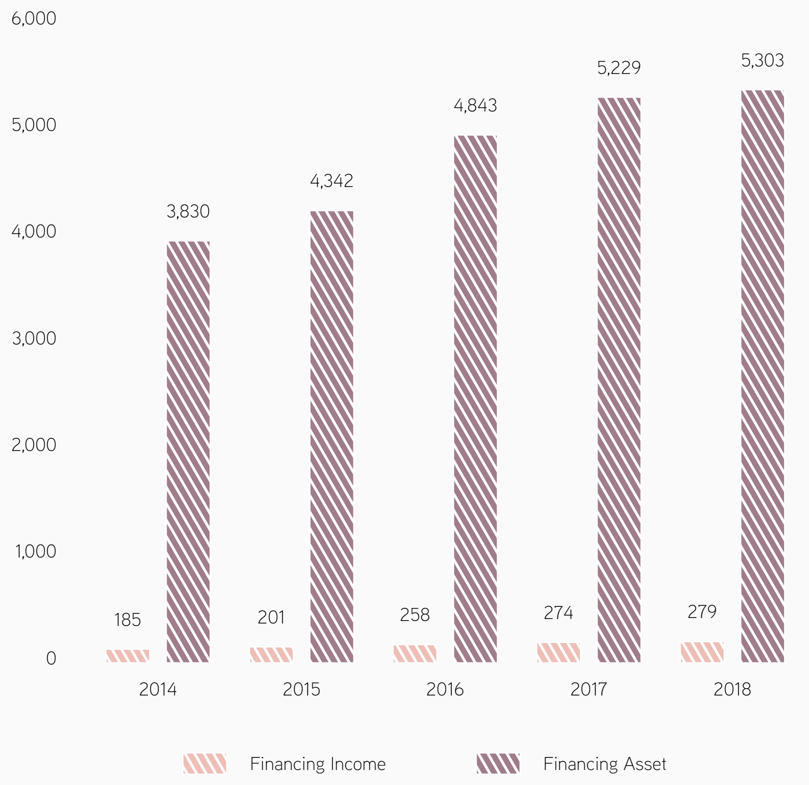
BUSINESS BANKING

REVENUE AND PROFIT BEFORE TAX

BBD's revenue for the financial year was RM296.3 million, a 5.33% hike from the previous financial year resulting from higher financing income by RM5.80 million and increased fee-based income by RM8.80 million. Profit before tax ("PBT") was RM97.38 million, more than double the PBT recorded in FY2017. Gains in PBT were made from lower funding costs coupled with writeback in provisions.

Revenue growth for the Corporate segment has also increased by 8.48% to RM249.50 million, resulting to a 30.53% growth in PBT. Gains in PBT for the Corporate segment was also driven by its low cost of fund. Meanwhile, the Commercial segment's PBT soared high to RM27.55 million as compared to a loss of RM5.95 million in FY2017. Gains in PBT were mainly attributed to lower overhead expenses and lower funding costs as well as higher growth in fee-based income. SME segment in the meantime, achieved RM7.82 million for its revenue, up 30.33% from FY2017. Notwithstanding, fee-based income has supplemented the division's overall earnings with a contribution of RM16.8 million for the financial year.

BUSINESS BANKING DIVISION FINANCING ASSETS AND FINANCING INCOME TREND

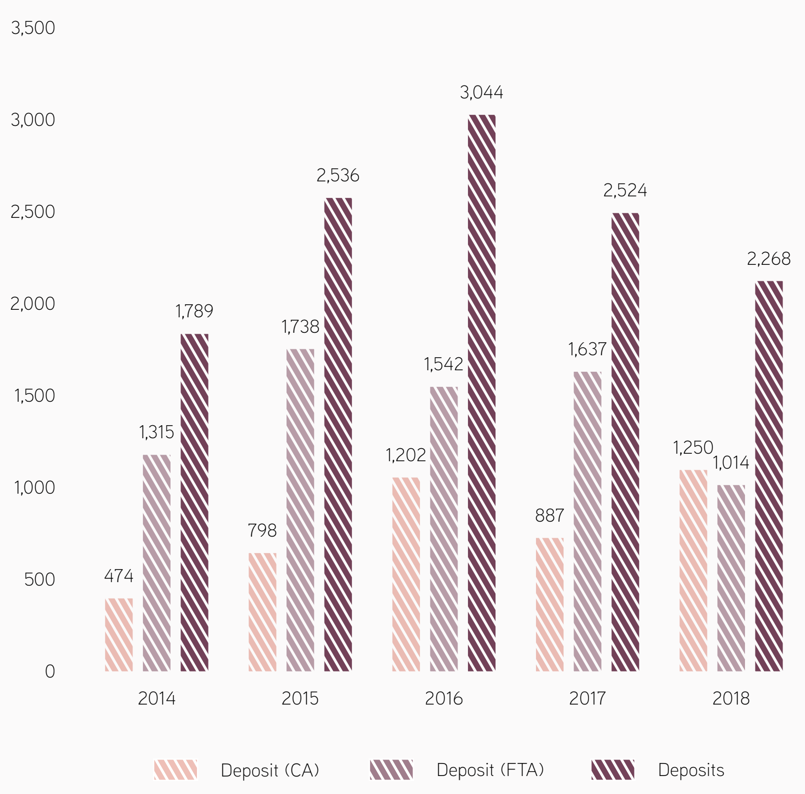


These results were good considering the challenging economic backdrop in FY2018.

FINANCING ASSETS AND INCOME YIELD

In order to preserve a healthy asset quality profile, BBD maintained a cautious stance and was selective with its assets growth. Financing assets continued to further improve, albeit slightly, to RM5.303 billion, up 1.4% from FY2017. This contributed to a commendable compounded annual growth rate of 8.5% per annum since FY2014. The increment was mainly due to a gradual build-up of trade and syndicated financing assets. The division's yield dipped slightly from 5.57% in FY2017 to 5.44%, resulting in financing income of RM279.4 million. The division's current target sectors are manufacturing, education, healthcare and consumer (food and beverage), while it is looking selectively at infrastructure, property and construction projects.

BUSINESS BANKING DIVISION DEPOSITS



DEPOSIT BASE

BBD's total deposit base shrunk from RM2,524 million in FY2017 to RM2,268 million. However, the division managed to increase its Current Accounts and Savings Accounts ("CASA") by 41% to RM1.25 billion in FY2018 while reducing the more costly Fixed Term Accounts ("FTA") by 38% to RM1.01 billion. The Bank's Deposit Department supports the division by promoting the Bank's products including cash management, corporate internet banking and deposit relationship management.

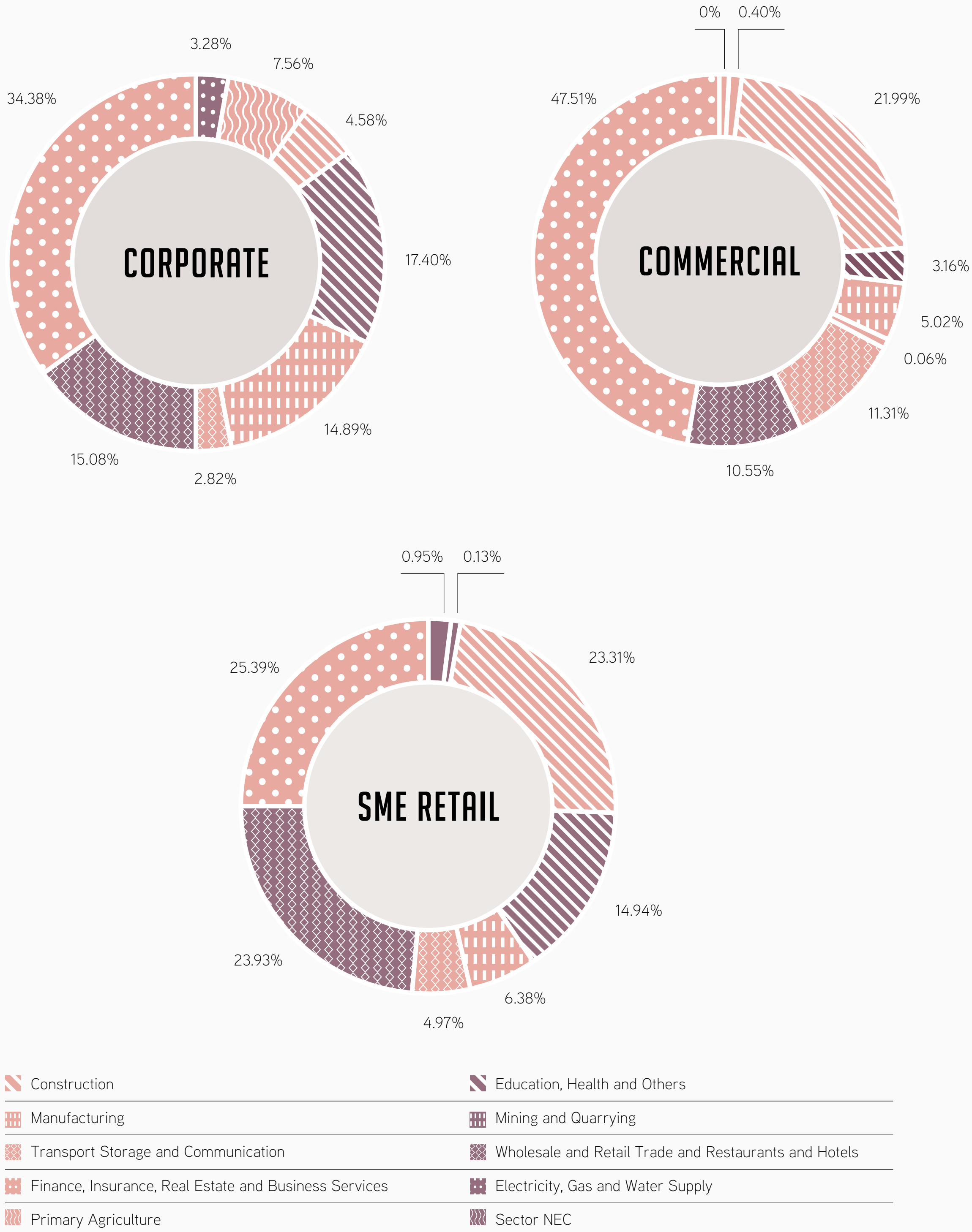
FINANCING SECTORS

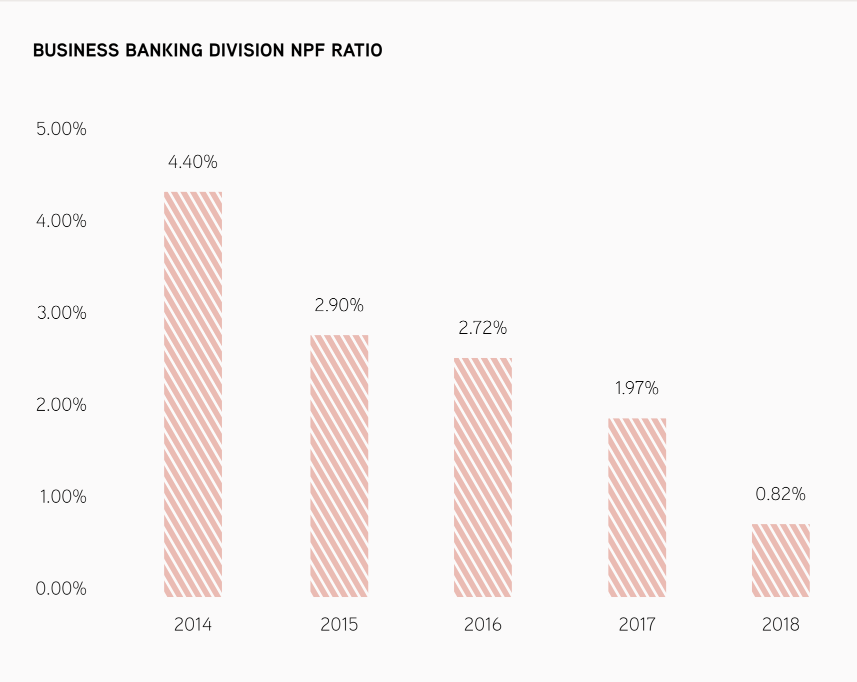
BBD was mainly involved in financing the Finance, Insurance, Real Estate and Business Services sector which accounted for 35.6% of total assets in FY2018 as compared to 41.6% in FY2017. Under Corporate Financing, Finance, Insurance, Real Estate and Business Services made up 34.4% of the overall portfolio, while Education, Healthcare and Others comprised 17.4% of the total. Wholesale and Retail Trade and Restaurants and Hotels (15.1%) and Manufacturing (14.9%) were the next three largest sectors.

In Commercial Financing, 47.5% of transactions were in the Finance, Insurance, Real Estate and Business Services sector followed by Construction, which increased to 22.0% (up from 11.0% in FY2017), while Transport, Storage and Communication and Wholesale and Retail Trade and Restaurants and Hotels made up 11.3% and 10.6% of the total, respectively. The Finance, Insurance, Real Estate and Business Services sector was also the largest sector for SME Retail Financing at 25.4%, followed closely by Wholesale and Retail Trade (23.9%) and Construction (23.3%).

Real Estate exposure under the Corporate Banking portfolio decreased in FY2018 to 22.3% from 35.7% in FY2017, reflecting the shift in focus to trade facilities over the last two years and larger payments in existing real estate financing compared to progressive disbursements for ongoing projects. The division continued to be selective in its Real Estate exposure, concentrating mainly on the lower-risk affordable residential and township properties in the high-growth Central and Penang regions.

BUSINESS BANKING DIVISION FINANCING SECTORS





UTILISATION RATE AND ASSET QUALITY

BBD maintained its utilisation rate at 74% in FY2018 while its Non-Performing Financing ("NPF") ratio continued to decline due to increasing focus on asset quality over the past few financial years. The NPF ratio was 0.82% in FY2018, marking an improvement from 1.97% in FY2017 while the Delinquent Ratio improved to 0.10% compared to 0.14% in FY2017. The improvement in asset quality was a result of continued vigilance and proactive monitoring.

MOVING FORWARD

In FY2019, BBD will continue to expand its Trade Financing and Forex facilities as well as non-fund based products, targeting especially the export-based customers. The division will also be looking into strategic asset expansion under value-based initiatives such as green technology, healthcare, education and waste management. With the advent of the Malaysian Financial Reporting Standard 9 ("MFRS9"), the division will prioritise on high utilisation and minimise less frequently utilised facilities.

The division will continue to be prudent in balancing its risks with returns, and look into efficient use of capital. Focus sectors include construction and infrastructure, manufacturing, education, healthcare and consumer (food and beverage). The strategy is expected to enable the division to maintain modest growth and boost yields along with top line profitability, while helping to cushion any one-off increase in the Bank's provision due to MFRS9 implementation as well as resultant bottom line losses in FY2019.

TREASURY & CAPITAL MARKETS

The US Federal Reserve (Fed) increased its interest rate in a total of
75 basis points

The Ringgit gained
11.05%

The Treasury and Capital Market manages Bank Muamalat's daily cash flows, asset liability management (ALM), securities investment and foreign exchange. Its primary focus is to serve clients' needs in treasury products and services.

TREASURY & CAPITAL MARKETS

The year 2017 was marked by a torrent of global events that sparked market volatilities, not least of which was geopolitical drama following Trump's protectionist policy. The US Federal Reserve (Fed) increased its interest rate three times during the year, resulting in a total increase of 75 basis points. This pushed the yield on short-end US Treasuries (UST) higher throughout the year while long-dated maturity yields declined.

Yet, emerging markets recorded stronger trade growth with a rebound in commodity prices providing a cushion to commodity dependent nations.

The Ringgit gained 11.05% against the greenback, from a high of 4.4900 to below 4.0500, making it the second highest strengthening Asian currency behind South Korea's Won. This was the result of a confluence of factors which included increasing crude oil and natural gas prices. Bank Negara Malaysia's bold move in December to issue a Supplementary Notice on Foreign Exchange Administration is set to further enhance the onshore financial market and create efficiencies within the foreign exchange market.

Within this environment, Treasury and Capital Markets performed fairly well on the back of strong contribution from trading income and higher net-fund based income, which overcame lower foreign exchange gains. The replacement of maturing assets with higher quality high yielding assets had a positive impact on fund-based income. At the same time, the Bank maintained ample liquidity throughout the year, with a liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) well above regulatory levels.

“OUR STRATEGY IN 2018 IS TO IMPROVE THE FLOW BUSINESS FRANCHISE FOR BOTH FIXED INCOME AND FOREIGN EXCHANGE SALES.”

Going into 2018, the outlook for fixed income remains challenging amid rising interest rates. Central banks around the globe will be keeping an eye on the Fed's hawkish rate tightening. Global yields are expected to increase on rotational flows from emerging markets back to higher yielding US Treasuries. A Dollar Bull will impact emerging market currencies, including the Ringgit which is likely once again to weaken against the Dollar.

Our strategy in 2018 is to improve the flow business franchise for both fixed income and foreign exchange sales. Riding volatile movements in the fixed income and currency markets cautiously, we target to increase our duration to enhance yield pick-up and improve our fund-based income.

DEPOSIT & MARKETING

The Deposit & Marketing Department was established to grow the Bank's deposit base, mainly on retail deposit composition while also focusing on the corporate, government and SME segments. FY2018 saw a mixed performance of Bank Muamalat's core deposits, with intense competition for retail deposits resulting in an aggressive rate war. As competitor banks allocate large budgets towards their marketing campaigns, Bank Muamalat has had our work cut out to prevent attrition. Within this tough environment, we focused on our strong proposition of value-based banking and introduced a number of new products which translated into an increase in current, savings and fixed term accounts that is expected to further expand in 2018 and beyond.

Current Account (CA) segment led to

RM729.33 million growth

Salary Account Scheme (MuSS) contributed to

RM54.47 million growth

Fixed Term Accounts (FTA)'s portfolio increased by

RM415.23 million

DEPOSIT & MARKETING

Marketing efforts and continuous campaigns in the Current Account (CA) segment led to RM729.33 million growth in deposits to total RM3,795.99 million at the end of FY2018.

In the Savings Account (SA) portfolio, the team adopted a multi-pronged approach that encompassed making greater inroads into existing salary accounts of employees within the DRB Group of Companies while identifying new potential corporate customers as well as targeting children, university students and pensioners. The Salary Account Scheme (MuSS) launched in 2017 contributed to RM54.47 million growth in our Savings Account portfolio to stand at RM1,215.13 million as at end FY2018. We also initiated the collection of Wang Jaminan Mahkamah at selected court complexes.

To promote our Fixed Term Accounts (FTA), a bundling strategy was initiated to capture new and existing depositors. Through various strategies and campaigns, the Bank's FTA portfolio increased by RM415.23 million to RM10,780.91 million as at end FY2018.

Digitalisation remains vital to attract and retain depositors as it catalyses our performance in all areas of operations. Further innovation was seen in the introduction of various digital strategies including online/mobile account opening, online/mobile placement and top-up of FTA funds, peer to peer payments and online/mobile transfers as well as e-payments, among others.

As part of efforts to acquire and retain depositors at the state level, we created a team of designated Business Development Managers (BDM) which has proven to be successful in enhancing our deposit position. The Bank continues to mobilise resources to all states as we target to attract more clients with CASA products. We are also adopting an integrated relationship management approach to ensure the best deposit customer experience.

Our deposit strategies will remain intact for the next financial years. This entails creating outstanding deposit value propositions that meet our target market requirements through innovative deposit campaigns, creative marketing, improvised and new fin-tech development and new market penetration while minimising deposit attrition. Retail deposits will remain a growth focus area, as we strive to increase our deposit composition from 27% to 43% in five years, catalysing an overall deposit growth of RM5.9 billion within the period.

> **"RETAIL DEPOSITS WILL REMAIN A GROWTH FOCUS AREA, AS WE STRIVE TO INCREASE OUR DEPOSIT COMPISITION FROM 27% TO 43% IN FIVE YEARS"**

WEALTH MANAGEMENT & AFFLUENT BANKING

The Wealth Management & Affluent Banking Department looks into the financial and non-financial needs of our customers and is committed to drive this sector towards greater success in the coming years. Formerly known as the Wealth Management Department, it assumed its new expanded role and responsibility in FY2018 when tasked with developing the Affluent Banking portfolio as well as championing various strengthening initiatives.

Key initiatives undertaken by the department during the year included the following:

DELIVERING THE FIRST LOCAL ISLAMIC AFFLUENT BANKING ENTITY

The decision to participate in this market niche comes on the back of strong demand for ethical and shariah compliant financial solutions from a growing affluent sector. Research shows that the number of high net-worth individuals demanding ethical or Shariah-compliant financial solutions is poised to grow exponentially in the near future. Acknowledging this, we have embarked on a quest to develop the first Affluent Banking business among local full-fledged Islamic banking peers as we believe we can fulfill the need of the market niche that is seeking a different element than what is currently on offer by offering differentiated banking experience focusing on uncompromising personalized services through the customers' dedicated Muamalat Relationship Manager in addition to enjoying preferential rates as well as exclusive privileges. The centre, to be named as Muamalat Beyond in reflection of the extra-miles service that the target group of clients can expect, will be launched in July 2018.

“

TO ACQUIRE WEALTH IS DIFFICULT, TO PRESERVE IT MORE DIFFICULT, BUT TO SPEND IT WISELY IS MOST DIFFICULT OF ALL

Edward Day.
55th US Postmaster General

”

GOLD ACCOUNT AND GOLD ONLINE

Customers who purchase physical minted gold bars are burdened with the inconvenience of safekeeping their precious metal. The purchase of physical minted bars is also restrictive as customers need to prepare a higher initial capital outlay for the purchase of bars in a minimum denomination of five grams. Wealth Management & Affluent Banking Department took these factors into account when it developed Muamalat Gold-i Account allowing customers to purchase gold from as low as RM10. Additionally, in order to make gold purchase even more accessible and convenient, as of 15 March 2018, our Muamalat Gold-i Account is available through the Bank's retail internet banking platform (**www.i-muamalat.com.my**).

With the convenience, greater accessibility and free storage provided by Muamalat Gold-i account, the Bank closed the year with total gold sales of 309kg reflecting an income of RM2.6 million. Muamalat Gold-i Account contributed 68% of this total which is a testament to the successful and well accepted product developed by the bank. As of March 2018, total gold sold since the account's inception in January 2016 now stands at 645kg, corresponding to an approximate value of RM117 million. We anticipate and expect greater contribution towards the Bank's fee-based income from this sector in the following years to come.

NON-FINANCIAL PRODUCTS AND COMPREHENSIVE ISLAMIC ESTATE PLANNING

The standard practice in conventional Wealth Management has always been to promote financial products to clients. This is where our Islamic Wealth Management and its Shariah-compliant financial planning practices stand apart.

Indeed, our Wealth Management & Affluent Banking Department has created an ecosystem of holistic Islamic Wealth Management services catering to every aspect of our customers' lifecycle inclusive of non-financial products and services such as M-Jannah Islamic Funeral Management, Islamic Estate Planning, Quranic learning and Islamic Travel Services to better serve the needs of our customers.

M-Jannah, developed in collaboration with Bumijez Sdn Bhd, offers comprehensive Islamic Funeral Management packages with payments starting from as low as RM59 per annum. This new service, which comes with a 24-hour hotline, has been well received with 1,048 customers signing up since its launch in March 2018.

The Islamic Estate Planning product, supported by as-Salihin Trustees Berhad, offers complete Islamic estate planning solutions such as Hibah, Jointly Acquired Asset Agreement, Takaful Trust and Estate Administration to take care of customers' worldly and hereafter goals. It was also launched in March 2018.

The Quranic learning service was launched in collaboration with BeAna Home Quran Sdn. Bhd. and Al-Baghdadi. While Tradewinds Travel Services Sdn Bhd is our partner in providing Islamic Travel Services. These products are available at all Bank Muamalat branches nationwide.

> **"TWENTY YEARS FROM NOW YOU WILL BE MORE DISAPPOINTED BY THE THINGS THAT YOU DIDN'T DO THEN BY THE ONES YOU DID DO"**
>
> *Mark Twain*

E-ADVISOR PERSONAL FINANCIAL REVIEW SYSTEM

The e-Advisor System developed in FY2018 serves as a sales and transactional support tool to assist the Bank's Islamic Wealth Advisors in planning, implementing and monitoring advisory services, unit trust operations and tracking of client's portfolio. It enables our sales force to perform more effectively and professionally when dealing with retail, mass affluent and high net-worth clients.

ENHANCED DISTRIBUTION CHANNEL AND SALES FORCE

Wealth Management & Affluent Banking Department, in collaboration with our Customer Service Department, rolled out its first telemarketing sales platform in December 2017 through cross-selling Householder Takaful to existing mortgage financing customers. Success of this initiative inspired the Bank to further explore the use of telemarketing to improve product sales hence increase our customers' product holding ratio. In future, other viable products will also be made available through this marketing channel.

Simultaneously, Wealth Management & Affluent Banking Department has enhanced its sales force with the introduction of Wealth Development Consultants and Regional Wealth Advisors in all 13 states. More sales personnel are expected to be recruited and mobilised to our regional branches on a yearly basis to ensure uniformity of financial advisory services offered across the country.

MOVING FORWARD

Wealth Management & Affluent Banking Department seeks to continue to position itself as an important contributor to the Bank's bottom line by increasing its fee-based income and becoming customers' preferred one-stop Islamic Wealth Management and financial planning provider. It already offers a comprehensive suite of products from wealth creation to wealth distribution. As we cross-sell and up-sell, we hope to increase our customers' product holding and intensify their loyalty to a Bank that proffers not just holistic but also ethical services and offerings.

INVESTMENT BANKING

Despite a challenging economic and business environment resulting in limited opportunities, the Investment Banking Department ("IBD") on the whole performed relatively well. At Bank Muamalat, in line with our aspiration to become one of the leading Islamic investment banking houses with focus on direct investments, IBD continued our effort on establishing deal flows to remain competitive against larger local and foreign players who have traditionally dominated the market.

IBD is committed to value-based banking, as demonstrated by our joint venture with Pemodalan Kelantan Berhad ("PKB") in operating ArRahnu branches in rural parts of Kelantan and Sabah. The venture generates sustainable returns to the Bank and allows us to promote fair and transparent products and services to underserved communities.

During the year, IBD performed commendably thanks to significant contributions by our private equity investments through the Bank's wholly-owned subsidiary, Muamalat Venture Sdn Bhd ("MVSB"). MVSB, a venture capital management corporation registered with the Securities Commission Malaysia, divested its three-year investment in Perak Transit Berhad ("PTB"), a company listed on ACE market of Bursa Malaysia. The divestment translated into an internal rate of return of 26.41% or 1.87 times money multiples. In addition to the PTB divestment, MVSB recorded a return on investment of 9.50% per annum from its musyarakah joint venture in ArRahnu businesses with PKB.

At the same time, IBD continued to play a meaningful role in promoting the Bank's Investment Account Platform ("IAP") initiatives. IAP is a centralised multi-bank platform initiated by six Malaysian Islamic banking institutions to market investment account products. In FY2018, IBD successfully raised RM40.0 million via IAP from two fund raising exercises: Project ArRahn and Project ArRahn 2. The Project ArRahn series comprises investments in a share of capital contribution of MVSB under the musyarakah joint venture with PKB, in selected branches of Islamic pawn broking (Ar-Rahn) activities.

"PROJECT ARRAHN AND PROJECT ARRAHN 2 HAVE RECEIVED AN OVERWHELMING RESPONSE FROM INDIVIDUAL AND INSTITUTIONAL INVESTORS, WITH THE FUND RAISING EXERCISES OVER SUBSCRIBED BY 1.23 TIMES AND 1.10 TIMES RESPECTIVELY."

Project ArRahn, launched in September 2017, was the first IAP fundraising exercise based on *musyarakah* structure/equity-linked investment with an expected profit rate ("EPR") of 7.50% per annum for a six-month tenor. The fund raising exercise was named the Best Islamic Investment Account Platform by The Asset Triple A Islamic Finance Awards 2018.

Project ArRahn and Project ArRahn 2 have received an overwhelming response from individual and institutional investors, with the fund raising exercises over subscribed by 1.23 times and 1.10 times respectively. This contributed to Bank Muamalat being a clear leader in IAP offerings in FY2018, with 73% market share.

Moving forward, our strategy in the face of uncertainties and downside risks is exercising greater prudence and vigilance. IBD will continue to focus on our key corporate relationships for deal flows in debt and equity capital markets, while keeping an eye out for good potential investments and opportunities to build our private equity portfolio. Simultaneously, in line with the Bank's Five-year Business Plan as well as efforts to diversify our fee-based income, IBD will continue to develop IAP as a platform for companies to raise funds.

MUAMALAT INVEST SDN. BHD. (MSB)

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

MISB provides Shariah-compliant investment management services which include:

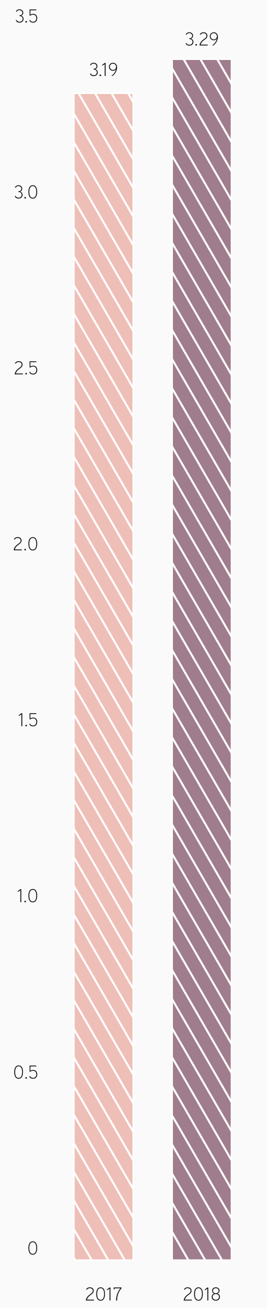
- Management of discretionary and non-discretionary mandates for asset classes covering equity and sukuk
- Provision of wholesale fund products for investments in various asset classes such as Islamic money market instruments, equities and sukuk

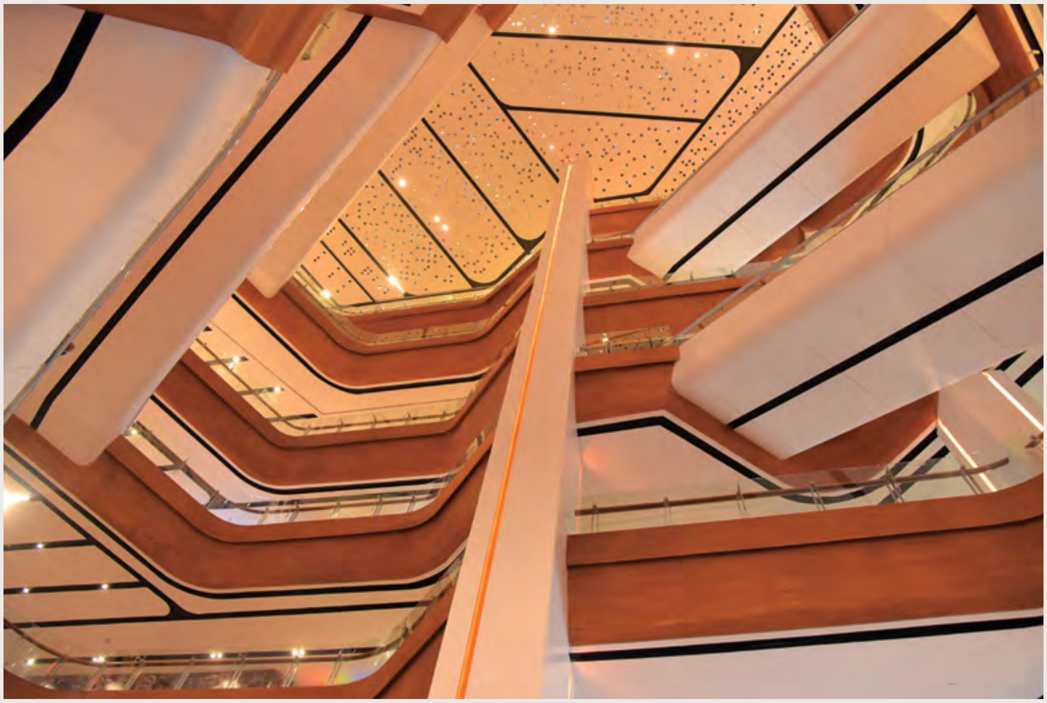
In FY2018, MISB continued to grow its assets under management ("AUM") to approximately RM3.29 billion from RM3.19 billion in FY2017. This translates to an increase of approximately 3% year-on-year. Investments also continued to be made into building infrastructure and resources in order to position itself as a key player in the wholesale Islamic capital market space.

As at end March 2018, MISB, through a series of Islamic wholesale funds, captured around 9% of the total Islamic wholesale fund net asset value (NAV), as reported in the Summary of Statistics - Wholesale Funds in Malaysia issued by Securities Commission Malaysia.

MISB will continue to diversify its asset product portfolio to cater more effectively to the needs of Islamic wholesale institutional and corporate investors.

MUAMALAT INVEST SDN BHD'S ASSETS UNDER MANAGEMENT ("AUM") (RM'BIL)





SHARIAH

SHARIAH ADVISORY & SECRETARIAT SECTION

The role of the Shariah Secretariat is to support and provide input to the Shariah Committee (SC). This includes coordinating meetings, compiling proposal papers, disseminating Shariah decisions to relevant stakeholders, engaging with relevant parties who seek further clarification on issues from the SC, and ensuring all the needs of SC members are met. In FY2018, a total of 10 SC meetings were held, following which all Shariah decisions were disseminated to the relevant business units for further action.

In terms of Shariah advisory and consultancy, the Shariah Advisory focuses on matters such as pre-product approvals, operational processes, documentation, as well as activities of the different Business Units and Support Unit, the Bank's subsidiaries and external clients (upon request). Such advice is based on the decisions of the SC. In FY2018, it handled a total of 547 issues and documents submitted by the different business units, subsidiary (Muamalat Invest Sdn. Bhd. and Muamalat Venture Sdn. Bhd.) and external clients like MARA.

Among other initiatives undertaken during the financial year, the Shariah Advisory advised and approved new Shariah-compliant products and services, enhanced product processes and structures, explored new business opportunities, developed a Digital Record of Inquiry and a Shariah Decision Database as a platform containing all SC approvals and recommendations for quick reference to the SC and Shariah Governance units in the Bank.

SHARIAH RESEARCH & DEVELOPMENT SECTION

Shariah Research performs in-depth studies on Shariah matters to support the provision of day-to-day advice and consultancy to relevant parties, especially those involved in product development. In FY2018, a total of six research papers were completed on Shariah issues, product development and special requests by the SC and other parties. Among the high-impact topics covered were the permissibility of gold accounts, both over the counter and online, the permissibility of Amanah Saham Bumiputra and cash waqf as assets, and the management of disposal of Wakaf assets and cash.

Additionally, to comply with Shariah requirements on Bank products, Shariah Research reviewed and prepared summary of gap analyses on various policy documents issued by Bank Negara Malaysia. These included *bai' sarf*, *rahn* and a new Shariah Governance Framework.

In collaboration with our Human Capital Division and Customer Service Department, Shariah Research conducted more than 40 Shariah training and awareness sessions for staff from our branches, headquarters, Takaful Specialist and other related institutions.

Other initiatives undertaken during the financial year included the development of Intensive Shariah Training tailored for junior executive staff and the introduction of an online Shariah Test. Shariah Research also provided a gap analysis on the AAOIFI Gold Standard which led to our Muamalat Gold-i to be listed as a Shariah-compliant product by the World Gold Council.

OUR SUSTAINABILITY APPROACH

OUR MISSION FORMS THE FOUNDATION OF OUR SUSTAINABILITY APPROACH. WE AT BANK MUAMALAT VALUE ALL OUR STAKEHOLDERS – NAMELY OUR CUSTOMERS, EMPLOYEES, SUPPLIERS, INVESTORS, GOVERNMENT/ REGULATORS AND LOCAL COMMUNITIES – AND STRIVE TO CREATE VALUE FOR EACH GROUP.

We exist to serve our customers and are driven to meet their financial needs through the delivery of timely and exemplary service. Our employees determine our sustainable success, and we strive to enhance their professional development as they fuel our performance. Our suppliers provide us with goods and services that are essential to the smooth and efficient functioning of the Bank, and we seek to build strong relationships based on trust to empower them as they empower us. The government/regulators maintain a healthy financial ecosystem, and we are committed to adhering to all regulations relevant to our industry while also contributing towards the nation's socio-economic development. As part of this mission, we invest considerably in uplifting the lives of those who are underserved and/or underprivileged through greater inclusivity of our services as well as through donations and other community outreach programmes.

We also believe in playing our part to protect the environment, as a healthy planet is integral to a sustainable future for all communities.

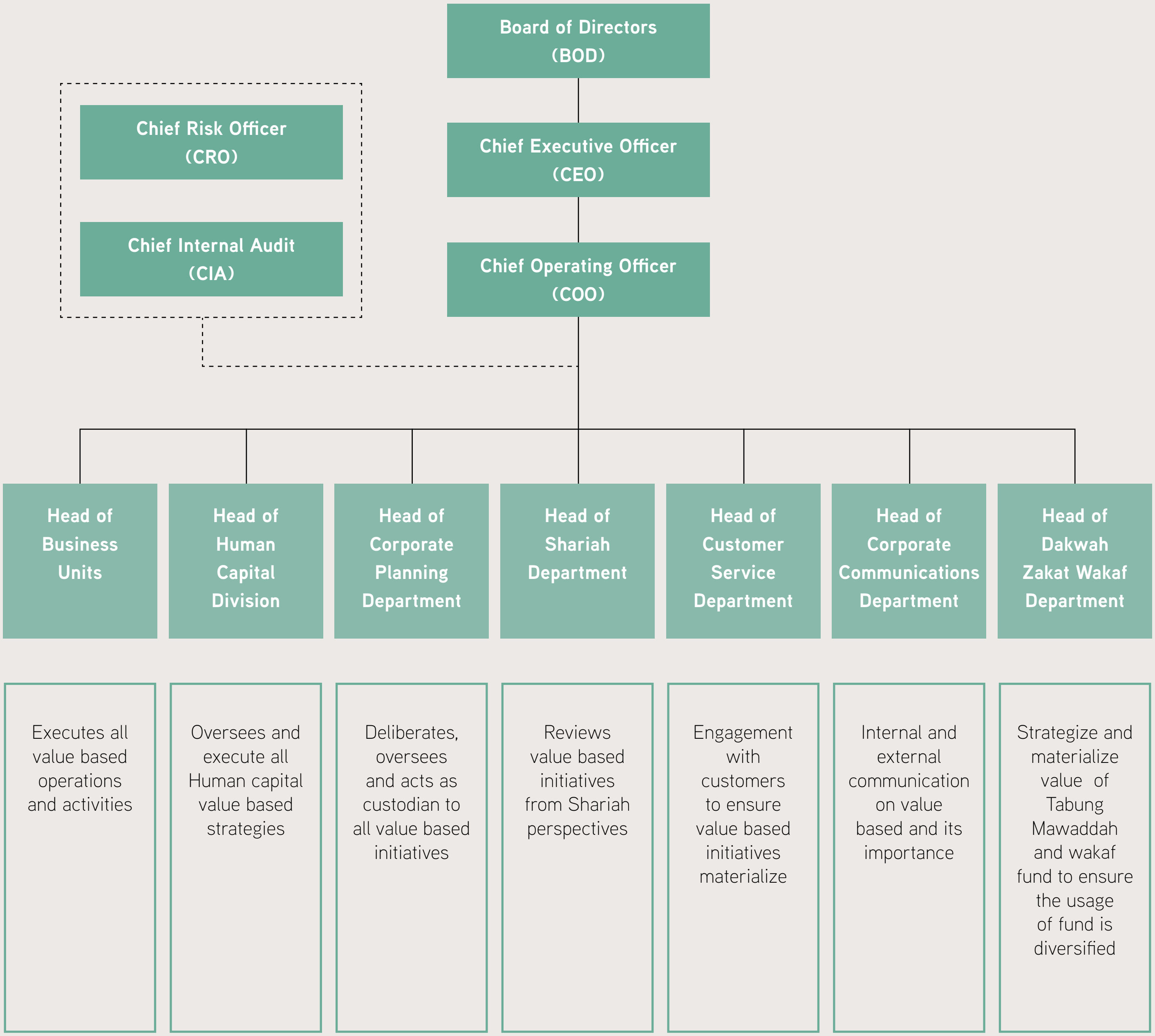
By creating positive social and environmental impacts, we embody business sustainability through enhancing the trust of our stakeholders in our commitment to protecting their future as well as the future of the planet. This, in turn, supports our vision of becoming a preferred financial services provider.

Our commitment to sustainable banking is reflected in the policies that shape our actions and strategies. In 2016, Bank Muamalat outlined a 5-year Strategic Business Plan under which one pillar was to become a socially responsible bank. This financial year, we took a positive step towards this end by joining the Global Alliance for banking on Values ("GABV"). The GABV will provide us access to the best practices of other member banks who are also striving to create positive impacts on society We also have the opportunity to develop leaders grounded on the principles of responsible banking by engaging in exchange programmes and taking part in centralised GABV training and other initiatives.

To meet GABV's standards and expectations, we plan to structure a sustainability framework that oversees our operations, practices and products, while ensuring that these are aligned with other sustainability-related frameworks such as the Global Reporting Initiatives ("GRI") and Bank Negara Malaysia ("BNM")'s Value Based Intermediation ("VBI"). Our mission, too, was upgraded upon joining GABV to place added emphasis on being a socially responsible bank.

SUSTAINABILITY GOVERNANCE STRUCTURE

Our sustainability governance structure provides a foundation for developing and anchoring our sustainability efforts. It ensures that we focus on embedding sustainability within the Bank by implementing decisions into relevant business areas.



MATERIALITY ASSESSMENT

Material matters are economic, social and environmental risks and opportunities that are considered important to an organisation and its stakeholders. To determine Bank Muamalat's material matters, an assessment was undertaken encompassing the perspectives of various stakeholder groups. The process involved three steps: identifying relevant matters, evaluating their importance, and prioritising them based on their relative importance.

STEP 1

Relevant material matters were identified through reviewing broad matters related to industry issues and as identified by peers and interviews with senior management.

STEP 2

Through a workshop with senior management, we evaluated:

- The importance of material matters against quantitative and qualitative factors; financial, operational, strategic, reputational and regulatory perspectives; area of effect and the time frame of effect.
- The importance of the material matters to stakeholders (ie employees, government and regulators, investors, customers, suppliers and local communities) based on their influence on stakeholders' assessments and decisions

STEP 3

The material matters were prioritised based on their importance to both the Bank and our stakeholders using a matrix.

From the materiality matrix, we determined that 15 matters were seen to be of medium or high importance to both our stakeholders and the Bank. Of these, six have been identified as being of high priority, given their potential impact on our ability to create value in the short, medium and long term. They are: Customer Experience, Responsible Financing, Ethics and Integrity, Compliance, Training and Education.

How we manage these material matters are disclosed in pages 65 to 70. Other matters have been grouped in these following themes: Putting People First (page 71), Supporting Communities and Entrepreneurs (page 75) and Entrepreneurs and Operational Excellence (page 78).

MATERIAL MATTERS	WHAT IT MEANS TO US
Customer Experience	This reflects our customer service performance and efforts taken to protect customers such as measures that identify and address threats to data confidentiality and efforts taken to protect the data confidentiality of our clients.
Responsible Financing	Responsible financing is about taking a long-term perspective in our lending approaches has a role to play in ensuring positive environmental, social and economic outcomes. It encompasses socially responsible investment ("SRI"), environmental, social and governance ("ESG") initiatives.
Ethics and Integrity	Ethics and integrity describes our fundamental values, principles, standards and norms of our business conduct, as defined by our codes of conduct and codes of ethics.
Compliance	Compliance to local and international regulations, such as Basel III, demonstrates the Management's ability to ensure that the Bank's operations conform to predetermined performance parameters.
Training and Education	We believe in continuously investing in the knowledge and skills of our employees to improve their ability to perform. Training and education builds our human capital which, in turn, leads to better organisational development.
Economic Performance	This includes the generation and distribution of sustainable economic value to our stakeholders.

STAKEHOLDER ENGAGEMENT

We have a wide range of stakeholders, namely people who are impacted by our operations and, in turn, have an influence on our performance. Our stakeholders are important to us and we believe in engaging with them to share our business plans and strategy while obtaining valuable input from them through open, two-way communication.

STAKEHOLDER GROUP	ENGAGEMENT METHOD	FREQUENCY OF ENGAGEMENT	ISSUES AND CONCERNS RAISED	RESULTS OF ENGAGEMENT
Employees	• Meetings • Team building • Informal gatherings • Emails • Internal communication portal	• Daily • Monthly • Quarterly • Yearly	• Ensuring the right allocation of resources, evaluation of staff performance, discipline, areas to be improved	• Better delegation of tasks, addressing needs to improve performance
Government & Regulators	• Meetings • Dialogue • Discussions	• Ad hoc	• Ability to comply with regulatory requirements	• Rectifying non-compliance issues
Investors	• Meetings • Emails	• Daily • Monthly • Quarterly • Yearly	• Investment performance and returns	• Better investor understanding of the Bank's performance; and the ability to tap the potential of diversifying investors' portfolios
Customers	• Surveys • Meetings and visits • Phone calls • Emails • Mobile app • Social media	• Daily • Monthly • Yearly	• Provision of the best customer solutions, financial inclusion, loyalty and value-based activities	• Clearer explanation of products and services, wider reach of customer banking, improved customer satisfaction, ability to serve the underserved
Suppliers	• Dialogue • Interviews • Phone calls • Emails • Events • Meetings	• Ad hoc	• Provision of the best solutions to the Bank. Fair and equal treatment of suppliers and value-based activities	• Better understanding of the Bank's expectations on products and services. Enhanced range of suppliers. • Ability to compare quality, cost and services.
Local communities	• Business talks • Advisory • Focus group discussions	• Ad hoc	• Provision of local community solutions. Wider reach through state religious councils.	• Encouraging financial literacy. Potential to convert members of local communities into customers. • Serving the underserved.

COMPLIANCE

419-1, 307-1

> **"EMPLOYEES ARE UPDATED ON CHANGES IN THE REGULATORY LANDSCAPE ON A MONTHLY BASIS, AND ARE QUIZZED ON REGULATORY REQUIREMENTS ANNUALLY."**

Compliance with applicable laws, regulations and rules is integral to our commitment to serve as a value-based intermediary, as it plays an essential role in preserving the integrity and reputation of the Bank (please also refer to our Statement on Compliance on pages 124 to 125 and Code of Conduct and Ethical Principles on page 126 of this report).

Various systems are in place to manage our compliance requirements. Most pertinently, we ensure our employees are aware of the regulatory environment and provide training as well as personal coaching on subjects such as the Anti Money Laundering Act ("AMLA"). We keep our employees informed of regulatory changes through monthly email updates via email and internal communication portals on guidelines and directives issued by regulators and other relevant authorities. To test their knowledge and understanding of regulatory matters, we deploy online quizzes yearly.

In addition, we review all processes and procedures within our business units to ensure they are aligned with existing regulations.

As part of our efforts to improve our compliance record, we seek to foster a compliance culture and promote awareness of regulatory requirements among our employees through activities such as Compliance Awareness Weeks. At such events, we disseminate guidelines on individual roles and responsibilities and enhance awareness of local and foreign regulations as well as legal provisions. We are also upgrading our Chatbot (menu-driven artificially intelligent "chat robot") to be able to answer internal FAQs including questions on AMLA, regulations and compliance-related issues.

CUSTOMER EXPERIENCE

418-1

Banks are part of the service industry; we exist to serve our customers. At Bank Muamalat, we hold our customers in the highest regard and are committed to providing them the best possible service. Our Customer Service Excellence Blueprint is a detailed plan encompassing strategies to enrich the customer experience at all critical touchpoints.

As part of the blueprint, we have initiated various programmes and systems to enhance our service delivery. These include #mesramuamalat, a back-to-basics service excellence training for branch staff on self-grooming, greeting walk-in customers and telephone etiquette. From May to November 2017, a total of 29 #mesramuamalat training sessions were conducted involving 800 staffs from 63 branches. We have also implemented a bank-wide Customer Relationship Management System ("CRMS") which provides us a 360° view of each customer enabling us to better understand their needs and ensure a better experience.

As part of our commitment to the highest service delivery, our top priority is to respect and protect our customers' privacy (please also refer to our Code of Conduct and Ethical Principles on page 126 of this report). We have strict policies to safeguard their personal information such as their ID, account numbers and payment records, in line with regulations such as the Islamic Financial Services Act ("IFSA") 2013 and Personal Data Protection Act ("PDPA") 2010. These policies are continuously updated along with any changes in the regulatory environment. Our policies are supported by internal systems, which are also upgraded as and when needed. Checks and audits are carried out at our headquarters and branches to ensure compliance.

Further underlining efforts are taken to ensure customer privacy, we outsource certain functions such as the preparation of cheque books and the mailing of bank statements. We also reinforce a culture of safeguarding critical information through awareness building and training.

Moving forward, the Bank seeks to keep improving our customer experience through increasingly better personal and digital service.

"AT BANK MUAMALAT, WE HOLD OUR CUSTOMERS IN THE HIGHEST REGARD AND ARE COMMITTED TO PROVIDING THEM THE BEST POSSIBLE SERVICE."

YEAR	FY2016	FY2017	FY2018
No. of customer complaints	1,208	696	625
No. of complaints resolved	1,208	696	625

YEAR	TAT : 0-2 WORKING DAYS	TAT: 3-5 WORKING DAYS	TAT: ABOVE 5 WORKING DAYS
FY2018	589	30	6
Percentage (out of total complaints)	94.24%	4.80%	0.96%

YEAR	INTERNET BANKING RELATED ISSUES	BRANCH RELATED ISSUES	SELF-SERVICE TERMINAL RELATED ISSUES (ATM, CDM, ETC)	OTHERS
FY2018	230	37	179	179
Percentage	37%	6%	29%	29%

ETHICS AND INTEGRITY

205-3

"

FIFTH BANKING INSTITUTION TO SIGN THE CORPORATE INTEGRITY PLEDGE.

FIRST ISLAMIC BANK IN THE WORLD TO JOIN THE GABV.

"

We believe that maintaining high standards of ethics and integrity is integral to being accountable to our shareholders and other stakeholders, increasing their trust in Bank Muamalat (please also refer to our Code of Conduct and Ethical Principles on page 126 of this report). As an Islamic bank, we are guided by and adhere to core Shariah principles that include: mutual risk and profit sharing between parties; the assurance of fairness for all; and ensuring all transactions are based on underlying activity or assets.

As a measure of our commitment to upholding the highest level of ethics, in May 2016 Bank Muamalat became the fifth banking institution in the country to sign the Corporate Integrity Pledge in support of national efforts to combat corruption.

Even prior to signing this pledge Bank Muamalat was known to have zero tolerance for corruption or any other form of unethical behavior. In 2014, we set up the Muamalat Ethics Line in order to uphold high standards of integrity. All employees can raise concerns regarding any misconduct, regardless of their seniority, via a hotline, an email or through hardcopy letters.

To further embed a culture of ethics, in November 2017 the Bank became the first Islamic bank in the world to join Global Alliance for Banking on Values ("GABV"). The move was spurred by the desire to further strengthen our value-based systems and practices through learning and knowledge sharing with other members of the alliance.

Through GABV, we gain the following:

- International recognition as a bank focused on creating positive societal impact
- Access to cross-border transactions and banking opportunities
- Greater influence to create a mind shift in banking approaches from collective support of other members
- Medium for product and service innovation
- Platform to develop future leaders via employee exchange programmes or through centralised GABV training and development programmes

Using the GABV Scorecard, moreover, will help us track our performance in embedding value-based banking into our business culture.

FAIR TREATMENT OF EMPLOYEES

The Bank treats all our employees equally and fairly, regardless of race, colour, sex, religion or political opinion. We do not tolerate any form of harassment, ie comments or actions that are unwelcome to the recipient.

In determining the suitability of potential recruits, we are guided by academic qualifications, relevant experience, skills and competencies, and the candidates' track record. Candidates that fulfil criteria within these areas are then required to sit for an internal assessment. Moving forward, the Bank plans to develop a behavioural-based questionnaire to be used during interviews with candidates. This will incorporate questions that reflect the candidates' values, work ethics and leadership potential with emphasis on qualities such as compassion, collaboration, innovation, responsibility, integrity and trust.

Future reporting will include further information on our initiatives related to non-discrimination.

ESG FINANCING

As an Islamic bank, Bank Muamalat abides to BNM guidelines on responsible financing, which requires assessments of a borrower's ability to afford financing facilities based on a prudent debt ratio as an input to credit decisions. At the same time, banks need to ensure that consumers are treated fairly in sales, marketing and transparency of specific information on their financing.

Fundamentally, as an Islamic bank, we operate based on a few core principles; mutual risk and profit sharing between parties, the assurance of fairness for all and transactions are based on underlying business activities or assets. Guided by the Shariah principles, the Bank has also committed no to finance any immoral or harmful activity that could damage or negatively impact the environment or the country's socio-economic fabric.

We recognise that, through responsible financing, we are in a position to create an indirect positive impact on society, and especially on lower and middle-income earners, such as financing the construction of affordable homes. For example, by providing financing to a company involved in the construction of affordable homes, Bank Muamalat would indirectly be helping to improve the standard of living of local communities.

The Malaysian Armed Forces. the military of Malaysia, consists of three branches namely the Malaysian Army, Royal Malaysian Air Force and the Royal Malaysian Navy. Being in the military, we understand how difficult it is for them to do banking services due to their diverse locations and financial preferences. This is one of the reason why most banks are unable to provide comprehensive financial services to the military.

In extending our commitment to advance a positive change in the banking sector, we focus on the army's community as we believe they should also be given equal banking opportunities. With this intention, we tailored our products to suit the financial needs of the army which basically covers their entire life cycle; from the first time they join the army as a recruit up to the point of their retirement.

Starting from making sure that they have savings account, we helped them in consolidating their debt with a special scheme that would allow them to better manage their cash flows. We also do regular financial advisory talks at the Army Camps. Besides that, we offer financing schemes to their wife/ widow and also retired armed forces personnel to ensure that they have sustainable income to support their living. In addition, earlier this year the Bank launched on affordable housing scheme and investment scheme to foster a culture of investing as well as improving their socio-economic status.

RM3.78 billion of our total financing portfolio

was disbursed to identified sectors/ areas within ESG financing categories that is in line with triple bottom line values.

Our ESG financing portfolio currently stands at RM3.78 billion. The portfolio comprises the following:

- Uplifting Socio-Economic of Localised Community (RM3.49 billion)
- Affordable homes (RM262.3 million)
- Healthy lifestyles (RM26 million)
- Preserving natural environment (RM8.36 million)
- Education (RM2.2 million)

We believe that re-orienteering our current definition to include the triple bottom line values of EES impacts, will expand our current portfolio of responsible financing to include other existing projects we currently fund, and endeavor to undertake this exercise next year. We target to increase our financing portfolio that is in line with the triple bottom line to close to RM5.00 billion by FY2019.

TRAINING AND EDUCATION

404-1, 404-2, 404-3

51

Average training hours per year per employee

MBA, PhD, FAA, Talent Management Programmes

offered to upgrade employee skills and enhance career progression

The Bank's 5-year Strategic Business Plan identifies our human capital as a long-term priority. We recognise that to create a high-performance culture, we need to continuously build the capabilities and competencies of our people through professional and personal development programmes. Investment in the professional development of our people is vital to drive the Bank to the next desired level.

The Human Capital Division is responsible for identifying the required skills and competencies of the Bank and assessing the availability of these needs among our workforce. Where there are gaps, appropriate training programmes are designed for targeted employees.

164 sessions of in-house programmes were organised during the year benefitting 9,054 employees. In addition, 376 employees participated in 197 external training programmes.

PROJECT PREVAIL

In FY2018, the Bank initiated Project Prevail to enhance the key elements of **People, Process, Products** and **Performance** in supporting our 5-year Strategic Business Plan. Project Prevail formalises leadership and people development interventions via a comprehensive Talent Development Agenda that aims to:

- Enhance communication and strategic agility
- Develop innovative signature products and services
- Improve performance which is measurable by integrating People and Processes

TRAINING AND EDUCATION

MANAGERIAL COMPETENCY DEVELOPMENT

It is important for us to make sure our employees are always motivated, well-trained and geared for success. Our training and development programmes provided a broader strategic understanding of business, leadership and management skills and had benefitted a total of 535 managers (32.38% of total staff) for the FY2018. Our leadership programmes mainly focused on developing business skills, strategic management workshop and aligning our employees with the 5-year strategic business plan initiatives. As the Bank grows, it has become more committed to further develop the employees' supervisory and leadership skills to ensure they meet the requirement of the organisation.

EXECUTIVE LEADERSHIP PROGRAMME

Continuous learning remains crucial to sustain the capabilities of the Bank's leadership. Among the programmes in FY2018 include:

- Wealth Innovation Tour @ Switzerland – November 2017
- Global Banking Leaders Program at Asian Banking School (Malaysia) and at Cass Business School (UK) - November - December 2017
- GABV Leadership Academy – March 2018

These programmes bring out leadership skills and capacity to support innovation and help the bank to address current challenges. The programmes provide learning journey concept, best practices and state of the art leadership approaches.

Moving forward, the Bank will continue to strengthen its leadership capabilities through various programmes which include the Emerging Banking Leaders Programme, the Cambridge Summer School Programme, the Chartered Banker Programme and the Chartered Institute of Islamic Finance Masterclass.

ORGANISATIONAL LEARNING

The Bank continues to invest in the growth and development of our people. The following are key programmes which were implemented to enhance our capabilities and competencies, and to address skills needed to achieve the targets set out in the 5-year Strategic Business Plan.

NO	PROGRAMME
1	Collaboration with DRB HICOM University: • Doctor in Philosophy ("PhD") • Master of Business Administration ("MBA")
2	Finance Accreditation Agency ("FAA") certification • Regional Managers • Branch Managers • Assistant Branch Managers
3	Mesra Muamalat training
4	Certified Master Sales Professional programme
5	Prince 2 Project Management
6	Mentorship programmes • Trade Finance • Customer Relationship Management ("CRM") System • Foreign Exchange Administration • Risk Based Auditing
7	Development of new e-Learning Programmes • CRISS • 5S • Lean • Cloud based "M-Ease"

PUTTING PEOPLE FIRST

405-1, 405-2, 401-1, 402-1, 402-2

PUTTING PEOPLE FIRST

TOPIC

1. Work-Life Balance
2. Gender Equality

BANK MUAMALAT IS COMMITTED TO DEVELOPING A SUSTAINABLE FUTURE FOR OUR EMPLOYEES AS WE MOVE FORWARD, GUIDED BY OUR 5-YEAR STRATEGIC BUSINESS PLAN. WE HAVE IN PLACE EMPLOYMENT POLICIES THAT DEFINE OUR APPROACH TO HIRING, RECRUITMENT, RETENTION AND RELATED PRACTICES. THESE INCLUDE REWARDING AND RECOGNISING HIGH PERFORMERS AND CARING FOR THE WELL-BEING OF OUR EMPLOYEES. A CONSISTENT ELEMENT OF THIS PLACE IN PRIORITISING THE SAFETY, WELL-BEING AND DEVELOPMENT OF OUR PEOPLE AS THE BANK STRIVES "*TO BECOME THE PREFERRED ISLAMIC FINANCIAL SERVICES PROVIDER*" WHILE EMBODYING OUR CORPORATE CULTURE OF:

Care

Respect

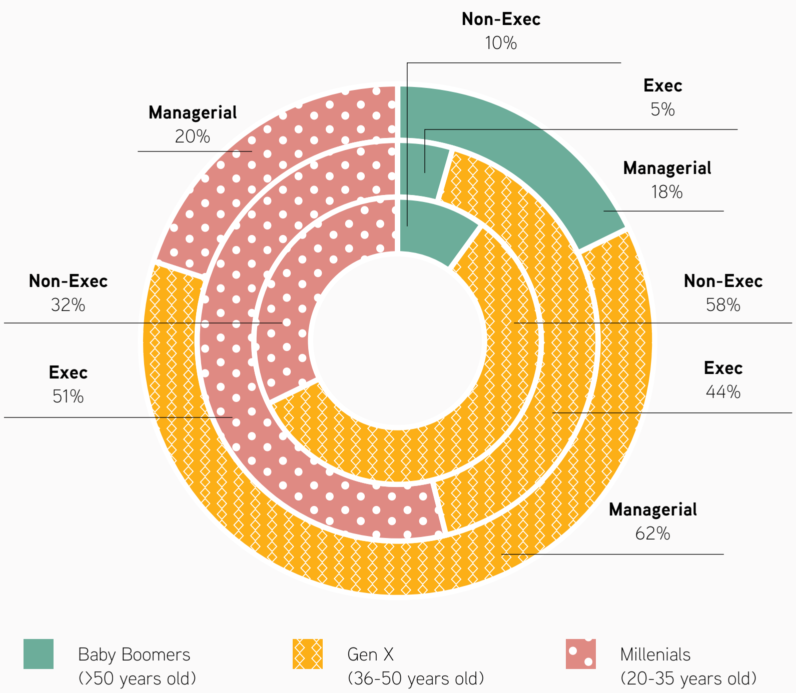
Integrity

Innovation

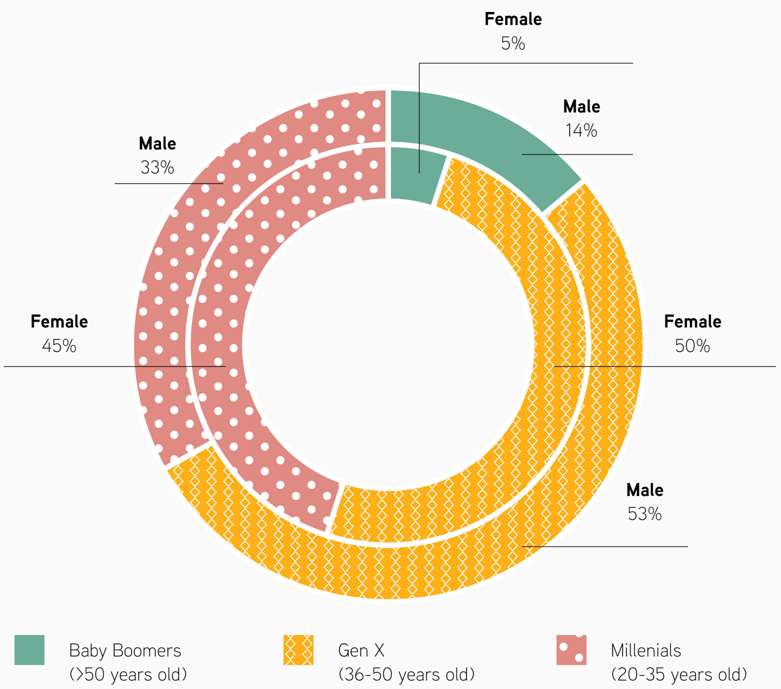
Service Orientation

PUTTING PEOPLE FIRST

EMPLOYEE STRENGTH BY CATEGORY & GENERATIONAL DIVERSITY



EMPLOYEE STRENGTH BY GENDER & GENERATIONAL DIVERSITY



We provide employment to a total of 1,652 individuals, of whom 1,549 are on permanent employment and 103 on contractual employment.

In order to attract and retain the best talent, we offer competitive remuneration packages that include a number of attractive benefits. These include:

- Life insurance
- Healthcare
- Disability and invalidity coverage
- Parental leave
- Retirement provisions
- Compassionate leave
- Other types of leave
- Flexible work arrangements
- Other allowances
- Membership of professional bodies
- Staff financing

GENDER EQUALITY

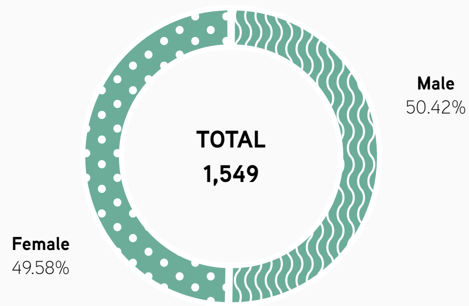
Bank Muamalat is a strong advocate of gender equality. We seek to attract a diverse workforce and provide the same opportunities for recruitment and job progression to all employees, regardless of their gender, age, race, religion or cultural background. We believe in treating everyone equally, based on individual merit, in terms of recruitment, training and job progression.

Because women make up half of the country's talent pool, we recognise that it pays to tap fully into the female segment of job seekers in order to attract the best candidates for the Bank, hence enhance our competitiveness.

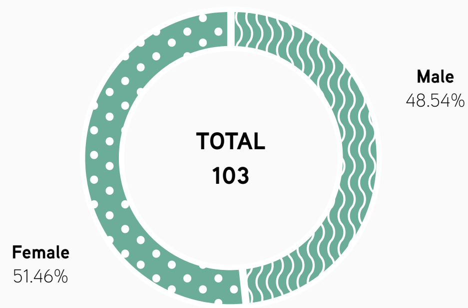
As a measure of our gender impartiality, women make up roughly half (49.58%) of our total workforce. The Bank is also proud to have achieved more than 30% female representation in our senior management. We fully support the government's "30% Club" initiative for women to make up at least 30% of the boards of public listed companies by 2020. Moving forward, we intend to identify more women with the relevant qualifications and experience to serve on our Board of Directors.

Total number of employees by gender in Malaysia:

PERMANENT EMPLOYMENT



CONTRACTUAL EMPLOYMENT



WORK-LIFE BALANCE

To affirm the Bank's commitment to providing employees with a supportive workplace for work-life effectiveness, Flexible Work Arrangement ("FWA") through Staggered Work Hours and Reduced Work Hours were introduced.

Under the FitMuamalat Corporate Wellness Programme, employees actively participate in various sports and wellness activities organised by the Sports & Recreation Club ("SRC") in collaboration with our Corporate Wellness Unit.

The FitMuamalat app was launched in 2018 to support this initiative, enabling the tracking of fitness and wellness activities.

This contributed to a high level of engagement across divisions through formal and informal activities, strengthening team spirit within and between divisions. We estimate around 90% of employee engagement through this initiative.

Health and Wellness Week 2018, themed *Health is Wealth*, was held for five days in March 2018 with a total of 30 participating vendors. The event included a briefing and demonstration by Third Party Administrator (TPA) on their app for online claims submission, launch of Pharmacy Benefits Management for those under long-term medication, health screenings, health talks and promotion of healthy products, foods and beverages.

Overall, there was a high level of employee engagement at the Bank through various sports and recreational activities (cycling, marathon, indoor games, etc) and Corporate Social Responsibility (CSR) events. By encouraging an active lifestyle among our employees, their health and well-being results in enhanced business productivity through reduced absences, improved Takaful premiums and better employee relationships.

187 employees (11%)

have benefited from FWA since its implementation in March 2018.

880 lost man-days (8%)

marking lower absences due to illness as compared to the previous year.

90% of employees

registered and recorded their participation in activities and programmes approved by the Sports Recreation Club.

SUPPORTING COMMUNITIES AND ENTREPRENEURS

413-1, FS7, FS13, FS14

SUPPORTING COMMUNITIES AND ENTREPRENEURS

TOPIC

1. Community Development
2. Entrepreneur Development
3. Financial Inclusion

COMMUNITY DEVELOPMENT

We believe in empowering local communities through programmes that create positive impact. This is reflected in two of our 5-year Strategic Business Plan pillars: to position Bank Muamalat as the banker of choice for local communities; and being recognised as a socially responsible bank. Building on these two pillars, much focus is directed towards community initiatives, especially where there is a high concentration of our customers.

One of our key target audiences is the armed forces community, who we believe are not given equal banking opportunities by other financial institutions due to their modest income level and lack of financial literacy. We enhance the financial literacy of members of the armed forces through briefings and training in areas such as financial planning, debt management and investment. Going a step further, Bank Muamalat sponsors an education fund for children of armed forces personnel and provides financial aid for mass weddings as well as the armed forces' sports and recreational clubs.

SUPPORTING COMMUNITIES AND ENTREPRENEURS

Bank Muamalat also contributes significantly to the Wakaf network by providing access to *wakaf* and *zakat* recipients. Through partnerships with Perbadanan Wakaf Selangor ("PWS") and the Religious Councils of Negeri Sembilan and Kelantan, we have developed a platform for the public to donate to the underprivileged. This year, we took our *wakaf* contributions a step higher by integrating it with a new business product – Aisya – which we believe is the world's first Shariah-compliant debit card. For every ringgit of income that the Bank receives from fees imposed on usage of the debit card, we contribute 10% to Wakaf Selangor Muamalat.

We carry out *dakwah* (preaching) activities to enhance the spiritual well-being of Muslims by conducting talks on religion, and participate actively in Forum Perdana Hal Ehwal Islam, a weekly forum-based tv show on RTM1 revolving around current Islamic-based topics.

In addition, we give to communities in need in different ways. Highlights of our Corporate Responsibility ("CR") calendar in FY2018 include the following:

- Installation of fences for 100 families in Sabah.
- Donation of three dialysis machines to a small dialysis centre in Kelantan.
- Outing to the Little Kingdom at Maju Junction, Kuala Lumpur, for 24 children from Orkids – a non-profit organisation that provides primary school support for children diagnosed with Down Syndrome.
- RM10,000 contribution to wash the *telekung* belonging to a *surau* under the management of Rapid Rail Sdn Bhd, while donating new *telekung*, prayer mats, *tasbih* and slippers to 74 surau around Kelana Jaya/Ampang and the monorail station.
- Iftar with more than 450 guests at Masjid Jamek Bandaraya, Kuala Lumpur, that included children from Maahad Tahfiz Al-Bayan and Asyura Charity Center who received bags and *duit raya*. Mattresses and duit raya were also presented to each of the less fortunate around the Masjid Jamek area.
- Collaboration with KFC and the Malaysian Red Crescent Society ("MRCS") to present RM100 and basic necessities to each of 150 underprivileged folk in Johor Baru at an event held at Masjid India.
- Distribution of school supplies to 262 students at an event held at the Bank's headquarters in Kuala Lumpur. Each student received RM400, consisting of RM350 in school supplies and RM50 cash.

As a bank, we also leverage our resources to offer micro-financing to pensioners, and scholarships to deserving students. Going a step further, we contribute to Roving Clinics that serve remote communities in Sabah and Sarawak.

In the future, the sphere of our local community will be extended to include local SMEs who serve as vendors or suppliers to the Bank's existing customers. We have set a microfinancing target of RM2.5 million by FY2019 and are confident of being able to achieve this, further underlining our commitment to creating positive social outcomes. We also plan to blend wakaf services with more of our business products.

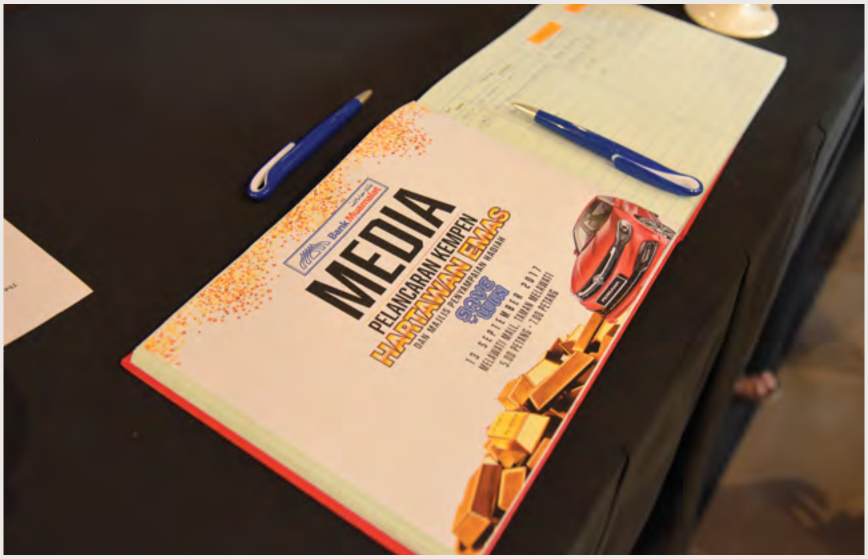
As part of our effort to conserve, maintain and preserve the state of the environment for a better place for future generations ahead, we have initiated the first corporate programme that involved the propagation of sea coral reefs. Selakan Island near the Tun Sakaran Marine Park was chosen.

Avid divers of the Bank 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 within the area of a plot of seabed that has been named as Bank Muamalat Sea Coral Park.

This initiative will be an on-going effort in preserving our current environment as we continue to search for other suitable locations and partners.

RM3.37 million contributed to various institutions under health and education sector by Wakaf Selangor Muamalat

Investments in local community engagement and development programmes



ENTREPRENEUR DEVELOPMENT

Small and Medium Enterprises (SMEs) have been identified as a growth area for the Bank, given the potential of this sector and to support the government's agenda of optimising SMEs' contribution to the economy. Focus on this sector further reinforces our positioning as a value-based bank because it contributes directly to the real economy, with most SME products providing solutions to daily consumer needs.

We are driven to nurture, groom and develop local SMEs to become competitive, resilient and sustainable in the domestic and global markets. Given that a large number of small and medium-sized enterprises lack the credentials to obtain funding, there is a particular need to look into mechanisms that provide them access to some much-needed capital without incurring high risks.

Towards this end, we have introduced several financing packages targeted specifically for SME retail businesses, such as BiZStar-I which addresses their property and expansion needs.

We also collaborate with government agencies such as MARA, Credit Guarantee Corporation ("CGC"), Prokhas, Bank Negara Malaysia ("BNM") and SME Corporation to improve the credit standing of SMEs. To date, a total of RM47 million in financing has been approved for SMEs under various collaboration schemes.

Moving forward, we seek to promote the smaller local businesses and entrepreneurs within the SME sector that serve as vendors or suppliers to existing Bank Muamalat customers. Such outfits often are unable to carry out their business until they receive payments from their clients. Through our value chain financing approach, we will help to provide this underserved community with the necessary 'seed' funds to get their businesses going.

FINANCIAL INCLUSION

We seek to ensure that all individuals and businesses have access to quality and affordable financial products and services that meet their needs; and to deliver these in a responsible and sustainable way. These initiatives are in line with Bank Negara Malaysia ("BNM")'s Value Based Intermediation ("VBI") and Financial Sector Blueprint 2011-2020.

In this regard, we ensure our services are accessible even in low-populated or economically disadvantaged areas, with 25% of our branches placed to provide this access.

Low populated or disadvantaged areas are defined by areas that have low income population but with high economic activities as well as areas that are lack of social and public facilities.

PERCENTAGE OF BRANCHES AVAILABLE IN LOW-POPULATED OR ECONOMICALLY DISADVANTAGED AREAS (BY REGION)

REGION	%
Central	5.26
Northern	25.00
Southern	20.00
East Malaysia	50.00
East Coast	50.00

RM48 million

Monetary value of products and services designed to deliver a specific social benefit categorized by its purpose for each business line

25% of branches

Access points in low-populated or economically disadvantaged areas by type

OPERATIONAL EXCELLENCE

302-1, 302-4

OPERATIONAL EXCELLENCE

TOPIC

1. Digital Banking
2. Energy
3. Procurement Practices

DIGITAL BANKING

Rapid development of digital technologies is changing the way organisations operate and how we interact with our customers. Within the financial services industry, digital processes are replacing conventional systems for greater efficiencies while online channels are enabling more convenient, value-added services that create a better customer experience.

Recognising the importance of digital technologies, we have incorporated digitalisation as one of the five pillars of our 5-year Strategic Business Plan (please also refer to the Consumer Banking and Deposits and Marketing sections, on pages 42 to 46 and pages 54 to 55 of this report). Our aim is to build our internal capability for greater customer experience and accessibility using digital systems to enhance our customer engagement and diversify our product offerings.

One of our core digital platforms is our Customer Relationship Management ("CRM") System. This front-end solution integrates customer feedback from all relevant touchpoints, providing us with significant data on our customers' experience in interacting with and through the Bank.

In terms of products and services, in FY2017 we introduced online banking. This year, we further enhanced our Retail Internet Banking ("RIB") and Corporate Internet Banking ("CIB"), achieving 60% of the improvements we had set. Further digitalising our services, in August 2017 we launched a mobile app that provides a number of useful functions for our customers, including the ability to: 1) check their bank balance; 2) perform bank transfers; 3) pay bills; 4) reload their prepaid cards; and 5) perform online shopping. Through the mobile app, customers can also determine prayer times, locate the nearest Bank Muamalat branch, use an in-built financial calculator, and contribute towards charities.

We strive to keep enhancing our digital transformation to engage more efficiently with our customers and suppliers. In particular, we aim to improve the turnaround time of key core banking processes, and to leverage our data through analysis to gain a better understanding of our customers' profiles, demographics and behaviours. Such data will enable us to fine-tune our products and services to offer greater value to our customers thus strengthening their loyalty to the Bank.

At the same time, greater use of digital systems and processes will contribute to other efforts by Bank Muamalat to protect and preserve the environment, as we move towards a cashless and paperless environment.

ENERGY

Although financial institutions are not among industries that consume large amounts of energy, we believe we still have a role to play in better managing energy usage within our premises to contribute towards global efforts to address climate change and related environmental issues.

> **"15% OF 67 INITIATIVES CARRIED OUT DURING THE YEAR WERE INVESTMENTS OR INITIATIVES RELATED TO DIGITAL BANKING"**

Various initiatives are being undertaken to reduce the Bank's carbon footprint. This includes the Bank's effort to go for paperless meetings by uploading meeting materials in a portal. We also replaced conventional lighting tubes and bulbs in our premises with energy-saving LED lights as part of our initiative to reduce energy consumption. The initiative on its own helped us to reduce the electricity consumption by 1.2% in FY2018, saving between 3% and 5% in energy cost compared to the previous financial year.

FY2018: Electricity Usage: 4,353.1 KwH (RM2,183,715.27)

FY2017: Electricity Usage: 4,405.8 KwH (RM2,468,485.44)

We are in the midst of launching a tracking system to monitor the usage of electricity, water and other resources and as a start, we will initiate it in HQ building first. In the long term, we will continue to adopt new technologies to become a greener and more energy efficient organisation.

88%

of the Bank's procurement budget used to support local suppliers

RM46.9 million

spent on local suppliers in FY2018

PROCUREMENT PRACTICES

We rely on vendors to provide us with a range of goods and services such as digital solutions, office equipment, furniture, renovation works and other services that are necessary to the Bank's operations. Given the importance of the role they play, we value our vendors and seek to maintain procurement processes and practices that are transparent and fair to ensure a healthy and sustainable supply chain.

Various initiatives have been implemented to create a conducive environment for our vendors and enhance their level of satisfaction in working with Bank Muamalat. They include efforts to improve our turnaround time for delivery and payment processing. Shorter processing times result in prompt payments which, in turn, promotes more competitive rates and better service delivery.

We strive to be transparent in our evaluations with continuous improvements in the selection process. There is a shift from price-per-piece towards total cost of ownership (TCO) and best value.

We recognise that more can be done to further improve our procurement framework, and have several initiatives in the pipeline. These include:

- *Improving the performance of existing vendors*. We seek to enhance our vendors' performance through more focused engagement and performance evaluation by actively monitoring services rendered to ensure high quality products and services. Information from the evaluation will help us build stronger relationships with key vendors for enhanced collaboration to realise value.
- *Improving our vendor selection*. We plan to leverage technology during the vendor selection process by having a more structured data management system for vendor evaluation.
- *'Greening' our supply chain*. We plan to include 'green criteria' in the vendor selection process and involve our vendors in environmental initiatives carried out by the Bank.
- *Engage vendors in community programmes*. In this manner, we hope to strengthen our vendor relationships while building the social impact of our business.

GRI CONTENT INDEX

EES	MATERIAL ISSUES	GRI INDICATORS
Economic	Compliance	419-1: Non-compliance with laws and regulations in the social and economic area
		307-1: Non-compliance with environmental laws and regulations
	Economic Performance	201-1: Direct economic value generated and distributed
		201-3: Defined benefit plan obligations and other retirement plans
	Ethics and Integrity	205-3: Confirmed incidents of corruption and actions taken
	Entrepreneur Development	FS7: Monetary value of products or services designed to deliver a specific social benefit for each business line broken down by purpose
	Procurement Practices	204-1: Proportion of spending on local suppliers
Environment	Energy Consumption	302-1: Energy consumption within the organisation
		302-4: Reduction of energy consumption
Social	Community Development	413-1: Operations with local community engagement, impact assessments and development programs
	Customer Experience	418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data
	Diversity and Equal Opportunity	405-1: Diversity of governance bodies and employee
		405-2: Ratio of basic salary and remuneration of women to men"
	Employment	401-1: New employee hires and employee turnover
		402-1: Minimum notice periods regarding operational changes
		401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees
	Financial Inclusion	FS13: Access points in low-populated or economically disadvantaged areas by type
		FS14: Initiatives to improve access to financial services for disadvantaged people
	Non-Discrimination	406-1: Incidents of discrimination and corrective actions taken
	Responsible Financing	(none) suggested measure: Percentage of financing disbursed to identified sector/ new growth areas/other areas within responsible financing categories (e.g. solar financing for homes, hybrid car financing)
	Training and Education	404-1: Average hours of training per year per employee
		404-2: Programs for upgrading employee skills and transition assistance programs
		404-3: Percentage of employees receiving regular performance and career development reviews

WAKAF MUAMALAT

Wakaf Muamalat is a service provided by Bank Muamalat in collaborations with Religion State Councils to ease customers in contributing to waqf funds of respective states. The first collaboration was between Bank Muamalat and Perbadanan Wakaf Selangor, the first collaboration in the country between a bank and a government body in collecting and managing waqf fund for the state. Recently launched in FY18 was Wakaf MAIK Muamalat, a collaboration with Kelantan Religion State Council and also Wakaf Negeri Sembilan, a collaboration with Perbadanan Wakaf Negeri Sembilan. For the time being, the Bank will continue to report on Wakaf Selangor Muamalat and moving forward activities recorded for Wakaf MAIK Muamalat and Wakaf Negeri Sembilan will be included accordingly.

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 2018, total wakaf fund collected was RM 20,399,277.45 while total collection for FY 2018 alone was RM 3,213,428.08. To date, WSM through its Joint Management Committee ("JMC") between Bank Muamalat and Perbadanan Wakaf Selangor ("PWS"), has approved RM 5,791,271.15 and RM 11,100,844.20 was disbursed on wakaf projects.

Chart 1: Monthly collection of WSM Fund from April 2017 to March 2018

MONTH	RM
Apr '17	321,537.16
May	222,541.37
Jun	1,032,558.96
Jul	168,082.14
Aug	177,229.65
Sept	168560.38
Oct	200,028.45
Nov	172,735.01
Dec	197,504.03
Jan'18	243,779.43
Feb	177,908.65
Mar	130,965.85
TOTAL	3,213,428.08

During the FY2018, WSM contributed a total of RM 3,369,936.26 (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	Sekolah Rendah Agama Bandar Seri Putra	Roofing	20,000.00
2	St John Ambulans	AED Machines	27,984.00
3	Pusat Endoskopi PPUKM	Endoscopy Machine	791,000.00
4	PPUKM Cheras	Diabetic Ward	257,316.80
5	Pusat Dialisis Tuanku Syed Kangar	Dyalisis Machine	178,928.00
6	Klinik Wakaf An-Nur	Dyalisis Machine	178,928.00
7	Pusat Dialisis Ar – Rahmah Bachok	Dyalisis Machine	126,600.00
8	KOPUTRA	Building	650,000.00
9	Hospital Kuala Lumpur	Ultrasound Machines	138,330.00
10	Pusat Dialisis MAIS YIDE	Dyalisis Machine	241,680.00
11	Hospital Selayang	Ultrasound Machines	265,000.00
12	Yayasan Kanser Tunku Laksamana Johor	Chairs	16,700.00
13	Angkatan Tentera Malaysia	Bus	708,080.00
14	SRAI Tengku Ampuan Fatimah Klang	Computers	19,500.00
15	Maahad Hafiz Sg Pinang Klang	Computers	19,500.00
		Total contribution	3,639,546.80

TABUNG MAWADDAH

The Bank values the concept of giving back to the community as it is in line with its aspiration to be a socially responsible bank. Through Tabung Mawaddah, the Bank is committed to distribute its fund in helping the most vulnerable members of the society that is categorized as per Shariah principles. 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 of caring in creating a harmonious society
- to practice the teaching 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 FY2018 are described as below.

Fakir	RM159,100.00
Miskin	RM292.490.00
Fi-sabilillah	RM1,412,257.98
Muallaf	RM9,000.00
Sadaqah	RM41,928.94

Notes: *
Fakir – Poor
Miskin – Needy
Amil – Zakat Collectors
Muallaf – recent converts to Islam
Riqab - slavery
Gharimin - those who have incurred overwhelming debts while attempting to satisfy their basic needs
Fi-sabilillah - Those fighting for a religious cause
Musafir - wayfarers

BOARD OF DIRECTORS

Ghazali Haji Darman	Dato' Haji Mohd Izani Ghani	Dato' Sri Che Khalib Mohamad Noh	Dr Azura Othman	Julaida Jufri (Company Secretary)	Tan Sri Dato' Dr Mohd Munir Abdul Majid

Dato' Haji Mohd Redza Shah Abdul Wahid	Dato' Azmi Abdullah	Dato' Haji Kamil Khalid Ariff	Dato' Haji Che Pee Samsudin	Dato' Ibrahim Taib
▲	▲	▲	▲	▲

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.

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.

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.

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 continues the long association with his alma mater as Visiting Senior Fellow at the Centre for International Affairs, Diplomacy and Strategy where he started the Southeast Asia International Affairs Programme and headed it until 2012. He is an Associate of Southeast Asia Centre (SEAC) at LSE. 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 has been Chairman of Asean Business Advisory Council, Malaysia and of CIMB Asean Research Institute since February 2014. His deep involvement in Asean business advocacy is also reflected in his position as President Asean Business Club. He is a member of the Board of the Institute of Strategic and International Affairs (ISIS) Malaysia and is a Director of Silverlake Axis Limited as well as of Handal Resources Berhad. A member of Bank Negara Malaysia's Financial Services Talent Council, Dr. Munir has also been chairman of the Financial Services Professional Board since 2016. He is a Fellow Chartered Banker of the Asian Institute of Chartered Bankers.

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 & Remuneration and Veto Committees.

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.

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. 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, 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' Sri Che Khalib is currently the Group Managing Director of MMC Corporation Berhad.

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 Nomination & 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 International Airport.

DATO' IBRAHIM TAIB

Non-Independent Non-Executive Director

Dato' Ibrahim Taib was appointed as Non-Independent Non-Executive Director of Bank Muamalat nominated by DRB-HICOM Berhad on 29 March 2018. He is a member of Board Audit, Board Risk Managament Committees & Board Digital Committees.

Dato' Ibrahim Taib holds a Bachelor of Laws (Honours) Degree from the University of Malaya and a Master of Laws from the University of London.

He started his career in the judicial service in 1978 as a Magistrate in the Magistrate Court, Jalan Duta, Kuala Lumpur. Thereafter, he was transferred to the Magistrate Court in Segamat, Johor. In 1982, he became a Legal Advisor with the Road Transport Department; and continued in the same role in the Ministry of Human Resources in 1986.

In October 1989, he was attached to the Attorney-General Chambers as a Deputy Public Prosecutor for Selangor. In 1992, he served as a Judge in the Sessions Court, Kota Bharu. In July 1992, he was seconded to the Employees Provident Fund ("EPF") as Head, Legal Department. He retired as the Deputy Chief Executive Officer (Operations) of EPF on 4 October 2014 but remains as the nominee Director of EPF in DRB-HICOM Berhad until 26 May 2017.

He is currently an Independent Non-Executive Director of DRB-HICOM Berhad.

BOARD OF DIRECTORS PROFILE

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 and member of Board Audit Committees.

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.

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.

He also sits as a Director in Kumpulan Wang Persaraan (Diperbadankan), ECS Solution Sdn Bhd, Transnational Insurance Broker Sdn Bhd, Ireka Corporation Berhad and Bayo Pay Sdn Bhd.

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 and a member of Board Risk Management and Board Digital 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 full time employment 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. 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 currently Chairman of Liberty Insurance Berhad, Gibraltar BSN Life Insurance Berhad, Awan Inspirasi Sdn Bhd and several other private companies.

BOARD OF DIRECTORS PROFILE

DR AZURA OTHMAN

Independent Non-Executive Director

Dr. Azura was appointed as an Independent Non-Executive Director of Bank Muamalat on 24 April 2015. She is currently the chairman of Board Nomination & Remuneration & Board Audit Committees, and member of Board Risk Management Committee.

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 Chartered Institute of Islamic Finance Professionals (CIIF). She received her PhD in Islamic Finance from the International Centre of Education in Islamic Finance (INCEIF).

She was a former Executive Director of PricewaterhouseCoopers 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 (MIFC).

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.

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 Board Digital and a member of Board Nomination & Remuneration and Board Audit Committees of the Bank.

He graduated with a Bachelor of Arts in Accounting from University of Canberra, Australia. He was a world-wide partner and director in Accenture, specializing in financial industry and later leads the government market practice.

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 the Commissioner for PT Praisindo Teknologi, Jakarta which specializes 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.

At present, he is an Independent Non Executive Director of Bursa Malaysia Berhad and a member of the Audit Committee, Risk Management Committee and Market Participation Committee (regulatory committee).

BOARD OF DIRECTORS PROFILE

DATO' HAJI CHE PEE SAMSUDIN

Independent Non-Executive Director

Dato' Haji Che Pee Samsudin was appointed as Independent Non-Executive Director of Bank Muamalat on 29 March 2018. He is a member of Board Audit, Board Nomination & Remuneration and Veto Committees.

Dato' Haji Che Pee holds a Bachelor Honours Degree in Accounting from Universiti Kebangsaan Malaysia. He is a member of Chartered Accountant of Malaysian Institute of Accountant (MIA) and Association of Chartered Certified Accountants (ACCA).

He was the Accountant General of Malaysia and retired in October 2017. He held directorship in various agencies and government bodies such as Amanah Raya Berhad, Malaysian Accounting Standard Board, Inland Revenue Board of Malaysia, Malaysian Institute of Accountants and Public Sector Home Financing Board. He began his career as an Accountant in the government sector since 1982. His extensive experience includes serving at various government divisions including Ministry of Finance, Langkawi Development Authority (LADA), Malaysian Institute of Islamic Understanding (IKIM), Economic Planning Unit in Prime Minister's Department and Perbendaharaan State of Kedah as the State Treasurer for nine (9) years.

Dato' Haji Che Pee was appointed as Board Member of Kumpulan Wang Persaraan (Diperbadankan) (KWAP) from 1 March 2016 until October 2017.

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 sits on the Board of Raeed Holdings Sdn Bhd and also Board of General Council for Islamic Banks and Financial Institutions (CIBAFI).

SHARIAH COMMITTEE PROFILE

YM ENGKU AHMAD FADZIL ENGKU ALI

Nationality	Age	Committee since
Malaysia	**49**	**2005**

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 Laws 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 Laws 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

Nationality	Age	Committee since
Malaysia	**54**	**2003**

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 since December 2003. His specialization areas are in Islamic Economics and Islamic Civilization. He also has 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 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. Besides, he serves as a Member of Shariah Committee for Koperasi Pos (KOPONAS) and a Member of Shariah Committee for Koperasi Universiti Kebangsaan Malaysia (Koperasi UNIKEB). 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.

TUAN HAJI AZIZI CHE SEMAN

Chairman

Nationality	Age	Committee since
Malaysia	**46**	**2005**

Ustaz 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 Malaysia Berhad since 1st April 2005. Until now, he is entrusted to be the Chairman for the Bank's Shariah Committee. He has been appointed as Shariah Advisor of AIBIM. He holds a Master Degree in Economics from International Islamic University of Malaysia in 2001 and a Bachelor of Islamic Studies from University Malaya in 1996. His specialization areas are in Islamic Capital Market, Islamic Economics, Fiqh Muamalat and Islamic Research Methodology.

DR. AB. HALIM MUHAMMAD

Nationality	Age	Committee since
Malaysia	**73**	**2009**

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 Security Commission and a 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.

DR. WAN MARHAINI WAN AHMAD

Nationality	Age	Committee since
Malaysia	**47**	**2012**

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.

TERMS OF REFERENCE OF SHARIAH COMMITTEE

OBJECTIVE/ PURPOSE

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

AUTHORITY

These terms of reference are governed by the Islamic Financial Services Act ("IFSA") 2013, including any amendments 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
Shariah Committee members are expected to understand that, in the course of discharging their duties and responsibilities, they are to act in accordance with all laws and regulations relevant to the Shariah Committee. They are, moreover, responsible and accountable for all Shariah decisions, opinions and views provided by them.

(2) Advise the Board, Bank Muamalat and its subsidiaries
The Shariah Committee is expected to advise the Board, Management and Bank Muamalat's subsidiaries and provide input to Bank Muamalat on Shariah matters in order for the Bank 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 documentation
To ensure that all Bank Muamalat products comply with Shariah principles, the Shariah Committee must approve:

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

(5) Assess work carried out by Shariah review and Shariah audit
The Shariah Committee is to assess work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters, as part of its duty to provide assurance on Shariah compliance and related matters in the annual report.

(6) Assist related parties on Shariah matters
Bank Muamalat's related parties, such as its legal counsel, auditor or consultant, may seek advice on Shariah matters from the Shariah Committee, which is expected to provide the necessary assistance.

(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 cannot be resolved.

In cases where there are uncertainties or differences of opinions, Bank Muamalat may seek advice from the SAC and refer to its recommendation. 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 regulations and decisions made by the SAC or the committee they represent. They are required to respect and observe published Shariah regulations issued by the SAC and shall not go against the decisions of the committee that they represent in public.

In cases of disputes or court proceedings related to Islamic financial business or any Shariah issue arising from Bank Muamalat's business operations, both the court and the arbitrator shall take into consideration the published regulations of the SAC or refer such issues to the SAC for its recommendation. Any decision 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 that of the SAC, the SAC's ruling 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 the SAC for new product approvals.

(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) Provide assurance to Bank Muamalat's shareholders and depositors that all activities undertaken by the Bank 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 staff as well as notes or relevant materials for their reference.

(15) Represent Bank Muamalat and attend meetings with the SAC or other relevant bodies concerning any Shariah issue relating to Bank Muamalat.

(16) The Shariah Committee shall maintain the confidentiality of Bank Muamalat's internal information, except when disclosure is authorised by Bank Muamalat or required by law.

(17) The Shariah Committee shall ensure the quality and consistency of the Bank's Shariah decisions.

SENIOR MANAGEMENT

SENIOR MANAGEMENT PROFILE

PEERMOHAMED IBRAMSHA

Chief Operating Officer, Retail Business & Operations

Current Position

- Chief Operating Officer for Retail Business & Operations
- Operations Division, Consumer Banking Division, Affluent Banking Card Business, Deposit, Wealth Management and Transactional Banking

Qualifications

- Member of Malaysian Institute of Accountant
- Fellow Certified Practicing Accountant (FCPA) with CPA Australia
- Bachelor's Degree in Accountancy

Experiences

- Chief Operating Officer – Operations (Bank Muamalat) until November 2016
- Chief Financial Officer (CFO) (Bank Muamalat) until October 2014
- CFO of Alam Flora Sdn Bhd for approximately 2 years
- CFO of Glenmarie Properties Sdn Bhd and its group of companies for approximately 10 years

HAFNI MOHD SAID

Executive Vice President, Finance Division

Current Position

- Executive Vice President (EVP) of Finance Division, Bank Muamalat Malaysia Berhad. EVP of Finance also assumes the Head of Reporting position for the Bank
- In charge of Finance Division, Data Quality, Treasury Processing & Settlement, Legal and BNM Statutory Reporting functions.

Qualifications

- Master in Business Administration (Finance) from Universiti Putra Malaysia
- Bachelor of Commerce (Accounting) from Dalhousie University, Halifax, Canada

Experiences

- Joined Bank Muamalat Malaysia Berhad in July 2010 as the Chief Internal Auditor before joining Finance Division of the Bank in October 2014 as the EVP of Finance Division

SENIOR MANAGEMENT PROFILE

ABDUL RAZAK BIN MOHAMED ISMAIL

Chief Technology Officer, Information Communication & Technology Division

Current Position

- Chief Technology Officer, Information Communication & Technology Division
- Head of Digital Banking Division
- Member of Management Committee, Information Technology Steering Committee (ITSC), and Digital Board Committee

Qualifications

GCE A-Level

Experiences

- Executive Vice President of Project Monitoring Office at RHB Bank
- Thirty five (35) years of experience in the areas of Information Technology (IT) and banking

ADINOR MOHAMED YUNUS

Chief Economist

Current Position

- Chief Economist, providing strategic policy advice and strengthening Balance Sheet management approaches
- Member of the Management Committee, IT Steering Committee, Asset Liability Management Committee, Credit Committee and Investment Committee

Qualifications

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

Experience

- Spent more than 20 years in the Treasury and Capital Markets at various banks in Kuala Lumpur and Jakarta
- Head of Group Treasury at Bank Pembangunan Malaysia Berhad, prior to joining Bank Muamalat in 2011

AZLIZA ABDUL RAHMAN

Executive Vice President, Human Capital Division

Current Position

- Executive Vice President, Human Capital Division, and currently overseeing the following portfolios:-
  - HR Operations & Services
  - Learning & Development
  - Rewards & Corporate Governance
  - Performance Management & HR Services
  - Industrial & Employee Relations
- Member of the Management Committee (MANCO) of Bank Muamalat

Qualifications

- Master of Arts in Human Resource Management from the University of Hull, United Kingdom in 1996
- Advanced Diploma in Business Administration (Transport) from Institut Teknologi Mara (now known as UiTM) in 1985

Experiences

- Group Head-Human Capital, Kuala Lumpur Airport Services (KLAS) Group (now known as Pos Aviation Sdn Bhd), a subsidiary of DRB HICOM, from 2014 to 2016 with an oversight on Human Capital of KLAS Sdn Bhd, Konsortium Logistics Sdn Bhd (Pos Logistic) and DRB-HICOM Asia Cargo Express (Pos Asia Cargo)
- General Manager - Human Capital of DRB-HICOM Group from 2012 to 2014 and supervised the 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
- Member of the Group Risk Management Committee, OSH Council & Steering Committee for International College of Automotive Malaysia (CAM) (now known as DRB-HICOM University of Automotive Malaysia)
- Head of Human Resources & Administration with Uni Asia Life Assurance Berhad (now known as Gibraltar BSN Life Berhad)
- Management Trainee with Federal Auto Holdings Berhad in 1985 and was the Head of Human Resources and Administration before she left the company in 1995
- Served 16 years in financial institution and garnered 27 years of solid experience in Human Resources Management, covering HR Strategy and Communications, Total Remuneration Management, Succession Planning and Leadership Development

NOR HAMIDAH BINTI ABU BAKAR

Senior Vice President, Business Banking Division

Current Position

- Senior Vice President, Business Banking Division at Bank Muamalat Berhad. The Business Banking Division oversees six departments namely Corporate Banking, Regional & Commercial Banking, Investment Banking, Trade Finance, Musyarakah Property Investment and Business Development and Strategic Liaison
- Member of the Management Committee and the Asset-Liability Committee (ALCO) of the bank

Qualification

- Executive Masters in Management from the Asian Metropolitan University
- In August 2015-2016, she successfully completed the DRB Hicom Top Talent Development Program
- Economics graduate from the International Islamic University Malaysia (IIUM)

Experiences

- Acting Head of Business Banking Division in 2015 and was subsequently promoted to be the Head, Business Banking Division in 2016
- Joined Bank Muamalat as Head, Syndication, and a section that was exclusively set up for her
- More than twenty years of vast experience in banking, with a career starting in RHB Bank Berhad Corporate Banking Division

SENIOR MANAGEMENT PROFILE

AZIM SELVA

Chief Risk Officer

Current Position

- Chief Risk Officer
- Member of the Management Committee, Executive Risk Management Committee, Investment Committee, Management Audit Committee and Asset-Liability Committee (ALCO)
- Permanent invitee / attendee of the Board Risk Management Committee, Board Audit Committee and Credit Committee

Qualifications

- Masters in Law degree from the University of Bristol, England
- Law Graduate from the University of Leicester, England and has been admitted to practice in both the High Courts of Malaya and New Zealand

Experience

- More than twenty (20) years of working experience in the financial services industry, both as a consultant and a banker

MUHAMAD RADZUAN BIN AB RAHMAN

Senior Vice President, Credit Management Division

Current Position

- Senior Vice President – Credit Management Division. In Credit Management Division, he oversees Financing Supervision & Rehabilitation Department (FSRD), Monitoring, Collection & Recovery Centre (MCRC), Centralized Collection Centre (CCC), as well as Credit Operations Department.
- Member of Management Committee (MANCO), Credit Committee (CC), Management Audit Committee (MAC) & also Executive Risk Management Committee (ERMC)
- Presently holding the chairmanship of Tabung Mawaddah

Qualification

- Bachelor of Business Administration (BBA) in Management from West Texas A & M University, USA
- Masters in Business Administration (MBA) from National University of Malaysia (UKM)

Experience

- 27 years of banking experience in Banking Operations & Remittances, Trade Finance, and the most in Credit under various capacities and positions
- Head of Retail Approving Centre (RAC) before changing his portfolio to collection and recovery under Consumer Financing, Supervision and Recovery Department
- Joined Malaysia Building Society Berhad (MBSB), Southern Finance Berhad and Southern Bank Berhad
- Started his career in the bank as a Branch Manager for Jalan Tuanku Abdul Rahman branch
- Banking career started way back in 1991 as Management Trainee in Bank Bumiputra Malaysia Berhad

STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS OF BANK MUAMALAT ("THE BOARD") ACKNOWLEDGES THAT GOOD CORPORATE GOVERNANCE FORMS THE CORNERSTONE OF AN EFFECTIVE AND RESPONSIBLE ORGANISATION.

The Board is fully committed to key corporate governance principles as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") as well as the Policy document on Corporate Governance for Licensed Islamic Banks issued by Bank Negara Malaysia ("BNM CG") and the Companies Act 2016 ("CA 2016").

Bank Muamalat's Policy on Corporate Governance ("the Policy") and practices were developed based on the CA 2016, MCCG 2017 and BNM CG.

The Board strives continuously to adopt best practices in maintaining the Board and Management's accountability and integrity. With the right leadership, policy, strategy and internal controls in place, the Board ensures Bank Muamalat delivers and sustains its value propositions for the benefit of our stakeholders while progressing towards Bank Muamalat's aspiration to become the preferred Islamic financial services provider.

BOARD OF DIRECTORS

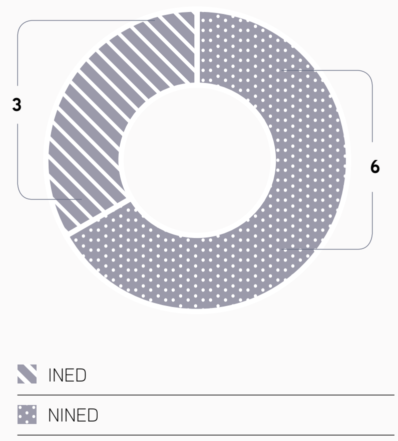
Board Structure & Composition

The present size and composition of the Board is well balanced, providing the stability, continuity and commitment as well as the capacity required to discharge its responsibilities effectively.

The Board's 10 members comprise our CEO/ Executive Director and nine Non-Executive Directors, of whom six are Independent Non-Executive Directors ("INEDs"). The Non-Independent Non-Executive Directors ("NINEDs") represent our shareholders, namely DRB-HICOM Berhad and Khazanah Nasional Berhad ("Khazanah"). The current Board composition complies with the BNM CG as a majority of its members are Independent Directors.

During the financial year, Bank Muamalat appointed Dato' Haji Che Pee Samsudin as an Independent Non-Executive Director and Dato' Ibrahim Taib as DRB-HICOM Berhad's representative. Both appointments were effective from 29 March 2018.

COMPOSITION (PEOPLE)



To assist it in carrying out its functions, the Board has appointed four committees – the Board Risk Management Committee ("BRMC"), Board Audit Committee ("BAC"), Board Nomination & Remuneration Committee ("BNRC") and Shariah Committee. The composition of the BRMC, BAC and BNRC comply with the following requirements of the BNM CG:-

1. Have at least three directors
2. Have a majority of independent directors
3. Chaired by an independent director
4. The Chairman of the Board does not chair any of the Board Committees
5. The Executive Director is not a member of the Board Committees
6. The directors have the skills, knowledge and experience relevant to the responsibilities of the Board Committee

A brief profile of each Director is presented on pages 86 to 95 of this Annual Report.

Roles & Responsibilities of the Board

The Board is responsible for the strategic guidance of Bank Muamalat, effective monitoring of Management, and accountability to Bank Muamalat and our shareholders. In discharging their duties, the Directors act on a well-informed basis, in good faith, with due diligence and care, and in the best interests of Bank Muamalat and our stakeholders.

In discharging their duties and responsibilities, the Directors are mindful of public interests and concerns of the business community, particularly those of our 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 the Bank's operations are conducted prudently, and within the framework of relevant laws and policies.
- Ensure the Bank has comprehensive risk management policies, processes and infrastructure to manage its various risks.
- Institute comprehensive policies, processes and infrastructure to ensure Shariah compliance in all aspects of the Bank's operations, products and activities.
- Set up an effective internal audit department, staffed with qualified internal audit personnel to conduct internal audits covering the Bank's financial and operational performance as well as Shariah compliance.
- Establish procedures to avoid self-serving practices or conflicts of interest including dealings with related entities.
- Ensure the interests of depositors, particularly investment account holders, are protected.
- Establish and ensure the effective functioning of the Board Committees.
- Ensure the Bank has a beneficial influence on the economic well-being of its community.
- Ensure the development, implementation and maintenance of effective oversight of Bank Muamalat's Data Management and MIS Framework, and that the MIS Framework is aligned with the Bank's business and risk strategies.
- Ensure the establishment of internal policies governing risk and adherence to these via annual reviews. Independent reviews are to be conducted regularly to verify compliance with the prudential limit and standards set by Bank Muamalat as well as established internal policies.
- Ensure approval and oversight of Bank Muamalat's capital management framework and its related policies, processes and strategies.
- Approve capital allocation on a risk-adjusted basis, ensuring appropriate levels of capital are maintained in line with the Bank's approved risk appetite and risk profile.
- Approve any proposed issuance, call or redemption of any capital instrument or ordinary shares, and proposals on dividend payments and reinvestment.

The Non-Executive Chairman oversees the smooth functioning of the Board ensuring that relevant procedures and processes are in place to facilitate the Board in carrying out its functions effectively. The Chairman also ensures that decisions are made on a sound and well-informed basis, taking into consideration all strategic and critical issues, and that Directors receive the relevant information on a timely basis.

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

Directors may 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") formalises the various roles and responsibilities of the Board, Board Committees and individual Directors 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 MCCG 2017, certain aspects of the Bank's Constitution and relevant sections of the Islamic Financial Services Act 2013 ("IFSA 2013") and Companies Act 2016 (CA 2016) in relation to the duties and responsibilities of the Directors.

The Board Charter covers the following areas:

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

The Board Charter is available on our corporate website at www.muamalat.com.my.

Board Meetings and Access to Information

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

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

The Directors are provided with the meeting agenda and papers containing information relevant to the matters to be deliberated in advance of the meetings for their perusal. At each meeting, the Board receives updates 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.

The Board has direct access to Bank information 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 Committee meeting in order to constitute a valid meeting.

To ensure that Directors do not have competing time commitments that impair their ability to discharge their duties effectively, the Board has established a policy on the maximum number of directorships/positions in public and non-public listed companies that a Director can hold in Malaysia and offshore/overseas, as follows:

- Maximum 10 directorships in public listed companies
- Maximum 15 directorships in non-listed public companies

The Directors are allowed to hold directorships in institutions/organisations that represent the interest of the financial industry as well as in non-profit organisations and statutory bodies/government-owned companies. There is no maximum limit for such directorships.

The Board convened 12 meetings during the financial year ended 31 March 2018. The attendance of each Director in office during the financial year was as set out below:-

BOARD OF DIRECTORS

1. **TAN SRI DATO' DR MOHD MUNIR ABDUL MAJID**
   (Chairman/Independent Non-Executive Director)
   100%
   Meetings Attendance **15/15**

2. **DATO' SRI CHE KHALIB MOHAMAD NOH**
   (Non-Independent Non-Executive Director)
   100%
   Meetings Attendance **15/15**

3. **DATO' HAJI MOHD IZANI GHANI**
   (Non-Independent Non-Executive Director)
   87%
   Meetings Attendance **13/15**

4. **TENGKU DATO' SERI HASMUDDIN TENGKU OTHMAN**
   (Independent Non-Executive Director)
   ***resigned w.e.f. 17 April 2018**
   100%
   Meetings Attendance **15/15**

5. **DATO' AZMI ABDULLAH**
   (Independent Non-Executive Director)
   100%
   Meetings Attendance **15/15**

6. **DATO' HAJI KAMIL KHALID ARIFF**
   (Independent Non-Executive Director)
   100%
   Meetings Attendance **15/15**

7. **DR. AZURA OTHMAN**
   (Independent Non-Executive Director)
   100%
   Meetings Attendance **15/15**

8. **GHAZALI HAJI DARMAN**
   (Independent Non-Executive Director)
   100%
   Meetings Attendance **15/15**

9. **DATO' HAJI MOHD REDZA SHAH ABDUL WAHID**
   (Executive Director/ Chief Executive Director)
   100%
   Meetings Attendance **15/15**

10. **DATO' IBRAHIM TAIB**
    (Non-Independent Non-Executive Director)
    ***appointed w.e.f. 29 March 2018**
    N/A
    Meetings Attendance **N/A**

11. **DATO' HAJI CHE PEE SAMSUDIN**
    (Independent Non-Executive Director)
    ***appointed w.e.f. 29 March 2018**
    N/A
    Meetings Attendance **N/A**

All Directors have thus complied with the BNM CG which specifies that each Director must attend at least 75% of the Board meetings held in a financial year.

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 timely and appropriate information flow 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 its members on 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 a year. All trainings are identified by Bank Muamalat during the financial year.

Appointment and Re-appointment of Directors

Bank Muamalat is guided by the BNM CG in respect of the appointment of new Directors and re-appointment of existing Directors upon the expiry of their tenures. All appointments are subject to approval by BNM.

The primary responsibility of the Directors' appointment/re-appointment has been delegated to the BNRC. The BNRC comprises exclusively Non-Executive Directors, with the Chairman and a majority being independent. In line with the BNM CG, the BNRC recommends to the Board suitable candidates for directorships and key senior positions in the Bank and its subsidiaries. The BNRC also ensures 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.

During the year under review, the BNRC evaluated and recommended the appointment of Dato' Ibrahim Taib as a Non-Independent Non-Executive Director and Dato' Haji Che Pee Samsudin as an Independent Non-Executive Director.

The Board considers that the two new Directors – each with unique skills, experience and knowledge of the commercial sector with exposure in the financial related industry – will ensure that critical competencies gaps identified by the Board are appropriately addressed. Fresh insights from the two Directors will, moreover, help Bank Muamalat overcome challenges ahead.

Re-election of Directors

In accordance with Bank Muamalat's Constitution, all Directors are subject to retirement by rotation at due intervals. Being eligible, they may offer themselves for re-election, a process that enables 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 shareholders at the Annual General Meeting following their appointment.

Tenure of Independent Directors

The tenure of an Independent Director is capped at nine years, which can either be consecutive or cumulative 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 years is required to submit his/her resignation letter to the Board at least three months from the date of his/her ninth anniversary as an Independent Director. In the event that the Director is reappointed, he/she should be considered as a Non-Independent Director.

Notwithstanding the above, shareholders may in exceptional cases and subject to the assessment of the BNRC decide that an Independent Director can continue in his/her position after serving a cumulative term of nine years, subject to BNM's approval.

A Director may also continue to serve as a member of the Board beyond the age of 70 years, if the BNRC has concluded and the Board concurred that the Director continues to fulfill the Board's needs, subject to approval by shareholders.

Evaluation of Board Performance

One of the broad responsibilities of the BNRC 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 CG and for this purpose, the BNRC has established clear criteria, processes and procedures to assess each Director's ability to contribute to the Board's effective decision-making. In addition, assessment is undertaken to gauge the effectiveness of the relevant Board Committees.

The annual Board assessment exercise comprises a customised questionnaire which is prepared internally.

BOARD COMMITTEES

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

The Board Committees in the Bank are as follows:-

Board Risk Management Committee

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

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

MEMBER OF BOARD RISK MANAGEMENT COMMITTEE

1

DATO' AZMI ABDULLAH
(Chairman/Independent Non-Executive Director)

100%

Meetings Attendance
13/13

2

DATO' HAJI MOHD IZANI GHANI
(Non-Independent Non-Executive Director)

85%

Meetings Attendance
11/13

3

TENGKU DATO' SERI HASMUDDIN TENGKU OTHMAN
(Independent Non-Executive Director)
***resigned w.e.f. 17 April 2018**

92%

Meetings Attendance
12/13

4

DATO' HAJI KAMIL KHALID ARIFF
(Independent Non-Executive Director)

100%

Meetings Attendance
13/13

5

DR AZURA OTHMAN
(Chairman/Independent Non-Executive Director)

100%

Meetings Attendance
13/13

The objectives of the Board Risk Management Committee and activities carried out during the year under review are summarised in the Statement on Risk Management on pages 116 to 123 of this Annual Report.

Board Audit Committee

The BAC comprises exclusively Non-Executive Directors who are responsible for the oversight function in relation to the adequacy and integrity of the Bank's system of internal controls and financial reporting, risk management and compliance with internal policies, procedures and external applicable rules and regulations.

The BAC is authorised by the Board to investigate any activities within its terms of reference and has unrestricted access to both the internal and external auditors and Senior Management team of Bank Muamalat.

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

MEMBER

1

TENGKU DATO' SERI HASMUDDIN TENGKU OTHMAN
(Chairman/Independent Non-Executive Director)
***resigned w.e.f. 17 April 2018**
100%
Meetings Attendance
14/14

2

DR AZURA OTHMAN
(Chairman/Independent Non-Executive Director)
***appointed as Chairman w.e.f. 18 April 2018**
100%
Meetings Attendance
14/14

3

DATO' AZMI ABDULLAH
(Independent Non-Executive Director)
100%
Meetings Attendance
14/14

4

DATO' HAJI KAMIL KHALID ARIFF
(Independent Non-Executive Director)
100%
Meetings Attendance
14/14

5

GHAZALI HAJI DARMAN
100%
Meetings Attendance
14/14

The objectives of the BAC and activities carried out during the year under review are summarised in the Statement of Internal Control on pages 113 to 115 of this Annual Report.

Board Nomination & Remuneration Committee

The Board Nomination Committee and Board Remuneration Committee were combined in September 2016 to become the Board Nomination & Remuneration Committee ("BNRC"). BNRC provides a formal and transparent procedure for the appointment of Directors, the CEO and members of the Shariah Committee as well as assessment of the effectiveness of Board as a whole, the Shariah Committee members, CEO and key Senior Management officers.

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

In addition, the BNRC is responsible for developing a remuneration policy for members of the Shariah Committee commensurate with their roles and responsibilities. The BNRC recommends the proposed remuneration package to the Board for its approval.

The BNRC comprises Non-Executive Directors and an independent Chairman. Meetings are held as and when required for the BNRC to deliberate related matters. Members of the BNRC and their attendance of meetings held in the year under review are as follows:-

MEMBER

1

TENGKU DATO' SERI HASMUDDIN TENGKU OTHMAN
(Chairman/Independent Non-Executive Director)
***resigned w.e.f. 17 April 2018**
100%
Meetings Attendance
14/14

2

DR AZURA OTHMAN
(Chairman/Independent Non-Executive Director)
***appointed as Chairman w.e.f. 18 April 2018**
N/A
Meetings Attendance
N/A

3

DATO' SRI CHE KHALIB MOHAMAD NOH
(Non-Independent Non-Executive Director)
86%
Meetings Attendance
12/14

4

DATO' HAJI MOHD IZANI GHANI
(Non-Independent Non-Executive Director)
86%
Meetings Attendance
12/14

MEMBER

5	6
DATO' AZMI ABDULLAH (Independent Non-Executive Director)	**GHAZALI HAJI DARMAN** (Independent Non-Executive Director)
100%	**100%**
Meetings Attendance **14/14**	Meetings Attendance **9/9**

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

- Establish minimum requirements for the Board in terms of the required mix of skills, experience, qualifications and other core competencies required of a director. It also establishes minimum requirements for the CEO.
- Recommend and assess the nominees for directorship, Board Committee members, and Shariah Committee members as well as the CEO.
- Oversee the overall composition of the Board, and conduct an annual review to ensure an appropriate size and mix of skills, as well as balance between Executive Directors, Non-Executive Directors and Independent Directors.
- Recommend 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 or negligent in discharging his/her responsibilities.
- Establish a mechanism for the annual formal assessment of the effectiveness of the Board as a whole, the individual Directors, CEO and other key Senior Management officers (Executive Vice President (EVP) and above).
- Oversee the appointment, management succession planning and performance evaluation of key Senior Management officers.
- Recommend to the Board the removal of key Senior Management officers if they are ineffective, errant or negligent in discharging their responsibilities.
- Provide a formal and transparent procedure for developing the remuneration for Directors, Board Committee members, CEO, Shariah Committee and key Senior Management officers; and ensure their compensation is competitive and consistent with Bank Muamalat's culture, objectives and strategy.
- Recommend to the Board policies, strategies and a framework for the Bank in relation to the remuneration, rewards and benefits.
- Recommend the remuneration of the Shariah Committee members – commensurate with their roles and responsibilities – for the Board's approval.

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 Constitution, which prescribed the setting up a Shariah body to ensure the Bank conducts its affairs in accordance with 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 96 to 97 of this Annual Report.

Internal Audit and Control Activities

The Board has overall responsibility for 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 summarised on pagse 113 to 115 of this Annual Report.

Related Party Transactions

Details of related party transactions of Bank Muamalat are disclosed on pages 243 to 245 under the Audited Financial Statement for the financial year ended 31 March 2018 of this Annual Report.

Management Reports

At every Board meeting, a progress report on ongoing projects pertaining to products and services, information technology, recruitment, human resources, policies and procedures, regulatory requirements as well as income and expenses is submitted to the Board for review.

STATEMENT ON INTERNAL CONTROLS

IN LINE WITH BEST PRACTICES AS DEFINED BY THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ISSUED BY SECURITIES COMMISSION, BANK MUAMALAT INCLUDES A STATEMENT ON INTERNAL CONTROLS IN OUR ANNUAL REPORTS.

The statement outlines the processes adopted by the Board in reviewing the adequacy and effectiveness the Bank's system of internal controls.

RESPONSIBILITY

The Board Audit Committee ("BAC") has oversight responsibility of the adequacy and integrity of our system of internal controls. In carrying out its function, it relies on the results of independent audits performed by internal auditors, statutory audits on financial statements conducted by external auditors, and representations by Management based on self-assessment of areas under their responsibility.

The Bank also has an Internal Audit Department which reports functionally to the BAC and administratively to the Chief Executive Officer. During the year, the department conducted independent audits in accordance with the approved 2017/2018 Internal Audit Plan.

The Board has in place appropriate controls and processes to identify, evaluate, monitor and manage significant risks that may affect the achievement of the Bank's objectives. For the year under review, the primary risk management and internal control oversight responsibilities were carried out by the BAC.

The Board has extended the responsibilities of the BAC to include monitoring all internal controls on its behalf, such as identifying risk areas and communicating critical risk issues to the Board. The BAC is supported by an internal audit function which is independent of the activities it audits. The internal auditors have performed their duties with impartiality, competency and due professional care.

The BAC has performed its oversight role satisfactorily, ensuring there is a sound system of internal controls and regularly reviewing its adequacy and integrity. Meanwhile, the Management and Auditors (internal and external) have provided assurance that the risk management, control and governance processes are effective.

The Management assists the Board implement its policies on risk management and internal control by identifying and evaluating risks faced by the Bank for consideration by the Board; and designing, executing and monitoring the systems of risk management and internal control to mitigate and control the risks.

The Board is of the opinion that, for the period under review up to the issuance of the Annual Report and financial statements, the system of internal controls in Bank Muamalat was adequate to safeguard our assets and stakeholders' interest. The control structure and process instituted throughout Bank Muamalat are reviewed and enhanced from time to time to adapt to changes in the business environment and the Bank's risk appetite.

INTERNAL AUDIT

The Internal Audit Department ("IAD") assists the Board and BAC by providing independent and objective assurance with respect to the adequacy of the design and operating effectiveness of the Bank's and its subsidiaries' risk management framework, control and governance processes. The internal audit plan adopts a risk-based approach and is approved by the BAC annually. Audit reports, which include significant findings and recommendations for improvement and Management's response to the recommendations, are forwarded to the Management Audit Committee ("MAC") and BAC on a monthly basis.

The MAC ensures that issues raised by IAD, the external auditor and regulators are addressed within appropriate and agreed timeframes. Management gives its approval to IAD before the relevant cases can be closed by the MAC. The Chief Internal Auditor reports functionally to the BAC and administratively to the Chief Executive Officer to safeguard the IAD's independence from Management.

MANAGEMENT AUDIT COMMITTEE

The MAC is pivotal in ensuring timely rectification of audit findings and control lapses highlighted by the internal and external auditors and regulators. The MAC comprises senior level representatives from the different business and support units, and is chaired by the Executive Vice President of the Finance Division. Minutes of its monthly meetings together with the relevant audit reports are directed to the BAC for its review, deliberation and further action, where required.

BOARD AUDIT COMMITTEE

The BAC reviews the adequacy and effectiveness of the internal controls system and risk management framework implemented by Bank Muamalat and its subsidiaries. Its roles include:

- Convening meetings or meeting the Management, internal auditors, external auditors and/or Bank Muamalat officers and external counsel.
- Conducting or authorising investigations to be carried out into any matter within its scope.
- Appointing and overseeing the work of the public accounting firms that conduct the annual financial audits, whose partners subsequently report directly to the BAC.
- Reviewing connected party transactions and related party transactions, as well as any write-off request from the Management.
- Reviewing all audits and other matters that require its consideration under generally accepted accounting standards, and discussing these with Management and the external auditors.
- Reviewing all significant findings, observations, recommendations and action plans reported by the internal auditors, Management, external auditors and regulators. The status of actions taken by the Management on observations raised by the abovementioned parties are tracked by the MAC and minutes of their meetings are presented to the BAC for its deliberation. Minutes of the BAC meetings are then tabled to the Board.

Key processes put in place to assist the Board in reviewing the adequacy and integrity of the system of internal controls include:

- Comprehensive management reports that are made available to the Board on a monthly basis, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans
- Clearly defined delegation of responsibilities to the Board Committees and Management including organisation structures and appropriate authority levels
- Operational risk management framework, business continuity management framework, code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal controls
- Properly defined policies and procedures to control applications and the environment of computer information systems
- Regular updates to internal policies and procedures to adapt to changing risk profiles and address operational deficiencies
- Regular reviews of the Bank's internal audit processes to assess the effectiveness of the control environment and highlight significant control gaps
- Documentation and periodic assessment of controls and processes by all business and support units for managing key risks
- Regular Senior Management meetings to review, identify, discuss and resolve strategic, operational, financial and key management issues

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

Other key elements incorporated by the Board which contribute to an effective system of internal controls include:

Organisation Structure

The Bank has a formal organisational structure that provides clear demarcation of reporting and responsibility to ensure proper assignment of authorities, segregation of duties and accountability towards Bank Muamalat. The organisational structure provides a basic framework to ensure smooth and functional operations as well as details the span of control in ensuring effective supervision of day-to-day business conduct and accountability.

Business Plan and Budget

The Bank's robust budget and business plans as well as strategic initiatives require all key operating divisions/departments to prepare budgets and business plans annually for approval by the Board. Performance is reviewed against the targeted results on a monthly basis to allow corrective actions to be taken to mitigate risks. The Board reviews regular reports from the Management on key financial and operating statistics, as well as legal and regulatory matters.

Policies and Procedures

Policies, procedures and processes governing the Bank's businesses and operations are documented and communicated bank-wide as well as made available to employees through the Bank's Internal Communication Portal ("ICP") for ease of reference and compliance. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured review and approval process to cater to changes in laws and regulations as well as changes to the business and operational environment.

Whistle Blowing Policy

The Bank has an established Whistle Blowing process for staff to report any abuse of authority or to raise concerns in a responsible manner regarding any unprofessional or unethical conduct. The whistle-blowing mechanism provides assurance that reports will be dealt with confidentially and that the reporter's identity will be protected.

Authority Limits

Defined limits of authority have been established for each level within Bank Muamalat for the approval of acquisition and/or disposal of assets, approval of credit items, write-off of operational or credit items, as well as approval of expenses.

STATEMENT ON RISK MANAGEMENT

OVERVIEW

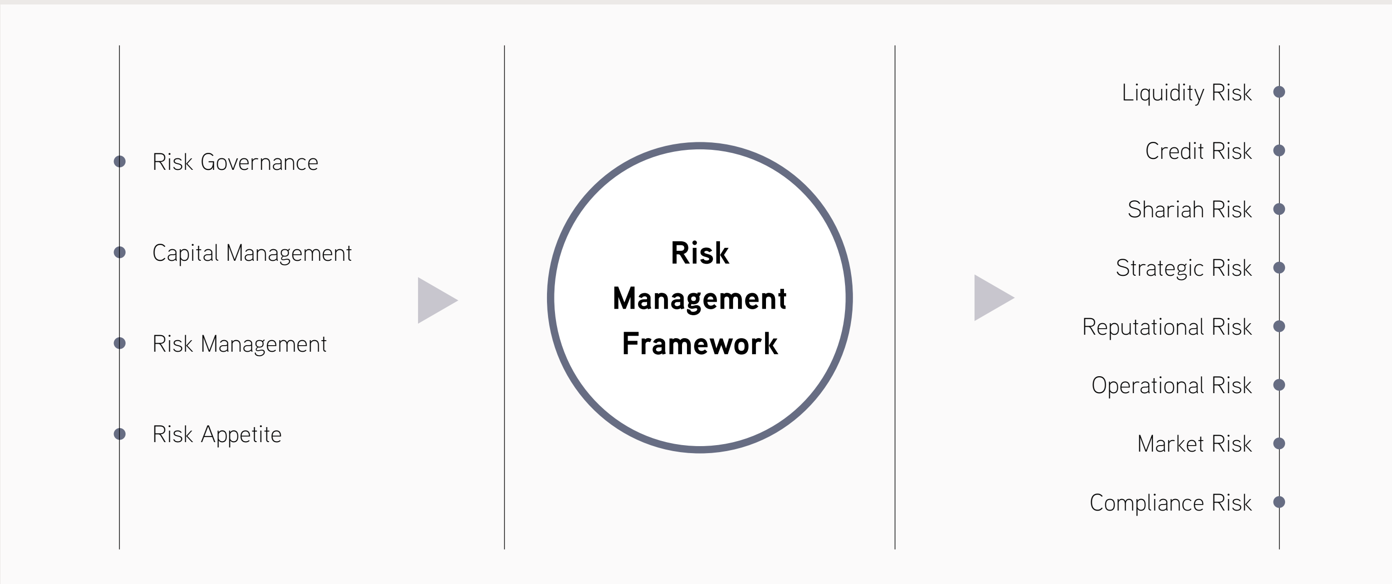
As a financial institution, the main risks faced by Bank Muamalat in the course of its business are primarily in the form of credit, market, liquidity, operational, strategic, reputational, and compliance risks.

As a full-fledged Islamic financial institution (IFI), the Bank faces an additional risk of Shariah non-compliance. Failure to manage these risks effectively could result in serious financial loss, regulatory sanctions and penalties, and ultimately, damage to reputation and brand, which in the longer term could impair the Bank's ability to execute its business strategies.

Bank Muamalat adopts an integrated risk management approach which helps 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 management framework are built on formal governance processes that set out the overall governance and oversight structure and define the roles and responsibilities for related risk management activities.

The Bank views the risk appetite statement as an important component of its risk management framework as it provides the necessary guidance and risk-taking boundary and ensures a consistent and comprehensive approach towards managing risk. Risk management strategies are formed after taking into consideration the Bank's risk appetite and capacity, overall business and strategic goals, and its unique risk profile and control environment.

The integrated risk management framework enables the Bank to optimize use of its capital and other resources while ensuring sound management and control of the principal risks.



RISK GOVERNANCE

The Bank's risk governance and oversight structure clearly outlines the accountabilities as well as the roles and responsibilities for management of risk. It provides a blueprint for the Board of Directors to execute its responsibilities and includes a framework for the delegation of authority to the relevant committees and executive officers.

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

The Board and its committees oversee the Bank's financial performance, execution of strategic and business plans, adherence to risk appetite limits and adequacy of internal controls. To ensure effective oversight, Management is responsible for tracking and reporting performance based on agreed measurements as well as any exceptions to stipulated guidelines or limits.

RISK MANAGEMENT ORGANIZATION STRUCTURE

The risk governance structure, which consists of board and management level committees as well as risk control units, are guided and managed by a formal reporting hierarchy. 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 effective. Through this risk structure, the Board is able to monitor and ensure that the risk management strategies are properly executed and risk exposures are closely monitored and kept within the defined risk boundaries and controls.

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

RISK GOVERNANCE

Risk Management Organisation Structure		AUDIT COMMITTEE
BOARD Establish Risk Appetite & Policy	1 Board of Directors (BOD) 2 Shariah Committee (SC) 3 Board Risk Management Committee (BRMC)	Board Audit Committee (BAC)
MANAGEMENT Ensure Implementation of Policy & Compliance	1 Executive Risk Management Committee (ERMC) 2 Asset & Liability Working Committee (ALCO) 3 Credit Committee (CC) 4 Investment Committee (IC) 5 Operational Risk Management Committee	Management Audit Committee (MAC)
WORKING LEVEL Implement & Comply with Risk Policy	1 Risk Management Department (RMD) 2 Compliance Department 3 Credit Assessment Department (CAD) 4 Shariah Department (SD) 5 Retail Approving Centre (RAC) 6 Bank's Line Management	Internal Audit Department (IAD)

BOARD LEVEL COMMITTEE

Execute and implement Bank's strategies, policies and methodologies in line with the Board's vision.

Formulates and reviews strategic and business plans, capital plan and risk appetite statement for Broad's approval.

BOARD RISK MANAGEMENT COMMITTEE (BMRC)

- Ensures effective management of risks and enforcement of approved risk tolerances and limits.
- 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 minitor risk and capital effectively.

SHARIAH COMMITTEE (SC)

- Independently from the Board.
- Understand Shariah issues in all activities assumed by the Bank.
- Serves as advisory to the Board and management team on all Shariah matters.
- Shariah management and compliance are closely aligned to ensure an integrated and end-to-end Shariah compliance management.

The Management formulates and reviews the strategic, capital and business plans and provides recommendations for the Board's decision. The strategic plan takes into consideration the Bank's financial objectives and resources, in alignment with its risk capacity and risk appetite. Financial objectives for each business line are established by setting growth and return targets and allotting capital. The overall performance and risk-adjusted returns of each business line are assessed against the set targets and indicators. The Bank regularly evaluates the capital and operating limits, as part of the overall governance process, in light of rapid changes in the business and economic environment and rising competitive pressures.

Management-level risk committees are set up to oversee specific risk areas and perform risk control functions. These include asset and liability management, credit evaluation and management, investment management, and operational risk management. The Risk Management Department supports the above committees by performing the day-to-day risk management functions and operates independent of business targets.

MANAGEMENT OF RISK

Bank Muamalat's risk governance structure is based on a distributed function approach where risk management and governance is undertaken under the Three Lines of Defence model. The framework aligns risk management accountability, oversight and assurance across all units within the Bank where each unit has specific responsibility for managing risk.

THREE (3) LINES OF DEFENCE MODEL

All units have a specific responsibility for risk management under the above model

FIRST LINE DEFENCE MODEL
Business Unit

- Risks are directly undertaken and assumed in the day-to-day business activities and operations.
- As front-liners, responsible for carrying out the established processes for identifying, mitigating and managing risks within their respective environment aligned with the Bank's strategic targets.

SECOND LINE DEFENCE MODEL
Risk Management Control & Compliance

- Ensures independent oversight and management of all material risks undertaken by the Bank.
- Provides specialized resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control.
- Provides the control function, which monitors the risks by using various key indicators and reports, guided by established risk appetite and tolerance limits.

THIRD LINE DEFENCE MODEL
Internal Audit

- 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

The Bank's risk appetite framework constitutes a formal governance structure and review process for the establishment of the risk appetite statements (RAS) and tolerance limits. It provides a common framework and comparable set of measures for the Board and Management to clearly indicate the level of risk the Bank is willing to accept and ensures that the Bank maintains an acceptable risk profile. It also serves as a foundation and reference for the Bank's risk culture and provides guidance for business and risk-taking activities and decision making.

RAS is formulated and reviewed in conjunction with strategic, capital and business planning and is aimed at aligning risk appetite with the Bank's strategies and financial resources. It incorporates key performance indicators, such as earnings volatility, liquidity and capital ratios, and strategic tolerance levels to facilitate ongoing monitoring and oversight.

The risk appetite's capital metric defines risk capacity in terms of capital levels required to support business activities as well as the requisite capital buffers to meet regulatory and strategic requirements. As overall risk capacity is limited, the Bank needs to prioritize 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, the objectives and targets for capital and liquidity are set in the RAS with the intention to steer the Bank's operations in a safe and sound manner at all times, including during periods of stress. Business units are required to operate within stated risk limits which are based on the amount of capital, earnings or liquidity that the Bank is willing to put at risk in order 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 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 utilized while in pursuit of business and strategic targets. Capital requirements are assessed with strategic and business plans and pursuant to this, an annual capital plan is formulated to ensure sufficient capital level is maintained to meet business needs and support the risks associated with these activities.

The Bank applies the Standardized Approach for credit and market risks and the Basic Indicator Approach for operational risk in order to calculate and determine its capital position. Further, as prescribed under the BNM's Pillar 2 and ICAAP guidelines, other possible major risks not covered under the above measurement approaches are also assessed to determine whether additional capital is required.

The capital position is closely monitored against the capital plan and internal targets to ensure that it is maintained within set targets or to trigger preemptive or remedial actions, if required. The Bank also conducts periodic stress tests to assess potential impact of internal and external factors on its capital position, review its capital management strategies, and ascertain adequacy of its capital buffer. These stress tests are performed at least twice in a year.

Capital management and planning is used to ensure that adequate capital buffer is held under normal and projected adverse conditions. The annual capital plan therefore addresses any capital issuance requirement, capital composition and maturity profile, and capital crisis contingency planning.

INTEGRATED RISK MANAGEMENT

Bank Muamalat's risk management framework consists of the governance and oversight structure, policies and guiding principles, processes and procedures, control mechanisms, and tools and methodologies for managing 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 risks are effectively addressed and managed. These strategies are also aimed at balancing risks with business objectives and ensuring growth plans are supported by a well-defined and effective risk infrastructure.

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

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 for Bank Muamalat as retail and wholesale financing portfolios as well as investment securities constitute the bulk of its financial assets.

Bank Muamalat's framework for managing credit risk is thus comprehensive, comprising policies, processes, measurement tools and methodologies, and a well-established reporting and monitoring structure. Credit underwriting standards and credit management policies and guidelines are documented and outlined in the Credit Risk Policy (CRP) and Guidelines to Credit Risk Policies (GCRP). The documents also cover policies on approving authorities, pricing, credit risk rating, prudential monitoring limits, credit risk mitigation, review process, rehabilitation and restructuring, credit impairment, and loss provisioning. 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 life cycle. At origination and onboarding, business units are guided by the credit underwriting standards, rating models, mitigation strategies, 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 levels. Reports on trend and movements, limit exposures and risk profiling are produced and deliberated at risk management committees on monthly basis.

Exposures to delinquent and problematic financing assets are monitored and managed by an independent support unit that focuses and specializes 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 delinquencies and defaults are kept within tolerable levels.

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, and equity and commodity prices which may adversely impact earnings and capital positions.

The risk is inherent in the financial instruments held in the Bank's asset and liability portfolios. In the event of market stress, these risks could have a material impact on the Bank's financial performance due to changes in economic value based on varying market conditions where one of the primary risks would be 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 the Bank'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 optimize 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 ERMC, 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 arising from volatility of market benchmark rates which impact portfolios both in the trading and banking books. Such changes may adversely affect both earnings and economic value.

Bank Muamalat uses various measurement tools and analyses 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 analyses. 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 Bank actively manages the following rate of return risks:

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 MANAGEMENT

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. The Bank 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, the Bank ensures sufficient cash and liquid assets are made available to meet 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, the Bank 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. The Bank 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.

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 organization, 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 minimize 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 exposure to an acceptable level in accordance with the risk appetite. The Bank uses a web-based application, known as the Muamalat Operational Risk Solution (MORiS), as a tool to identify and assess risks, track risk exposures against key risk indicators (KRI), and to gather and store data on loss incidences 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 the Bank to respond and continue to operate critical business functions across a broad spectrum of business disruptions arising from both internal and external events. Business Continuity Plan (BCP) is prepared based on risk assessments and business impact analyses performed on identified potential threats to business functions. Business impact analyses are also used to identify critical business functions' recovery time objective and maximum tolerable downtime given the Bank's current 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 Bank Muamalat and other relevant Shariah regulatory councils or committees.

Shariah Risk Management Unit (SRMU) forms an important part of the Bank's integrated risk management framework and applies the principles outlined in BNM's guidelines on Shariah Governance Framework (SGF).

The main responsibilities include formulation of policies and guidelines on Shariah risk management and executing 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 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 adverse 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, Bank Muamalat looks at risks associated with its current and future business plans and strategies and identify situations which can be of potential threat towards 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 the Bank's image due to 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 by 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 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 materializing. The processes and procedures to respond to events that give rise to reputational risk include educating individuals and organizations that influence public opinion, external communication strategies to mitigate the risk, and informing key stakeholders of potential reputational risks.

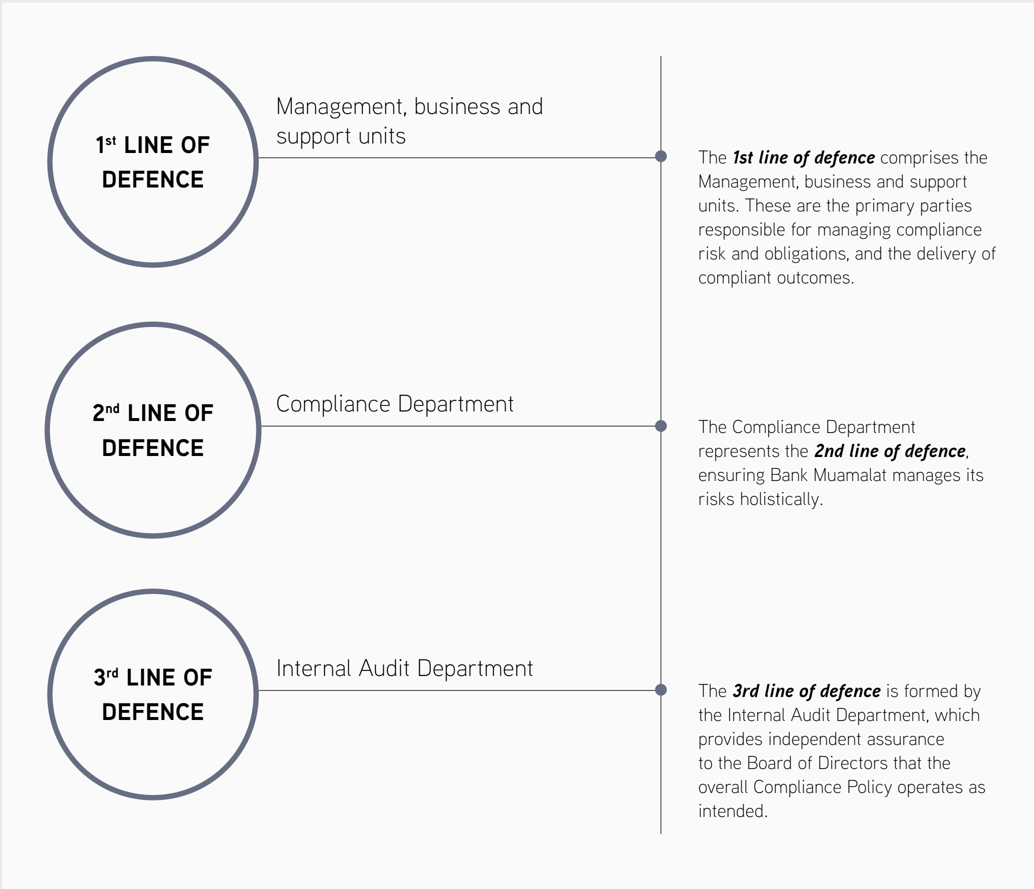
Managing reputational risk is the responsibility of all individuals within the organization, particularly those who are directly involved in making commercial decisions in their respective functions or business lines.

STATEMENT ON COMPLIANCE

REGULATORY COMPLIANCE RISK IS DEFINED AS RISK OR FAILURE OF AN ORGANISATION TO COMPLY WITH APPLICABLE LEGAL AND REGULATORY REQUIREMENTS, WHICH COULD IMPACT ITS OPERATIONS. IN ORDER TO MANAGE THIS RISK PROACTIVELY AND EFFECTIVELY, BANK MUAMALAT HAS EMBEDDED A CULTURE OF COMPLIANCE ACROSS ALL ITS BUSINESS ACTIVITIES.

The Board, Chief Executive Officer and Senior Management are committed to complying with relevant regulatory requirements by adhering to the Bank's Compliance Policy and Charter. Together, these ensure 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.

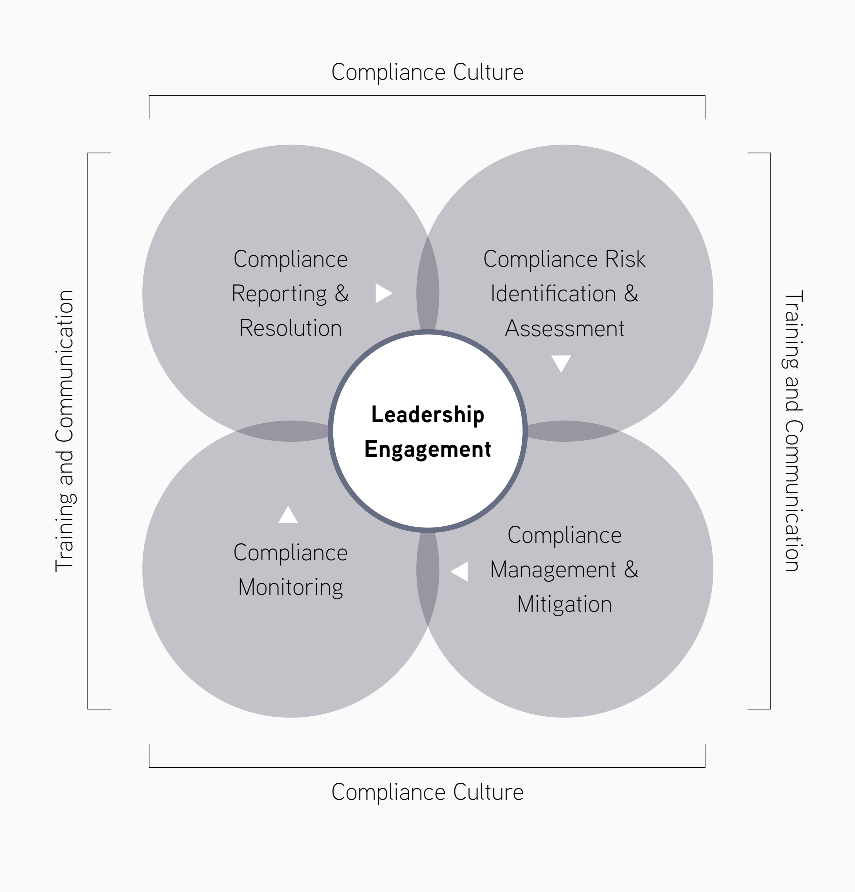
The policy and charter assume shared responsibility for regulatory compliance, premised on the 3 lines of defence approach:



A dedicated Compliance function has been established to manage Bank Muamalat's compliance risk. This is achieved via a compliance programme that cuts across all Bank Muamalat's operations ensuring regulatory compliance risk management is integral to the Bank's business activities.

The Chief Compliance Officer, who administratively reports to the Chief Executive Officer, has unrestricted access to the Board Risk Management Committee and, if necessary, the Board of Directors.

The Board and Management of Bank Muamalat further pledge to create an effective compliance culture through the following drivers:



- Leadership commitment, engagement and sponsorship of the compliance programme
- Education and communication to ensure 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 recognises the importance of maintaining continuous efforts and initiatives to assist the Government of Malaysia and Bank Negara Malaysia in combating illicit activities, including money laundering, as well as financing of terrorism through the banking system. As a responsible reporting institution, the Bank has put in place the necessary infrastructure and processes to ensure compliance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2011 (AMLA).

Foreign Account Tax Compliance Act

Bank Muamalat is also committed to complying with the reporting requirements imposed by the US Treasury on Foreign Account Tax Compliance Act (FATCA). The Bank is a Registered Deemed Compliant Foreign Financial Institution and has communicated its Global Intermediary Identification Number to all correspondent banks.

Common Reporting Standards

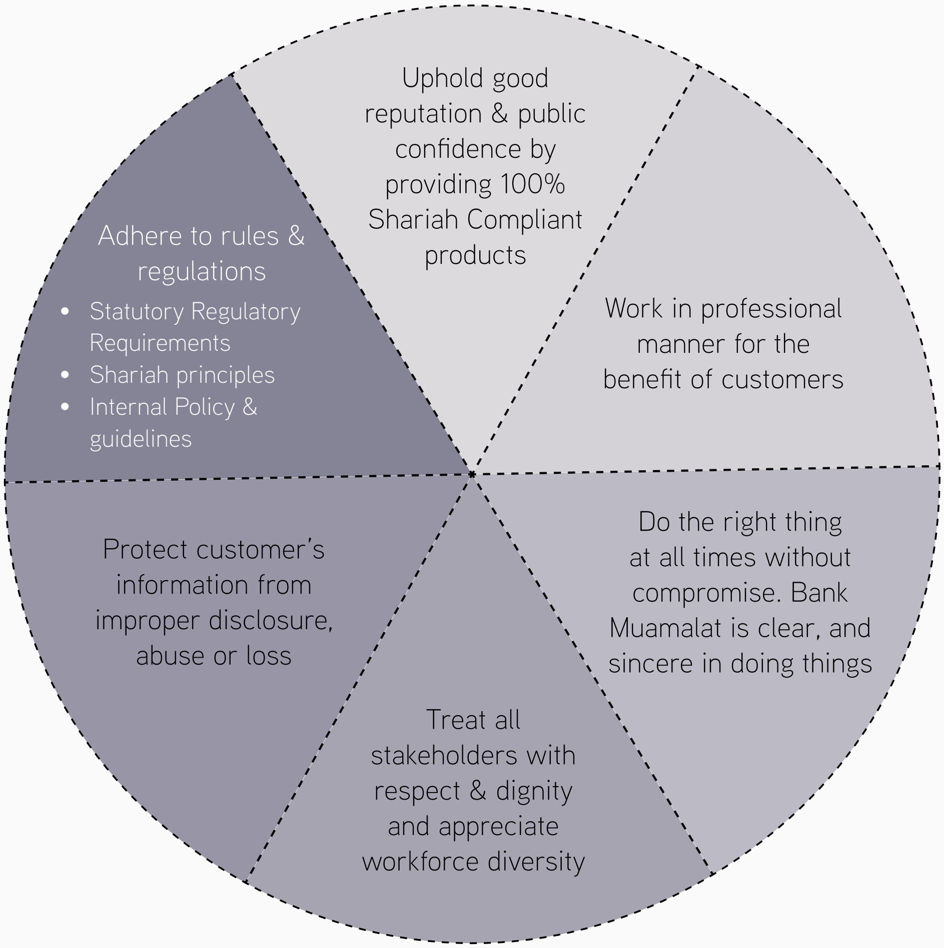
Common Reporting Standards (CRS) is an initiative that involves governments obtaining information from their financial institutions and exchanging data automatically with other nations. As Malaysia is a signatory to the Organisation for Economic Co-operation and Development's CRS, Bank Muamalat is obliged 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 WITH 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:

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.



SECTION VI:

FINANCIAL STATEMENTS

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 2018.

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	230,548	223,486
Zakat	(6,138)	(5,587)
Taxation	(42,785)	(39,236)
Profit for the year	181,625	178,663

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)
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	
Tengku Dato' Seri Hasmuddin Tengku Othman	(resigned on 18 April 2018)
Dato' Hj Che Pee Samsudin	(appointed on 29 March 2018)
Dato' Ibrahim Taib	(appointed on 29 March 2018)

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 Mohd Faruk Abdul Karim (appointed on 7 March 2018) Adi Asri Baharom (resigned on 24 January 2018) Norahmadi Sulong (resigned on 30 March 2018)
2	Muamalat Venture Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid PeerMohamed Ibramsha Syed Alwi Mohamed Sultan (resigned on 28 February 2018)
3	Muamalat Nominees (Asing) Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid PeerMohamed Ibramsha
4	Muamalat Nominees (Tempatan) Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid PeerMohamed 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 1.4.2017	Acquired	Disposal	As at 31.3.2018
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 34 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.

DIRECTORS' INDEMNITY

Directors' liability insurance is in place to protect the Directors of the Company against potential costs and liabilities arising from claims brought against the Directors.

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render:

(i) the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.

(c) As at the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(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 financial year.

BUSINESS REVIEW 2017/2018

The Group recorded a profit before zakat and taxation of RM230.5 million, an increase of 35.2%, as compared to the RM170.5 million posted in the previous corresponding financial year. Total Distributable Income and Net Income rose by 10.2% and 21.9%, to close at RM1.24 billion and RM666.8 million, respectively.

The increase in total net income was primarily contributed by higher investment income, gain from sale of investment securities and higher writeback of impairment on financing. In addition, income attributable to depositors was lower by 0.7% during the financial year partly due to less concentration on high cost wholesale deposits. However, these favourable movements were offset by fair valuation loss on financial investments designated at fair value through profit or loss, and loss from foreign exchange transactions.

The Group has maintained consistent growth in total assets which has expanded to RM23.9 billion as compared to RM23.5 billion in the previous financial year. This was largely contributed by the 3.1% increase in financial investments available-for-sale.

PROSPECTS

Global economic recovery took place amid world-wide political uncertainties, rising geopolitical tension coupled with the gradual growth seen in most commodity prices. In terms of gross domestic product ("GDP") growth, Malaysia has outshone many in the region, supported by strong exports and steady consumer spending. Malaysia's GDP growth accelerated at the fastest pace in the past three (3) years, despite the prolonged downturn in the oil and gas industry and the soft appetite in the property market. Full year 2017 GDP growth was at 5.9%, higher than the 4.2% recorded in preceding year.

Domestic economic growth is expected to remain resilient with modest performance anticipated in the banking sector. Keen competition for deposits will lead to higher funding costs, weighing down on the performance of the banks. The Bank also believes that, the demand in Islamic Banking industry especially in the area of Islamic Investment solution will remain strong for the coming year.

Against this backdrop, the Bank will continue to ride on its 5-year business plan, focusing on selective areas of growth to ensure it remains competitive in the current banking landscape. Aspired to be the champion in becoming a socially responsible bank as well as promoting ethical banking, the Bank is now a member of Global Alliance for Banking on Values ("GABV"), an independent network of banks and banking cooperatives world-wide operating under the "Principles of Sustainable Banking". Bank Muamalat Malaysia Berhad is the first Islamic bank to be accepted as a member of GABV.

Moving forward, more emphasis will be given towards delivering impact-based initiatives that could help to uplift the socio-economic standards of the surrounding community and promote financing for positive environmental and cultural impact activities.

In adapting to the rapid technological development and digitalization, new products and services are also being explored in addition to the enhancements of the Bank's retail internet banking ("RIB"), corporate internet banking ("CIB") and mobile applications.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Rating Received
Rating Agency Malaysia Berhad	June 2018	Long term	A2
		Short term	P1
		Subordinated Sukuk	A3
		Outlook	Stable
Malaysia Rating Corporation Berhad	October 2017	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 2018, the Bank has allocated an amount of RM6.0 million as provision for zakat.

AUDITORS AND AUDITORS' REMUNERATION

The auditors' remuneration are disclosed in Note 36 to the financial statements.

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 June 2018.

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 140 to 322 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 2018 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 1 June 2018.

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 140 to 322 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 1 June 2018

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 2018. 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 financial year ended 31 March 2018 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 financial year ended 31 March 2018 have been conducted in conformity with the Shariah principles.

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

Azizi Che Seman
Chairman of Shariah Committee

Engku Ahmad Fadzil Engku Ali
Member of Shariah Committee

Kuala Lumpur, Malaysia

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 2018 of the Group and of the Bank, and the statements of profit or loss, statements of other 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 140 to 322.

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 2018, 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 made available to us after the date of this auditors' report.

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 the 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

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's 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.

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's 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.

- 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.

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018 (13 Rejab 1439H)

		Group	
	Note	31 March 2018 RM'000	31 March 2017 RM'000
Assets			
Cash and short-term funds	4 (a)	**1,579,923**	1,027,742
Cash and placements with financial institutions	4 (b)	**7,758**	22,183
Investment accounts due from designated financial institution	18 (a)	**146**	382
Financial investments designated at fair value through profit or loss	5 (a)	**161,274**	197,208
Financial investments available-for-sale	5 (b)	**6,319,413**	6,131,416
Financial investments held-to-maturity	5 (c)	**143,730**	142,168
Islamic derivative financial assets	6	**72,770**	55,948
Financing of customers	7	**14,687,846**	14,918,272
Other assets	9	**91,978**	121,907
Statutory deposits with Bank Negara Malaysia	10	**674,500**	698,636
Investment properties	12	**41,781**	38,778
Intangible assets	13	**94,069**	109,510
Property, plant and equipment	14	**52,669**	52,309
Prepaid land lease payments	15	**227**	231
Deferred tax assets (net)	16	**15,607**	9,652
Total assets		**23,943,691**	23,526,342
Liabilities			
Deposits from customers	17	**20,172,527**	19,917,482
Deposits and placements of banks and other financial institutions	19	**8,854**	561,654
Bills and acceptances payable	20	**9,618**	9,196
Islamic derivative financial liabilities	6	**77,923**	63,088
Other liabilities	21	**117,339**	56,376
Provision for zakat and taxation	22	**7,914**	4,806
Recourse obligation on financing sold to Cagamas	23	**485,851**	-
Deferred tax liabilities (net)	16	**587**	7,086
Subordinated sukuk	24 (a)	**254,035**	253,964
Senior sukuk	24 (b)	**509,127**	514,119
Total liabilities		**21,643,775**	21,387,771

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018 (13 Rejab 1439H) (cont'd.)

		Group	
	Note	31 March 2018 RM'000	31 March 2017 RM'000
Shareholders' equity			
Share capital	25	**1,195,000**	1,195,000
Reserves	26	**1,104,916**	943,571
Total shareholders' equity		**2,299,916**	2,138,571
Total liabilities and shareholders' equity		**23,943,691**	23,526,342
Restricted investment accounts	18 (b)	**42,090**	424
Total Islamic banking asset and asset under management		**23,985,781**	23,526,766
Commitments and contingencies	44	**6,776,928**	7,355,488
Capital adequacy*	49		
CET 1 capital ratio		**16.04%**	14.36%
Total capital ratio		**18.38%**	16.71%

* 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 2018 (13 Rejab 1439H)

		Bank	
	Note	31 March 2018 RM'000	31 March 2017 RM'000
Assets			
Cash and short-term funds	4 (a)	**1,579,923**	1,027,742
Cash and placements with financial institutions	4 (b)	**7,758**	22,183
Investment accounts due from designated financial instituition	18 (a)	**146**	382
Financial investments designated at fair value through profit or loss	5 (a)	**161,274**	197,208
Financial investments available-for-sale	5 (b)	**6,316,759**	6,081,533
Financial investments held-to-maturity	5 (c)	**143,730**	142,168
Islamic derivative financial assets	6	**72,770**	55,948
Financing of customers	7	**14,687,429**	14,937,856
Other assets	9	**89,543**	120,285
Statutory deposits with Bank Negara Malaysia	10	**674,500**	698,636
Investment in subsidiaries	11	**8,559**	8,055
Investment properties	12	**41,781**	38,778
Intangible assets	13	**93,894**	109,120
Property, plant and equipment	14	**52,661**	52,270
Prepaid land lease payments	15	**227**	231
Deferred tax assets (net)	16	**15,607**	9,652
Total assets		**23,946,561**	23,502,047
Liabilities			
Deposits from customers	17	**20,190,854**	19,929,759
Deposits and placements of banks and other financial institutions	19	**8,854**	561,654
Bills and acceptances payable	20	**9,618**	9,196
Islamic derivative financial liabilities	6	**77,923**	63,088
Other liabilities	21	**115,612**	55,854
Provision for zakat and taxation	22	**5,989**	4,677
Recourse obligation on financing sold to Cagamas	23	**485,851**	-
Subordinated sukuk	24 (a)	**254,035**	253,964
Senior sukuk	24 (b)	**509,127**	514,119
Total liabilities		**21,657,863**	21,392,311

STATEMENT OF FINANCIAL POSITION

As at 31 March 2018 (13 Rejab 1439H)

		Bank	
	Note	31 March 2018 RM'000	31 March 2017 RM'000
Shareholders' equity			
Share capital	25	**1,195,000**	1,195,000
Reserves	26	**1,093,698**	914,736
Total shareholders' equity		**2,288,698**	2,109,736
Total liabilities and shareholders' equity		**23,946,561**	23,502,047
Restricted investment accounts	18 (b)	**44,493**	7,705
Total Islamic banking asset and asset under management		**23,991,054**	23,509,752
Commitments and contingencies	44	**6,776,928**	7,355,488
Capital adequacy*	49		
CET 1 capital ratio		**15.92%**	14.16%
Total capital ratio		**18.27%**	16.53%

* 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 2018 (13 Rejab 1439H)

		Group		Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income derived from investment of depositors' funds and others	27	**1,192,349**	1,172,695	**1,192,349**	1,172,695
Income derived from investment of investment account funds	28	**47**	36	**47**	36
Income derived from investment of shareholders' funds	29	**27,409**	43,028	**17,442**	45,975
Writeback of/(allowance for) impairment on financing	30	**50,126**	(64,615)	**50,126**	(69,548)
Reversal of provision for commitments and contingencies	21(a)	**-**	2,282	**-**	2,282
Impairment writeback/(loss) on investments	31	**3,343**	(16,899)	**3,847**	(16,899)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		**(7,739)**	(7,826)	**(7,739)**	(7,826)
Total distributable income		**1,265,535**	1,128,701	**1,256,072**	1,126,715
Income attributable to depositors	32	**(577,500)**	(581,793)	**(577,966)**	(582,130)
Total net income		**688,035**	546,908	**678,106**	544,585
Personnel expenses	33	**(213,015)**	(178,281)	**(210,774)**	(176,188)
Other overheads and expenditures	36	**(181,235)**	(172,513)	**(180,609)**	(171,800)
Finance costs	37	**(63,237)**	(25,578)	**(63,237)**	(25,578)
Profit before zakat and taxation		**230,548**	170,536	**223,486**	171,019
Zakat	38	**(6,138)**	(4,463)	**(5,587)**	(4,402)
Taxation	39	**(42,785)**	(16,166)	**(39,236)**	(15,942)
Profit for the year		**181,625**	149,907	**178,663**	150,675

Earnings per share attributableto shareholders of the Bank (sen) (basic and diluted):	40	**15.20**	12.54

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018 (13 Rejab 1439H)

		Group		Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Profit for the year		**181,625**	149,907	**178,663**	150,675
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		**12,844**	2,805	**24,504**	(26,717)
Realised gain transferred to statement of income on disposal	27 & 29	**(34,269)**	(17,982)	**(18,851)**	(17,982)
Income tax relating to net loss/(gain) on financial investments available-for-sale	16	**5,107**	3,667	**(1,392)**	10,753
Exchange fluctuation reserve		**(3,962)**	4,237	**(3,962)**	4,237
Other comprehensive (loss)/income for the year, net of tax		**(20,280)**	(7,273)	**299**	(29,709)
Total comprehensive income for the year		**161,345**	142,634	**178,962**	120,966

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018 (13 Rejab 1439H)

	Non-distributable					Distributable	
Group	**Ordinary shares RM'000**	**Statutory reserve RM'000**	**Regulatory 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 2017	**1,195,000**	**658,158**	**-**	**2,183**	**(11,298)**	**294,528**	**2,138,571**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**181,625**	**181,625**
Other comprehensive loss for the year	**-**	**-**	**-**	**(3,962)**	**(16,318)**	**-**	**(20,280)**
Total comprehensive income for the year	**-**	**-**	**-**	**(3,962)**	**(16,318)**	**181,625**	**161,345**
Transfer from statutory reserve (Note 26 (a))	**-**	**(658,158)**	**-**	**-**	**-**	**658,158**	**-**
Transfer to regulatory reserve (Note 26 (b))	**-**	**-**	**1,530**	**-**	**-**	**(1,530)**	**-**
At 31 March 2018	**1,195,000**	**-**	**1,530**	**(1,779)**	**(27,616)**	**1,132,781**	**2,299,916**
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 loss 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

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018 (13 Rejab 1439H)

		Non-distributable				Distributable	
	Ordinary shares RM'000	Statutory reserve RM'000	Regulatory 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 2017	**1,195,000**	**656,561**	**-**	**2,183**	**(33,734)**	**289,726**	**2,109,736**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**178,663**	**178,663**
Other comprehensive income for the year	**-**	**-**	**-**	**(3,962)**	**4,261**	**-**	**299**
Total comprehensive income for the year	**-**	**-**	**-**	**(3,962)**	**4,261**	**178,663**	**178,962**
Transfer from statutory reserve (Note 26 (a))	**-**	**(656,561)**	**-**	**-**	**-**	**656,561**	**-**
Transfer to regulatory reserve (Note 26 (b))	**-**	**-**	**1,530**	**-**	**-**	**(1,530)**	**-**
At 31 March 2018	**1,195,000**	**-**	**1,530**	**(1,779)**	**(29,473)**	**1,123,420**	**2,288,698**
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 loss 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

STATEMENTS OF CASH FLOWS

For the year ended 31 March 2018 (13 Rejab 1439H)

		Group		Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before zakat and taxation		**230,548**	170,536	**223,486**	171,019
Adjustment for:					
Amortisation of prepaid land lease payments	36	**4**	4	**4**	4
Amortisation of intangible assets	36	**27,743**	26,599	**27,528**	26,401
Depreciation of property, plant and equipment	36	**17,224**	18,686	**17,190**	18,648
Gain on sale of property, plant and equipment	29	**(45)**	(553)	**(45)**	(553)
Amortisation of cost on subordinated sukuk and senior sukuk issued		**200**	67	**200**	67
Property, plant and equipment written off	36	**12**	6	**12**	6
Intangible assets written off	36	**368**	-	**368**	-
Accretion of discount	27 & 29	**(2,030)**	(1,812)	**(2,030)**	(1,812)
Net gain from sale of financial investments available-for- sale	27 & 29	**(34,269)**	(17,982)	**(18,851)**	(17,982)
Net gain from sale of financial investments designated at FVTPL	27 & 29	**(1,328)**	(894)	**(528)**	(894)
Unrealised gain on revaluation of financial investment designated at FVTPL	27 & 29	**12,204**	15,547	**12,204**	6,514
Net loss/(gain) on revaluation of foreign exchange transaction	29	**22,607**	(16,708)	**22,607**	(16,708)
Net loss from foreign exchange derivatives	29	**1,562**	3,793	**1,562**	3,793
Unrealised gain on revaluation of Islamic profit rate swap	29	**(3,549)**	(5,413)	**(3,549)**	(5,413)

STATEMENTS OF CASH FLOWS

For the year ended 31 March 2018 (13 Rejab 1439H) (cont'd.)

		Group		Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities (cont'd.)					
Unrealised loss on revaluation of hedged items	29	**5,158**	7,454	**5,158**	7,454
Gain from derecognition of fair value of hedged items	29	**(4,811)**	(1,772)	**(4,811)**	(1,772)
Impairment (writeback)/loss on investments securities	31	**(3,343)**	16,899	**(3,343)**	16,899
Impairment writeback on investment in a subsidiary	31	**-**	-	**(504)**	-
Fair value adjustments of investment properties	29	**(2,415)**	(1,821)	**(2,415)**	(1,821)
Net (writeback of)/ allowance for impairment on financing	30	**(47,815)**	75,778	**(47,815)**	80,711
Financing written off	30	**6,684**	1,689	**6,684**	1,689
Reversal of provision for commitments and contingencies	21(a)	**-**	(2,282)	**-**	(2,282)
Finance costs	37	**63,237**	25,578	**63,237**	25,578
Gross dividend income	29	**(502)**	(1,904)	**(14,315)**	(4,712)
Operating profit before working capital changes		**287,444**	311,495	**282,034**	304,834
(Increase)/decrease in operating assets:					
Investment accounts due from designated financial institution		**236**	(382)	**236**	(382)
Islamic derivative financial assets		**(18,384)**	(19,140)	**(18,384)**	(19,140)
Financial investments portfolio		**(257)**	(81,937)	**(259)**	(41,937)
Financing of customers		**271,118**	(468,545)	**291,119**	(503,746)
Statutory deposits with Bank Negara Malaysia		**24,136**	4,625	**24,136**	4,625
Other assets		**6,960**	(326)	**1,292**	6,020

STATEMENTS OF CASH FLOWS

For the year ended 31 March 2018 (13 Rejab 1439H) (cont'd.)

		Group		Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)					
Increase/(decrease) in operating liabilities:					
Deposits from customers		**255,045**	274,054	**261,095**	265,539
Deposits and placements of banks and other financial institutions		**(552,800)**	119,402	**(552,800)**	119,402
Islamic derivative financial liabilities		**18,384**	19,142	**18,384**	19,142
Bills and acceptances payable		**422**	(20,154)	**422**	(20,154)
Other liabilities		**10,197**	(28,667)	**16,078**	(28,866)
Cash generated from operations		**302,501**	109,567	**323,353**	105,337
Zakat paid		**(4,320)**	(4,430)	**(4,275)**	(4,237)
Tax paid		**(1,674)**	(22,178)	**(20)**	(21,187)
Net cash generated from operating activities		**296,507**	82,959	**319,058**	79,913
Cash flows from investing activities					
Proceeds from disposal of investment in securities		**7,724,324**	8,523,225	**7,687,949**	8,523,225
Purchase of financial investment in securities		**(7,870,260)**	(8,931,888)	**(7,870,252)**	(8,931,680)
Proceeds from disposal of property, plant and equipment		**56**	558	**56**	558
Purchase of property, plant and equipment	14	**(17,368)**	(12,635)	**(17,365)**	(12,635)
Purchase of intangible assets	13	**(12,909)**	(15,232)	**(12,909)**	(15,202)
Purchase of investment properties	12	**(588)**	(4,428)	**(588)**	(4,428)
Dividend income	29	**502**	1,904	**14,315**	4,712
Net cash used in investing activities		**(176,243)**	(438,496)	**(198,794)**	(435,450)

STATEMENTS OF CASH FLOWS

For the year ended 31 March 2018 (13 Rejab 1439H) (cont'd.)

		Group		Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities					
Dividend paid on Islamic subordinated sukuk		**(42,120)**	(17,670)	**(42,120)**	(17,670)
Redemption of subordinated sukuk		**(5,000)**	(400,000)	**(5,000)**	(400,000)
Additional issuance of subordinated sukuk		**-**	754,031	**-**	754,031
Proceed from resourse obligation on financing sold to Cagamas		**499,999**	-	**499,999**	-
Repayment of principal for resourse obligation on financing sold to Cagamas		**(14,334)**	-	**(14,334)**	-
Repayment of finance cost for resourse obligation on financing sold to Cagamas		**(21,053)**	-	**(21,053)**	-
Net cash generated from financing activities		**417,492**	336,361	**417,492**	336,361
Net increase/(decrease) in cash and cash equivalents		**537,756**	(19,176)	**537,756**	(19,176)
Cash and cash equivalents at beginning of year		**1,049,925**	1,069,101	**1,049,925**	1,069,101
Cash and cash equivalents at end of year		**1,587,681**	1,049,925	**1,587,681**	1,049,925
Cash and cash equivalents consist of:					
Cash and short term funds	4(a)	**1,579,923**	1,027,742	**1,579,923**	1,027,742
Cash and placements with financial institutions	4(b)	**7,758**	22,183	**7,758**	22,183
		1,587,681	1,049,925	**1,587,681**	1,049,925

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

STATEMENTS OF CASH FLOWS

For the year ended 31 March 2018 (13 Rejab 1439H) (cont'd.)

(a) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's and Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

Group and Bank 2018	**Sukuk RM'000**	**Recourse obligation on financing sold to Cagamas RM'000**
At beginning of the financial year	**768,084**	**-**
Net changes from financing cash flows:		
Dividend paid on Islamic subordinated sukuk	**(42,120)**	**-**
Redemption of subordinated sukuk	**(5,000)**	**-**
Proceed from resourse obligation on financing sold to Cagamas	**-**	**499,999**
Repayment of principal for resourse obligation on financing sold to Cagamas		**(14,334)**
Repayment of finance cost for resourse obligation on financing sold to Cagamas	**-**	**(21,053)**
	720,964	**464,612**
Other changes:		
Amortisation of cost on sukuk issued	**200**	**-**
Finance cost	**41,998**	**21,239**
At end of the financial year	**763,162**	**485,851**

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (13 Rejab 1439H)

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 (70% shareholding) 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 1 June 2018.

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 27 and 49 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.

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 2018.

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.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group looses 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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.

(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.

(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.

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.

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

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Financial assets (cont'd.)

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

(3) Financial investments HTM

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

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

(iv) Determination of fair value

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

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

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

(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.

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

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

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

(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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Financial liabilities (cont'd.)

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

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

(c) Payables

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

(d) Bills and acceptances payable

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

(e) Other liabilities

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

(f) Recourse obligation on financing sold to Cagamas

Bank and other borrowings and recourse obligations on loans sold to Cagamas Berhad are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective profit method.

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Hedge accounting (cont'd.)

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

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

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

The Group and the Bank did not apply cash flow hedge as at the financial year ending 31 March 2018.

(e) Foreclosed properties

Foreclosed properties are those assets 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Intangible assets

Intangible assets include computer software and software under development.

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

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

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

Computer software	3 to 10 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

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

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

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

Building 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
Building 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Prepaid land lease payments

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Foreign currencies (cont'd.)

(iii) Foreign operations

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

(k) Provision for liabilities

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

(l) Impairment of non-financial assets

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

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.

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.

(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").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(p) Income recognition

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

(i) Profit and income from financing

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

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

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

This contract involves the purchase and sale of an asset by the Bank to the customer on a deferred payment basis either to 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.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(p) Income recognition (cont'd.)

(ii) Fee and other income recognition

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

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

(q) Income and deferred taxes

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 financial year end, and the higher of the two (2) will be the final zakat payment 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.

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.

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 46.

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 2017, 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 2017.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 12: Disclosure of Interests in Other Entities Contained in the documents entitled "Annual Improvements to MFRS Standards 2014-2016 Cycle"	1 January 2017

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 Documents

(a) Capital Funds for Islamic Banks

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

The key changes in the Revised Policy Document are:

(a) the removal of the requirement on maintenance of a reserve fund; and

(b) the revised component of capital funds shall exclude share premium and reserve fund.

During the financial year, the Group and the Bank have transferred RM658,158,000 and RM656,561,000, respectively from its statutory reserves to its retained profit.

(b) Financial Reporting for Islamic Banking Institutions

On 2 February 2018, BNM issued the revised policy document on Financial Reporting for Islamic Banking Institutions, which prescribes the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. The adoption of this requirement is expected to have minimal impact to the capital ratios of the Bank as the Bank is currently maintaining, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding financing, net of individual impairment provisions.

(c) Capital Adequacy Framework for Islamic Banks

The Capital Adequacy Framework for Islamic Banks in relation to Risk-Weighted Assets and Capital Components were updated and re-issued by Bank Negara Malaysia ("BNM") on the following dates:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Revised Bank Negara Malaysia's ("BNM") Policy Documents (cont'd.)

(c) Capital Adequacy Framework for Islamic Banks (cont'd.)

Capital Components updated on 4 August 2017 for immediate application:

The updates focused mainly on Additional Tier I and Tier II Islamic Capital instruments that are structured using equity-based Shariah Contracts such as Wakalah, Musharakah or Mudharabah. There is no impact on the Bank as the Bank's Tier II Islamic Capital instruments are structured based on exchange-based Murabahah contract.

Risk-Weighted Assets and Capital Components updated on 2 February 2018 for application with effect from 1 January 2018:

The updates focused mainly on the following changes:

(i) Revised definition of General Provision and Specific Provision arising from the implementation of MFRS 9 Financial Instruments;
(ii) Definition of General Provision and its recognition in Tier II capital;
(iii) Alignment of terminologies used under MFRS 9 for the purpose of capital recognition and regulatory adjustments; and
(iv) Clarification on the capital treatment of bargain purchase gains and right-of-use assets.

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 2018.

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
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 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
MFRS 16: Leases	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 2: Share-Based Payment	1 January 2020
Amendments to MFRS 3: Business Combinations	1 January 2020
Amendments to MFRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendment to MFRS 14: Regulatory Deferral Accounts	1 January 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards (cont'd.)	
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134: Interim Financial Reporting	1 January 2020
Amendment to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendment to MFRS 138: Intangible Assets	1 January 2020
Amendment to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets—Web Site Costs	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by MASB

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

Amendments to MFRS 107 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the addtional disclosures set out in the statement of cash flows, the application of these amendments has had no impact on the Group and the Bank.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

During the current financial year, the Group and the Bank have performed a detailed impact assessment of all three (3) aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Bank in the financial year ending 31 March 2019 when the Group and the Bank are to adopt MFRS 9. Overall, the Group and the Bank expect no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of MFRS 9. In addition, the Group and the Bank will implement changes in classification of certain financial instruments.

(a) Classification and measurement

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three (3) principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The new standard will eliminate the existing MFRS 139 categories of held to maturity, financing and advances and available for sale.

As for the classification of financial liabilities, MFRS 9 retains the existing requirements in MFRS139. However, under MFRS 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the entity's own credit risk is presented in other comprehensive income; and
- the remaining amount of change in the fair value is represented in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

MFRS 9 Financial Instruments (cont'd.)

(b) Impairment

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL
For exposures that have not experienced a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 2 months will be recognised.

(ii) Stage 2: Lifetime ECL - non-credit impaired
For exposures that have experienced a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

(iii) Stage 3: Lifetime ECL - credit impaired
Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

(c) Hedge accounting

Under MFRS 9, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Impairment model development and validation

The preparation for MFRS 9 by the Bank had started in 2016 with the setting up of a MFRS 9 Project Team headed by the Executive Vice President of Finance Department of the Bank, and with assistance from consultants on the implementation of MFRS 9. A MFRS 9 Project Steering Committee has also been established to monitor the progress of the preparatory work.

During the year, the progress of the MFRS 9 implementation project has been regularly reported to the Management Commitee, the Board Audit Committee and the Board of Directors of the Bank. The Bank had completed gap assessment and development of MFRS 9 compliant ECL models for applicable credit exposures as well as model implementation into information systems. Independent validation to ensure the MFRS 9 models are fit for the purpose and comply with the requirements of MFRS 9 is in progress.

(e) Impact as a result of the adoption of MFRS 9

MFRS 9 introduces significant changes in the way the Bank accounts for financial instruments, particularly on the accounting policy on impairment allowance for financing and advances and financial assets.

The key areas which would impact the financial results of the Bank as a result of the adoption of MFRS 9 are:

Recognition and measurement of impairment

The recognition and measurement of impairment under MFRS 9 will be more forward-looking and will result in earlier recognition of credit losses as compared to MFRS 139.

Hence, the total ECL allowances computed under MFRS 9 is expected to be higher than the total allowance for impairment on financing and advances under MFRS 139 as more forward looking approach is adopted as well as more financial assets (MFRS 9 includes financing commitments and financial guarantee contracts) will be assessed for impairment and allowances for impairment will be made for at least 12 month ECL. Upon the initial adoption of MFRS 9, a negative adjustment will be made to opening retained profits, which will decrease the equity and net assets of the Bank. As certain basis and assumptions are still being refined, the quantitative impact to the overall financial statements has not been finalised at this juncture. However, the impact to the capital ratios of the Bank is not expected to be significant on the basis that regulatory reserves would be allowed to mitigate the higher impairment allowance.

The adoption of the requirements on classification and measurement is not expected to have any impact on the classification and measurement of the financial liabilities of the Bank.

The Bank will elect an accounting policy choice allowed under MFRS 9 to continue applying existing hedge accounting requirements in MFRS 139 upon the adoption of MFRS 9.

The adoption of MFRS 9 will also result in changes to the presentation and disclosures of financial instruments in the financial statements of the Bank. Under the new requirements, the disclosures of financial instruments and its related risks will be more extensive.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and their related interpretations. MFRS 15 provides a principles based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This core principle is delivered in a five-step model framework are as follow:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

The key provisions of MFRS 15 are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.

- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.

- The point at which revenue is able to be recognised may shift; some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.

- There are new specific rules pertaining to, amongst others, licenses, warranties, non-refundable upfront fees, and consignment arrangements.

- Extended disclosure requirements in line with the new standard.

The adoption of MFRS 15 is not expected to have any material impact on the financial statements of the Bank as most of the revenue of the Bank have already been recognised in accordance with the principles of MFRS 15.

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:

3.1 Impairment of financial investments AFS and HTM (Notes 5(b), 5(c) and 31)

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 30)

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.

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. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

Estimates and assumptions (cont'd.)

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 30)

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 39)

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	
	2018	**2017**
	RM'000	**RM'000**
Cash and balances with banks and other financial institutions	**319,025**	126,828
Money at call and interbank placements maturing within one month	**1,260,898**	900,914
	1,579,923	1,027,742

(b) Cash and placements with financial institutions

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Licensed Islamic banks	**7,758**	22,183

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 March 2018 for the Group and the Bank was 2.13% per annum and 84 days respectively (31 March 2017: 1.00% per annum and 62 days).

5. FINANCIAL INVESTMENTS

(a) Financial investments designated at FVTPL

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Private equity funds	**161,274**	197,207
Malaysian government investment certificates	**-**	1
	161,274	197,208

5. FINANCIAL INVESTMENTS (CONT'D.)

(b) Available-for-sale

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian government investment certificates	**3,864,730**	3,531,945	**3,864,730**	3,531,945
Quoted securities in Malaysia:				
Quoted shares	**118,670**	159,860	**116,016**	109,977
Unquoted securities:				
Islamic corporate sukuk in Malaysia	**2,318,499**	2,457,637	**2,318,499**	2,457,637
Cagamas bonds	**60,530**	25,385	**60,530**	25,385
Foreign Islamic corporate sukuk	**32,813**	37,786	**32,813**	37,786
	2,411,842	2,520,808	**2,411,842**	2,520,808
Accumulated impairment loss	**(81,210)**	(86,578)	**(81,210)**	(86,578)
	6,314,032	6,126,035	**6,311,378**	6,076,152
At cost				
Unquoted securities:				
Shares in Malaysia	**5,381**	5,381	**5,381**	5,381
Total financial investments available-for-sale	**6,319,413**	6,131,416	**6,316,759**	6,081,533

(c) Held-to-maturity

	Group and Bank	
	2018 RM'000	2017 RM'000
At amortised cost		
Unquoted Islamic corporate sukuk in Malaysia	**143,730**	142,168

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.

	2018			2017		
	Contract/ notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract/ notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
Group and Bank						
Foreign exchange contracts:						
- Currency forwards						
Less than one year	**777,177**	**1,660**	**(71,428)**	862,936	51,435	(467)
- Currency swaps						
Less than one year	**841,470**	**70,995**	**(1,498)**	1,545,210	3,502	(54,090)
- Currency spot						
Less than one year	**88,744**	**115**	**(55)**	467,221	1,009	(39)
- Dual currency investment option	**-**	**-**	**-**	-	2	(2)
	1,707,391	**72,770**	**(72,981)**	2,875,367	55,948	(54,598)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	**325,000**	**-**	**(2,391)**	500,000	-	(2,251)
Hedged IPRS	**875,000**	**-**	**(2,551)**	1,500,000	-	(6,239)
Total	**2,907,391**	**72,770**	**(77,923)**	4,875,367	55,948	(63,088)

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 2018			31 March 2017		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
IPRS	**875,000**	**-**	**(2,551)**	1,500,000	-	(6,239)

Fair Value hedges

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

For the year ended 31 March 2018, the Group and the Bank:

(i) recognised a net gain of RM3,778,471 (31 March 2017: 4,304,713) on the hedging instrument. The total net loss on the hedged items attributable to the hedged risk amounted to RM5,157,995 (31 March 2017: RM7,454,067); and

(ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM4,810,910 (31 March 2017: RM1,771,572) due to the derecognition of the hedged items.

7. FINANCING OF CUSTOMERS

(i) By type and Shariah concepts

	Bai' Bithaman Ajil RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Shirkah Mutanaqisah RM'000	Rahnu RM'000	Total financing RM'000
Group 31 March 2018												
Cash line	-	-	-	58,073	561,226	-	-	-	-	-	-	619,299
Term financing:												
Home financing	5,880,765	-	-	-	8,718,544	-	-	35,756	-	-	-	14,635,065
Syndicated financing	-	-	-	-	1,855,676	-	-	-	-	-	-	1,855,676
Hire purchase receivables	52,328	-	658,642	-	-	-	-	-	-	-	-	710,970
Leasing receivables	-	1,277	-	-	-	-	-	-	-	-	-	1,277
Other term financing	814,345	-	-	552,538	8,529,523	-	-	139,309	511	37,637	-	10,073,863
Trust receipts	-	-	-	-	-	-	146,625	-	-	-	-	146,625
Claims on customers under acceptance credits	-	-	-	-	-	857,412	-	-	-	-	-	857,412
Staff financing	62,789	-	-	-	134,678	-	-	791	420	-	-	198,678
Revolving credit	-	-	-	-	1,284,221	-	-	-	-	-	-	1,284,221
Sukuk	-	-	-	-	-	-	116,586	-	-	-	-	116,586
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	109,245	109,245
	6,810,227	1,277	658,642	610,611	21,083,868	857,412	263,211	175,856	931	37,637	109,245	30,608,917
Less: Unearned income	(4,374,269)	-	(77,729)	(83,027)	(11,100,995)	(8,352)	(2,644)	(74,997)	(8)	-	-	(15,722,021)
Gross financing	2,435,958	1,277	580,913	527,584	9,982,873	849,060	260,567	100,859	923	37,637	109,245	14,886,896
Fair value changes arising from fair value hedge	-	-	-	(1,473)	(3,723)	-	-	-	-	-	-	(5,196)
	2,435,958	1,277	580,913	526,111	9,979,150	849,060	260,567	100,859	923	37,637	109,245	14,881,700
Less: Allowance for impaired financing												
Collective assessment	(19,762)	-	(8,431)	(541)	(144,160)	(594)	(854)	(79)	(22)	-	(2,479)	(176,922)
Individual assessment	(717)	-	(4,155)	-	(10,367)	(1,621)	(49)	(23)	-	-	-	(16,932)
Total net financing	2,415,479	1,277	568,327	525,570	9,824,623	846,845	259,664	100,757	901	37,637	106,766	14,687,846

7. FINANCING OF CUSTOMERS (CONT'D.)

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

	Bai' Bithaman Ajil RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Shirkah Mutanaqisah RM'000	Rahnu RM'000	Total financing RM'000
Group 31 March 2017												
Cash line	-	-	-	12,175	658,087	-	-	-	-	-	-	670,262
Term financing:												
Home financing	6,403,749	-	-	-	8,548,547	-	-	33,613	-	-	-	14,985,909
Syndicated financing	-	-	-	-	1,669,415	-	-	-	-	-	-	1,669,415
Hire purchase receivables	42,782	-	844,566	-	-	-	-	-	-	-	-	887,348
Leasing receivables	-	4,997	-	-	-	-	-	-	-	-	-	4,997
Other term financing	954,691	-	-	575,749	8,997,866	-	-	159,714	647	74,387	-	10,763,054
Trust receipts	-	-	-	-	-	-	50,675	-	-	-	-	50,675
Claims on customers under acceptance credits	-	-	-	-	-	695,741	-	-	-	-	-	695,741
Staff financing	76,115	-	-	-	792	-	-	113,972	444	-	-	191,323
Revolving credit	-	-	-	-	1,276,553	-	-	-	-	-	-	1,276,553
Sukuk	-	-	-	-	-	-	110,349	-	-	-	-	110,349
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	103,328	103,328
	7,477,337	4,997	844,566	587,924	21,151,260	695,741	161,024	307,299	1,091	74,387	103,328	31,408,954
Less : Unearned income	(4,749,007)	-	(105,138)	(58,900)	(11,174,801)	(7,090)	(526)	(79,204)	(8)	-	-	(16,174,674)
Gross financing	2,728,330	4,997	739,428	529,024	9,976,459	688,651	160,498	228,095	1,083	74,387	103,328	15,234,280
Fair value changes arising from fair value hedge	-	-	-	(3,073)	89	-	-	-	-	-	-	(2,984)
	2,728,330	4,997	739,428	525,951	9,976,548	688,651	160,498	228,095	1,083	74,387	103,328	15,231,296
Less : Allowance for impaired financing												
Collective assessment	(40,319)	-	(19,645)	(990)	(171,756)	(1,564)	(451)	(159)	(53)	-	(1,222)	(236,159)
Individual assessment	(401)	-	(7,311)	(24)	(44,928)	(397)	(23,781)	(23)	-	-	-	(76,865)
Total net financing	2,687,610	4,997	712,472	524,937	9,759,864	686,690	136,266	227,913	1,030	74,387	102,106	14,918,272

7. FINANCING OF CUSTOMERS (CONT'D.)

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

	Bai' Bithaman Ajil RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Rahnu RM'000	Total financing RM'000
Bank 31 March 2018											
Cash line	-	-	-	58,073	561,226	-	-	-	-	-	619,299
Term financing:											
Home financing	5,880,765	-	-	-	8,718,544	-	-	35,756	-	-	14,635,065
Syndicated financing	-	-	-	-	1,855,676	-	-	-	-	-	1,855,676
Hire purchase receivables	52,328	-	658,642	-	-	-	-	-	-	-	710,970
Leasing receivables	-	1,277	-	-	-	-	-	-	-	-	1,277
Other term financing	814,345	-	-	552,538	8,529,523	-	-	139,309	42,664	-	10,078,379
Trust receipts	-	-	-	-	-	-	146,625	-	-	-	146,625
Claims on customers under acceptance credits	-	-	-	-	-	857,412	-	-	-	-	857,412
Staff financing	62,789	-	-	-	134,678	-	-	791	420	-	198,678
Revolving credit	-	-	-	-	1,284,221	-	-	-	-	-	1,284,221
Sukuk	-	-	-	-	-	-	116,586	-	-	-	116,586
Ar-Rahnu	-	-	-	-	-	-	-	-	-	109,245	109,245
	6,810,227	1,277	658,642	610,611	21,083,868	857,412	263,211	175,856	43,084	109,245	30,613,433
Less : Unearned income	(4,374,269)	-	(77,729)	(83,027)	(11,100,994)	(8,353)	(2,644)	(74,997)	(8)		(15,722,021)
Gross financing	2,435,958	1,277	580,913	527,584	9,982,874	849,059	260,567	100,859	43,076	109,245	14,891,412
Fair value changes arising from fair value hedge	-	-	-	(1,473)	(3,723)	-	-	-	-	-	(5,196)
	2,435,958	1,277	580,913	526,111	9,979,151	849,059	260,567	100,859	43,076	109,245	14,886,216
Less : Allowance for impaired financing											
Collective assessment	(19,762)	-	(8,431)	(541)	(144,160)	(594)	(855)	(79)	(22)	(2,478)	(176,922)
Individual assessment	(717)	-	(4,155)	-	(10,367)	(1,621)	(49)	(23)	(4,933)	-	(21,865)
Total net financing	2,415,479	1,277	568,327	525,570	9,824,624	846,844	259,663	100,757	38,121	106,767	14,687,429

7. FINANCING OF CUSTOMERS (CONT'D.)

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

	Bai' Bithaman Ajil RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Rahnu RM'000	Total financing RM'000
Bank 31 March 2017											
Cash line	-	-	-	12,175	658,087	-	-	-	-	-	670,262
Term financing:											
Home financing	6,403,749	-	-	-	8,548,547	-	-	33,613	-	-	14,985,909
Syndicated financing	-	-	-	-	1,669,415	-	-	-	-	-	1,669,415
Hire purchase receivables	42,782	-	844,566	-	-	-	-	-	-	-	887,348
Leasing receivables	-	4,997	-	-	-	-	-	-	-	-	4,997
Other term financing	954,691	-	-	575,749	8,997,867	-	-	159,714	99,550	-	10,787,571
Trust receipts	-	-	-	-	-	-	50,675	-	-	-	50,675
Claims on customers under acceptance credits	-	-	-	-	-	695,741	-	-	-	-	695,741
Staff financing	76,115	-	-	-	792	-	-	113,972	444	-	191,323
Revolving credit	-	-	-	-	1,276,553	-	-	-	-	-	1,276,553
Sukuk	-	-	-	-	-	-	110,349	-	-	-	110,349
Ar-Rahnu	-	-	-	-	-	-	-	-	-	103,328	103,328
	7,477,337	4,997	844,566	587,924	21,151,261	695,741	161,024	307,299	99,994	103,328	31,433,471
Less : Unearned income	(4,749,007)	-	(105,138)	(58,900)	(11,174,801)	(7,090)	(526)	(79,204)	(8)	-	(16,174,674)
Gross financing	2,728,330	4,997	739,428	529,024	9,976,460	688,651	160,498	228,095	99,986	103,328	15,258,797
Fair value changes arising from fair value hedge	-	-	-	(3,073)	89	-	-	-	-	-	(2,984)
	2,728,330	4,997	739,428	525,951	9,976,549	688,651	160,498	228,095	99,986	103,328	15,255,813
Less : Allowance for impaired financing											
Collective assessment	(40,319)	-	(19,645)	(990)	(171,756)	(1,564)	(451)	(159)	(53)	(1,222)	(236,159)
Individual assessment	(401)	-	(7,311)	(24)	(44,928)	(397)	(23,781)	(23)	(4,933)	-	(81,798)
Total net financing	2,687,610	4,997	712,472	524,937	9,759,865	686,690	136,266	227,913	95,000	102,106	14,937,856

7. FINANCING OF CUSTOMERS (CONT'D.)

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Uses of Qard fund:		
Staff financing	**412**	436
Other term financing	**511**	647
	923	1,083

	Bank	
	2018	**2017**
	RM'000	**RM'000**
Staff financing	**412**	436
Other term financing	**42,664**	99,550
	43,076	99,986

(ii) By type of customer

	Group	
	2018	**2017**
	RM'000	**RM'000**
Domestic non-banking institutions	**625,823**	839,319
Domestic business enterprises		
- Small business enterprises	**80,535**	86,641
- Others	**3,985,017**	3,703,023
Government and statutory bodies	**755,713**	759,376
Individuals	**9,423,561**	9,818,840
Other domestic entities	**6,505**	6,297
Foreign entities	**9,742**	20,784
Gross financing	**14,886,896**	15,234,280

7. FINANCING OF CUSTOMERS (CONT'D.)

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

	Bank	
	2018	**2017**
	RM'000	**RM'000**
Domestic non-banking institutions	**625,823**	839,319
Domestic business enterprises		
- Small business enterprises	**80,535**	86,641
- Others	**3,989,533**	3,727,540
Government and statutory bodies	**755,713**	759,376
Individuals	**9,423,561**	9,818,840
Other domestic entities	**6,505**	6,297
Foreign entities	**9,742**	20,784
Gross financing	**14,891,412**	15,258,797

(iii) By profit rate sensitivity

	Group	
	2018	**2017**
	RM'000	**RM'000**
Fixed rate:		
Home financing	**342,502**	382,310
Hire purchase receivables	**623,219**	773,545
Others	**2,824,512**	3,246,631
Variable rate:		
Home financing	**4,271,390**	4,332,628
Others	**6,825,273**	6,499,166
Gross financing	**14,886,896**	15,234,280

	Bank	
	2018	**2017**
	RM'000	**RM'000**
Fixed rate:		
Home financing	**342,502**	382,310
Hire purchase receivables	**623,219**	773,545
Others	**2,829,028**	3,271,148
Variable rate:		
Home financing	**4,271,390**	4,332,628
Others	**6,825,273**	6,499,166
Gross financing	**14,891,412**	15,258,797

NOTES TO THE FINANCIAL STATEMENTS
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7. FINANCING OF CUSTOMERS (CONT'D.)

(iv) By sector

	Group	
	2018 RM'000	**2017 RM'000**
Agriculture	**103,205**	122,174
Mining and quarrying	**3,194**	11,806
Manufacturing	**737,769**	540,794
Electricity, gas and water	**155,999**	187,531
Construction	**412,378**	315,219
Household	**9,423,979**	9,808,207
Real estate	**1,212,248**	1,119,086
Wholesale, retail and restaurant	**849,274**	549,420
Transport, storage and communication	**194,726**	360,093
Finance, takaful and business services	**670,957**	1,043,601
Purchase of transport vehicles	**14,534**	15,006
Consumption credit	**397**	436
Community, social and personal service	**353,996**	404,604
Government and statutory bodies	**754,240**	756,303
Gross financing	**14,886,896**	15,234,280

	Bank	
	2018 RM'000	**2017 RM'000**
Agriculture	**103,205**	122,174
Mining and quarrying	**8,127**	16,739
Manufacturing	**737,769**	540,794
Electricity, gas and water	**155,999**	187,531
Construction	**412,378**	315,219
Household	**9,423,979**	9,808,207
Real estate	**1,212,248**	1,119,086
Wholesale, retail and restaurant	**849,274**	549,420
Transport, storage and communication	**194,726**	380,093
Finance, takaful and business services	**670,957**	1,043,601
Purchase of transport vehicles	**14,534**	15,006
Consumption credit	**397**	436
Community, social and personal service	**353,579**	404,188
Government and statutory bodies	**754,240**	756,303
Gross financing	**14,891,412**	15,258,797

7. FINANCING OF CUSTOMERS (CONT'D.)

(v) By residual contractual maturity

	Group 2018 RM'000	Group 2017 RM'000
Maturity		
- within one year	**4,479,979**	4,090,338
- more than one to five years	**4,716,748**	5,216,993
- more than five years	**5,690,169**	5,926,949
Gross financing	**14,886,896**	15,234,280

	Bank 2018 RM'000	Bank 2017 RM'000
Maturity		
- within one year	**4,479,979**	4,090,338
- more than one to five years	**4,716,748**	5,216,993
- more than five years	**5,694,685**	5,951,466
Gross financing	**14,891,412**	15,258,797

(vi) By geographical area

	Group 2018 RM'000	Group 2017 RM'000
Domestic	**14,886,896**	15,202,300
Labuan Offshore	**-**	31,980
Gross financing	**14,886,896**	15,234,280

	Bank 2018 RM'000	Bank 2017 RM'000
Domestic	**14,891,412**	15,226,817
Labuan Offshore	**-**	31,980
Gross financing	**14,891,412**	15,258,797

7. FINANCING OF CUSTOMERS (CONT'D.)

(vii) By economic purpose

	Group	
	2018	**2017**
	RM'000	**RM'000**
Purchase of securities	**58,905**	60,387
Purchase of transport vehicles	**612,964**	733,186
Purchase of landed properties of which:		
– residential	**4,642,424**	4,766,092
– non-residential	**459,399**	530,908
Purchase of fixed assets (excluding landed properties)	**98,455**	131,701
Personal use	**3,840,151**	3,946,722
Construction	**791,432**	645,733
Working capital	**3,425,991**	3,297,900
Other purposes	**957,175**	1,121,651
Gross financing	**14,886,896**	15,234,280

	Bank	
	2018	**2017**
	RM'000	**RM'000**
Purchase of securities	**58,905**	60,387
Purchase of transport vehicles	**612,964**	733,186
Purchase of landed properties of which:		
– residential	**4,642,424**	4,766,092
– non-residential	**459,399**	530,908
Purchase of fixed assets (excluding landed properties)	**98,455**	131,701
Personal use	**3,840,151**	3,946,722
Construction	**791,432**	645,733
Working capital	**3,430,507**	3,297,900
Other purposes	**957,175**	1,146,168
Gross financing	**14,891,412**	15,258,797

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 RM875 million (2017: RM1.5 billion). The cumulative change in fair value of the financings attributable to changes in profit rate risks amount to a loss of RM5,195,727 (2017: RM2,984,423) and the change for the current year is a loss of RM5,157,995 (2017: RM7,454,068). The changes in fair value of the designated financing attributable to changes in profit risk have been calculated by determining the changes in profit spread implicit in the fair value of securities issued by entities with similar credit characteristics.

8. IMPAIRED FINANCING

(i) Movements in the impaired financing

	Group RM'000	Bank RM'000
As at 31 March 2018		
As at 1 April 2017	**351,920**	**356,853**
Classified as impaired during the year	**431,092**	**431,092**
Reclassified as performing during the year	**(337,245)**	**(337,245)**
Recovered during the year	**(82,895)**	**(82,895)**
Written off during the year	**(77,456)**	**(77,456)**
As at 31 March 2018	**285,416**	**290,349**
Ratio of gross impaired financing to total financing	**1.92%**	**1.95%**
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	351,920	356,853
Ratio of gross impaired financing to total financing	2.31%	2.34%

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 2018		
As at 1 April 2017	**236,159**	**236,159**
Allowance made during the year (Note 30(b))	**293,271**	**293,271**
Amount written-back (Note 30(b))	**(328,924)**	**(328,924)**
Amount written off	**(23,584)**	**(23,584)**
As at 31 March 2018	**176,922**	**176,922**
As % of gross financing, less individual assessment allowance (including regulatory reserve)	**1.20%**	**1.20%**
As at 31 March 2017		
As at 1 April 2016	208,439	208,439
Allowance made during the year (Note 30(b))	351,926	351,926
Amount written-back (Note 30(b))	(292,349)	(292,349)
Amount written off	(31,857)	(31,857)
As at 31 March 2017	236,159	236,159
As % of gross financing, less individual assessment allowance	1.56%	1.56%

Individual assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2018		
As at 1 April 2017	**76,865**	**81,798**
Allowance made during the year (Note 30(a))	**12,849**	**12,849**
Amount written-back (Note 30(a))	**(25,011)**	**(25,011)**
Amount written off	**(47,771)**	**(47,771)**
As at 31 March 2018	**16,932**	**21,865**

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 2017		
As at 1 April 2016	81,078	81,078
Allowance made during the year (Note 30(a))	30,753	35,686
Amount written-back (Note 30(a))	(14,552)	(14,552)
Amount written off	(20,414)	(20,414)
As at 31 March 2017	76,865	81,798

(iii) Impaired financing by geographical area

	Group	
	2018 RM'000	2017 RM'000
Domestic	**285,416**	351,920

	Bank	
	2018 RM'000	2017 RM'000
Domestic	**290,349**	356,853

(iv) Impaired financing by sector

	Group	
	2018 RM'000	2017 RM'000
Agriculture	**6**	39
Manufacturing	**783**	45,565
Construction	**5,698**	9,852
Household	**241,803**	248,874
Real estate	**363**	-
Wholesale and retail and restaurant	**8,215**	5,815
Transport, storage and communication	**22,292**	37,310
Finance, takaful and business services	**4,650**	2,004
Purchase of transport vehicles	**250**	409
Community, social and personal service	**1,356**	2,052
	285,416	351,920

8. IMPAIRED FINANCING (CONT'D.)

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

	Bank	
	2018 RM'000	2017 RM'000
Agriculture	**6**	39
Manufacturing	**783**	45,565
Construction	**5,698**	9,852
Household	**241,803**	248,874
Real estate	**363**	-
Wholesale and retail and restaurant	**8,215**	5,815
Mining and quarrying	**4,933**	4,933
Transport, storage and communication	**22,292**	37,310
Finance, takaful and business services	**4,650**	2,004
Purchase of transport vehicles	**250**	409
Community, social and personal service	**1,356**	2,052
	290,349	356,853

(v) Impaired financing by economic purpose

	Group	
	2018 RM'000	2017 RM'000
Purchase of securities	**60**	63
Purchase of transport vehicles	**17,856**	21,687
Purchase of landed properties of which:		
- Residential	**94,017**	87,000
- Non-residential	**10,884**	7,706
Purchase of fixed assets (excluding landed properties)	**1,403**	5,326
Personal use	**125,378**	139,614
Construction	**23**	19,112
Working capital	**33,553**	65,596
Other purposes	**2,242**	5,816
	285,416	351,920

8. IMPAIRED FINANCING (CONT'D.)

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

	Bank	
	2018 **RM'000**	**2017** **RM'000**
Purchase of securities	**60**	63
Purchase of transport vehicles	**17,856**	21,687
Purchase of landed properties of which:		
- Residential	**94,017**	87,000
- Non-residential	**10,884**	7,706
Purchase of fixed assets (excluding landed properties)	**1,403**	5,326
Personal use	**125,378**	139,614
Construction	**23**	19,112
Working capital	**38,486**	70,529
Other purposes	**2,242**	5,816
	290,349	356,853

9. OTHER ASSETS

	Group	
	2018 **RM'000**	**2017** **RM'000**
Deposits	**7,188**	7,304
Prepayments	**8,142**	6,629
Tax prepayment	**49,327**	52,814
Golf club membership	**600**	600
Other receivables	**12,319**	11,263
Other debtors	**14,402**	43,297
	91,978	121,907

	Bank	
	2018 **RM'000**	**2017** **RM'000**
Deposits	**7,090**	7,206
Prepayments	**7,944**	6,482
Tax prepayment	**49,327**	52,210
Amount due from subsidiaries	**9**	141
Golf club membership	**600**	600
Other receivables	**12,319**	11,263
Other debtors	**12,254**	42,383
	89,543	120,285

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	
	2018	**2017**
	RM'000	**RM'000**
Unquoted shares at cost - in Malaysia	**10,823**	10,823
Less: Accumulated impairment losses	**(2,264)**	(2,768)
	8,559	8,055

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

Name	Principal activities	Percentage of equity held		Paid up capital	
		2018	**2017**	**2018**	**2017**
		%	**%**	**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 2018				
As at 1 April 2017	**13,481**	**21,154**	**4,143**	**38,778**
Additions	**-**	**-**	**588**	**588**
Change in fair value recognised in income statement (Note 29)	**-**	**2,415**	**-**	**2,415**
Reclassification	**-**	**4,731**	**(4,731)**	**-**
As at 31 March 2018	**13,481**	**28,300**	**-**	**41,781**
Included in the above are:				
At fair value	**13,481**	**28,300**	**-**	**41,781**
At cost	**-**	**-**	**-**	**-**
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 29)	-	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

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 2018, the fair values of the properties are based on valuations performed by Proharta Consultancy Sdn Bhd, an accredited independent valuer. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. Fair value hierarchy disclosures for investment properties have been further disclosed in Note 46.

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 2018			
Cost			
As at 1 April 2017	**210,069**	**3,406**	**213,475**
Additions	**6,250**	**6,659**	**12,909**
Write off	**(10)**	**(368)**	**(378)**
Reclassification	**5,509**	**(5,748)**	**(239)**
As at 31 March 2018	**221,818**	**3,949**	**225,767**
Accumulated amortisation			
As at 1 April 2017	**103,965**	**-**	**103,965**
Charge for the year (Note 36)	**27,743**	**-**	**27,743**
Write off	**(10)**	**-**	**(10)**
As at 31 March 2018	**131,698**	**-**	**131,698**
Carrying amount as at 31 March 2018	**90,120**	**3,949**	**94,069**
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 36)	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

13. INTANGIBLE ASSETS (CONT'D.)

Bank	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2018			
Cost			
As at 1 April 2017	**209,064**	**3,406**	**212,470**
Additions	**6,250**	**6,659**	**12,909**
Write off	**(10)**	**(368)**	**(378)**
Reclassification	**5,509**	**(5,748)**	**(239)**
As at 31 March 2018	**220,813**	**3,949**	**224,762**
Accumulated amortisation			
As at 1 April 2017	**103,350**	**-**	**103,350**
Charge for the year (Note 36)	**27,528**	**-**	**27,528**
Write off	**(10)**	**-**	**(10)**
As at 31 March 2018	**130,868**	**-**	**130,868**
Carrying amount as at 31 March 2018	**89,945**	**3,949**	**93,894**
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 36)	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

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 2018					
Cost					
As at 1 April 2017	2,909	17,189	241,151	3,405	264,654
Additions	5,488	-	4,968	6,912	17,368
Write off	-	-	(984)	-	(984)
Disposals	-	-	(217)	-	(217)
Reclassification	1,897	-	6,543	(8,201)	239
As at 31 March 2018	10,294	17,189	251,461	2,116	281,060
Accumulated depreciation					
As at 1 April 2017	674	6,132	205,539	-	212,345
Charge for the year (Note 36)	125	430	16,669	-	17,224
Write off	-	-	(972)	-	(972)
Disposals	-	-	(206)	-	(206)
As at 31 March 2018	799	6,562	221,030	-	228,391
Carrying amount as at 31 March 2018	9,495	10,627	30,431	2,116	52,669

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

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
Write off	-	-	(648)	-	(648)
Disposals	-	-	(3,665)	-	(3,665)
Reclassification	-	-	1,933	(1,689)	244
As at 31 March 2017	2,909	17,189	241,151	3,405	264,654
Accumulated depreciation					
As at 1 April 2016	602	5,703	191,656	-	197,961
Charge for the year (Note 36)	72	429	18,185	-	18,686
Write off	-	-	(642)	-	(642)
Disposals	-	-	(3,660)	-	(3,660)
As at 31 March 2017	674	6,132	205,539	-	212,345
Carrying amount as at 31 March 2017	2,235	11,057	35,612	3,405	52,309

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 2018					
Cost					
As at 1 April 2017	2,909	17,189	240,844	3,405	264,347
Additions	5,488	-	4,965	6,912	17,365
Write off	-	-	(984)	-	(984)
Disposals	-	-	(217)	-	(217)
Reclassification	1,897	-	6,543	(8,201)	239
As at 31 March 2018	10,294	17,189	251,151	2,116	280,750
Accumulated depreciation					
As at 1 April 2017	674	6,132	205,271	-	212,077
Charge for the year (Note 36)	125	430	16,635	-	17,190
Write off	-	-	(972)	-	(972)
Disposals	-	-	(206)	-	(206)
As at 31 March 2018	799	6,562	220,728	-	228,089
Carrying amount as at 31 March 2018	9,495	10,627	30,423	2,116	52,661

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
Write off	-	-	(648)	-	(648)
Disposals	-	-	(3,665)	-	(3,665)
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 36)	72	429	18,147	-	18,648
Write off	-	-	(642)	-	(642)
Disposals	-	-	(3,660)	-	(3,660)
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

15. PREPAID LAND LEASE PAYMENTS

	Group and Bank	
	2018 RM'000	**2017 RM'000**
At beginning of the year	**231**	235
Amortisation (Note 36)	**(4)**	(4)
At end of the year	**227**	231
Analysed as:		
Long term leasehold land	**227**	231

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At beginning of the year	**2,566**	(568)	**9,652**	(568)
Recognised in the income statement (Note 39)	**7,347**	(533)	**7,347**	(533)
Recognised in other comprehensive income	**5,107**	3,667	**(1,392)**	10,753
At end of the year	**15,020**	2,566	**15,607**	9,652

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

	Group		Bank	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deferred tax assets, net	**15,607**	9,652	**15,607**	9,652
Deferred tax liabilities, net	**(587)**	(7,086)	**-**	-
	15,020	2,566	**15,607**	9,652

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

	Group		Bank	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deferred tax assets	**24,235**	19,685	**24,235**	19,685
Deferred tax liabilities	**(9,215)**	(17,119)	**(8,628)**	(10,033)
	15,020	2,566	**15,607**	9,652

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

Deferred tax assets of the Group:

	Available-for-sale reserve RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 1 April 2017	**10,753**	**2,376**	**6,291**	**265**	**19,685**
Recognised in income statements	**-**	**1,777**	**4,277**	**(17)**	**6,037**
Recognised in other comprehensive income	**(1,487)**	**-**	**-**	**-**	**(1,487)**
As at 31 March 2018	**9,266**	**4,153**	**10,568**	**248**	**24,235**
As at 1 April 2016	-	404	10,008	307	10,719
Recognised in income statements	-	1,972	(3,717)	(42)	(1,787)
Recognised in other comprehensive income	10,753	-	-	-	10,753
As at 31 March 2017	10,753	2,376	6,291	265	19,685

Deferred tax liabilities of the Group :

	Available-for-sale reserve RM'000	Property, plant and equipment & intangible asset RM'000	Total RM'000
As at 1 April 2017	**(7,181)**	**(9,938)**	**(17,119)**
Recognised in income statement	**-**	**1,310**	**1,310**
Recognised in other comprehensive income	**6,594**	**-**	**6,594**
As at 31 March 2018	**(587)**	**(8,628)**	**(9,215)**
As at 1 April 2016	(95)	(11,192)	(11,287)
Recognised in income statement	-	1,254	1,254
Recognised in other comprehensive income	(7,086)	-	(7,086)
As at 31 March 2017	(7,181)	(9,938)	(17,119)

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

Deferred tax assets of the Bank:

	Available-for-sale reserve RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 1 April 2017	**10,753**	**2,376**	**6,291**	**265**	**19,685**
Recognised in income statements	**-**	**1,777**	**4,277**	**(17)**	**6,037**
Recognised in other comprehensive income	**(1,487)**	**-**	**-**	**-**	**(1,487)**
As at 31 March 2018	**9,266**	**4,153**	**10,568**	**248**	**24,235**
As at 1 April 2016	-	404	10,008	307	10,719
Recognised in income statements	-	1,972	(3,717)	(42)	(1,787)
Recognised in other comprehensive income	10,753	-	-	-	10,753
As at 31 March 2017	10,753	2,376	6,291	265	19,685

Deferred tax liabilities of the Bank:

	Available-for-sale reserve RM'000	Property, plant and equipment & intangible asset RM'000	Total RM'000
As at 1 April 2017	**(95)**	**(9,938)**	**(10,033)**
Recognised in income statement	**-**	**1,310**	**1,310**
Recognised in other comprehensive income	**95**	**-**	**95**
As at 31 March 2018	**-**	**(8,628)**	**(8,628)**
As at 1 April 2016	(95)	(11,192)	(11,287)
Recognised in income statement	-	1,254	1,254
As at 31 March 2017	(95)	(9,938)	(10,033)

17. DEPOSITS FROM CUSTOMERS

(i) By types of deposits

	Group	
	2018 RM'000	2017 RM'000
Savings deposits		
Qard	**947,906**	1,052,795
Tawarruq	**267,224**	107,869
	1,215,130	1,160,664
Demand deposits		
Qard	**3,391,839**	2,994,706
Tawarruq	**399,182**	70,481
	3,791,021	3,065,187
Term deposits		
Negotiable Islamic debt certificate	**1,156,951**	1,550,790
General investment deposits	**119,429**	140,575
Short term accounts	**3,052,657**	2,958,160
Fixed term accounts tawarruq	**10,803,931**	11,003,797
	15,132,968	15,653,322
Other deposits	**33,408**	38,309
	20,172,527	19,917,482

	Bank	
	2018 RM'000	2017 RM'000
Savings deposits		
Qard	**947,906**	1,052,795
Tawarruq	**267,224**	107,869
	1,215,130	1,160,664
Demand deposits		
Qard	**3,397,366**	2,996,183
Tawarruq	**399,182**	70,481
	3,796,548	3,066,664
Term deposits		
Negotiable Islamic debt certificate	**1,156,951**	1,550,790
General investment deposits	**119,429**	140,575
Short term accounts	**3,052,657**	2,958,160
Fixed term accounts tawarruq	**10,816,731**	11,014,597
	15,145,768	15,664,122
Other deposits	**33,408**	38,309
	20,190,854	19,929,759

17. DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) By types of customer

	Group	
	2018 RM'000	2017 RM'000
Government and statutory bodies	**5,181,925**	5,975,784
Business enterprises	**7,107,471**	7,058,767
Individuals	**2,277,087**	1,584,069
Others	**5,606,044**	5,298,862
	20,172,527	19,917,482

	Bank	
	2018 RM'000	2017 RM'000
Government and statutory bodies	**5,181,925**	5,975,784
Business enterprises	**7,125,798**	7,071,044
Individuals	**2,277,087**	1,584,069
Others	**5,606,044**	5,298,862
	20,190,854	19,929,759

The maturity structure of term deposits are as follows:

	Group	
	2018 RM'000	2017 RM'000
Due within six months	**13,052,870**	13,899,694
More than six months to one year	**1,496,642**	1,374,178
More than one year to three years	**532,636**	303,428
More than three year to five years	**50,820**	76,022
	15,132,968	15,653,322

	Bank	
	2018 RM'000	2017 RM'000
Due within six months	**13,065,670**	13,910,494
More than six months to one year	**1,496,642**	1,374,178
More than one year to three years	**532,636**	303,428
More than three year to five years	**50,820**	76,022
	15,145,768	15,664,122

18. INVESTMENT ACCOUNTS

(a) Investment accounts due from designated financial institution

	Group and Bank	
	2018 RM'000	**2017 RM'000**
Licensed Islamic bank	**146**	382

The investment account as at 31 March 2018 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 RM44,493,000 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 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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Wakalah				
Maturity				
- within one year	**40,000**	-	**40,000**	-
- more than one to five years	**2,090**	424	**4,493**	7,705
	42,090	424	**44,493**	7,705

(ii) By types of customer are as follows:

	Group		Bank	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Business enterprise	**21,911**	-	**24,314**	7,281
Individuals	**16,442**	347	**16,442**	347
Others	**3,737**	77	**3,737**	77
	42,090	424	**44,493**	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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Restricted investment accounts				
Term financing	**42,090**	424	**44,493**	7,705
Total investment	**42,090**	424	**44,493**	7,705

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

	Group and Bank 2018		Group and Bank 2017	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Investment account of customers	**89.5%**	**7.0%**	93.0%	6.5%

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2018 RM'000	2017 RM'000
Non-Mudharabah		
Bank Negara Malaysia	**8,854**	9,770
Licensed banks	**-**	551,884
	8,854	561,654

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	
	2018 **RM'000**	**2017** **RM'000**
Sundry creditors	**2,829**	825
Provision for commitments and contingencies (Note 21 (a))	**-**	-
Accrual for bonus	**28,421**	11,197
Accrued expenses	**56,683**	36,010
Accrual for directors' fees	**840**	672
Accrual for audit fees	**1,279**	512
Other liabilities	**27,287**	7,160
	117,339	56,376

	Bank	
	31 March 2018 RM'000	**31 March 2017 RM'000**
Sundry creditors	**831**	206
Provision for commitments and contingencies (Note 21(a))	**-**	-
Accrual for bonus	**28,124**	11,197
Accrued expenses	**57,513**	36,214
Accrual for directors' fees	**840**	672
Accrual for audit fees	**1,254**	492
Other liabilities	**27,050**	7,073
	115,612	55,854

(a) Movement in provision for commitments and contingencies:

	Group and Bank	
	31 March 2018 RM'000	**31 March 2017 RM'000**
At beginning of the year	**-**	13,782
Write-back during the year	**-**	(2,282)
Settlement made during the year	**-**	(11,500)
At end of the year	**-**	-

22. PROVISION FOR ZAKAT AND TAXATION

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Zakat	**6,540**	4,722	**5,989**	4,677
Taxation	**1,374**	84	**-**	-
	7,914	4,806	**5,989**	4,677

23. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to the Bank. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

24. SUKUK

(a) Subordinated sukuk

On 15 June 2016, the Bank set up a RM1.0 billion Sukuk programme of which RM250.0 million was subscribed up to the closing date. The Sukuk programme has loss absorption features to meet Basel III criteria and qualifies as Tier 2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.

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

(b) Senior sukuk

On 25 November 2016, the Bank has issued RM500.0 million (5 years maturity) of senior sukuk respectively through a RM2.0 billion Senior Sukuk Programme.

The Senior Sukuk 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-anually in May and November each year.

25. SHARE CAPITAL

	Number of shares		Amount	
	2018 '000	**2017 '000**	**2018 RM'000**	**2017 RM'000**
Ordinary shares				
As at 1 April/31 March	**1,195,000**	1,195,000	**1,195,000**	1,195,000

26. RESERVES

		Group	
	Note	**2018 RM'000**	**2017 RM'000**
Statutory reserve	(a)	**-**	658,158
Regulatory reserve	(b)	**1,530**	-
Retained profits	(c)	**1,132,781**	294,528
Exchange fluctuation reserve	(d)	**(1,779)**	2,183
Available-for-sale reserve	(e)	**(27,616)**	(11,298)
		1,104,916	943,571

		Bank	
	Note	**2018 RM'000**	**2017 RM'000**
Statutory reserve	(a)	**-**	656,561
Regulatory reserve	(b)	**1,530**	-
Retained profits	(c)	**1,123,420**	289,726
Exchange fluctuation reserve	(d)	**(1,779)**	2,183
Available-for-sale reserve	(e)	**(29,473)**	(33,734)
		1,093,698	914,736

26. RESERVES (CONT'D.)

(a) Statutory reserve

On 3 May 2017, BNM issued a Revised Policy Document on Capital Funds for Islamic Banks (""Revised Policy Document"). The key changes in the Revised Policy Document is the removal of the requirement on maintenance of a reserve fund.

During the year, the Group and the Bank have transferred RM658,158,000 and RM656,561,000, respectively from statutory reserves to retained profit.

(b) Regulatory reserve

On 2 February 2018, BNM issued the revised policy document on Financial Reporting for Islamic Banking Institutions which prescribes the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. The adoption of this requirement is expected to have minimal impact to the capital ratios of the Bank as the Bank is currently maintaining, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding financing, net of individual impairment provisions.

(c) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 March 2018 under the single tier system.

(d) 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.

(e) 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.

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group		Bank	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Income derived from investment of:				
(i) Fixed term deposits	**634,903**	646,341	**634,903**	646,341
(ii) Other deposits	**557,446**	526,354	**557,446**	526,354
	1,192,349	1,172,695	**1,192,349**	1,172,695

(i) Income derived from investment of general investment deposits

	Group		Bank	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Finance income and hibah:				
Income from financing	**471,921**	498,081	**471,921**	498,081
Financial investments designated at FVTPL	**1**	-	**1**	-
Financial investments held-for-maturity	**491**	720	**491**	720
Financial investments available-for-sale	**118,756**	107,309	**118,756**	107,309
Money at call and deposit with financial institutions	**13,124**	12,905	**13,124**	12,905
	604,293	619,015	**604,293**	619,015
Amortisation of premium, net	**(607)**	(756)	**(607)**	(756)
Total finance income and hibah	**603,686**	618,259	**603,686**	618,259
Other operating income				
Net gain from sale of:				
- financial investments designated at FVTPL	**281**	493	**281**	493
- financial investments available-for-sale	**6,388**	5,935	**6,388**	5,935
Unrealised (loss)/gain on revaluation from financial investments designated at FVTPL	**(1)**	1	**(1)**	1
	6,668	6,429	**6,668**	6,429

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27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

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

	Group		Bank	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Fees and commission				
Guarantee fees	**752**	1,522	**752**	1,522
Safekeeping fees	**7,245**	5,821	**7,245**	5,821
Processing fees	**647**	621	**647**	621
Service charges and fees	**5,538**	5,304	**5,538**	5,304
Commission	**10,367**	8,385	**10,367**	8,385
	24,549	21,653	**24,549**	21,653
Total	**634,903**	646,341	**634,903**	646,341

(ii) Income derived from investment of other deposits

	Group		Bank	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Finance income and hibah				
Income from financing	**414,348**	405,616	**414,348**	405,616
Financial investments designated at FVTPL	**1**	-	**1**	-
Financial investments held-for-maturity	**431**	587	**431**	587
Financial investments available-for-sale	**104,268**	87,387	**104,268**	87,387
Money at call and deposit with financial institutions	**11,522**	10,509	**11,522**	10,509
	530,570	504,099	**530,570**	504,099
Amortisation of premium, net	**(533)**	(615)	**(533)**	(615)
Total finance income and hibah	**530,037**	503,484	**530,037**	503,484

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

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

	Group		Bank	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Other operating income				
Net gain from sale of:				
- financial investments designated at FVTPL	**247**	401	**247**	401
- financial investments available-for-sale	**5,609**	4,833	**5,609**	4,833
	5,856	5,234	**5,856**	5,234
Fees and commission				
Guarantee fees	**661**	1,240	**661**	1,240
Safekeeping fees	**6,361**	4,740	**6,361**	4,740
Processing fees	**568**	506	**568**	506
Service charges and fees	**4,862**	4,320	**4,862**	4,320
Commission	**9,101**	6,830	**9,101**	6,830
	21,553	17,636	**21,553**	17,636
Total	**557,446**	526,354	**557,446**	526,354

28. INCOME DERIVED FROM INVESTMENT OF ACCOUNT FUNDS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance income and hibah				
Investment of account funds	**16**	3	**16**	3
Fees and commission				
Service charges and fees	**31**	33	**31**	33
Total	**47**	36	**47**	36

29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance income and hibah				
Financial investments Available-for-sale	**15,673**	17,443	**15,673**	17,443
Money at call and deposit with financial institutions	**1,448**	2,243	**1,448**	2,243
Accretion of discounts, net	**3,170**	3,183	**3,170**	3,183
Total finance income and hibah	**20,291**	22,869	**20,291**	22,869
Other operating income				
Net (loss)/gain on revaluation of foreign exchange transaction	**(22,607)**	16,708	**(22,607)**	16,708
Net loss from foreign exchange derivatives	**(1,562)**	(3,793)	**(1,562)**	(3,793)
Net gain from sale of financial investment available-for-sale	**22,272**	7,214	**6,854**	7,214
Net gain from sale of financial investment designated at FVTPL	**800**	-	**-**	-
Unrealised loss on revaluation from financial investments designated at FVTPL	**(12,203)**	(15,548)	**(12,203)**	(6,515)
Gross dividend income				
- unquoted shares in Malaysia	**502**	1,612	**-**	1,612
- subsidiary	**-**	292	**14,315**	3,100
Net dividend paid for Islamic profit rate swap	**(7,434)**	(8,224)	**(7,434)**	(8,224)
Unrealised gain on revaluation of Islamic profit rate swap	**3,549**	5,413	**3,549**	5,413
Unrealised loss on revaluation of hedged items	**(5,158)**	(7,454)	**(5,158)**	(7,454)
Gain from derecognition of fair value of hedged items	**4,811**	1,772	**4,811**	1,772
	(17,030)	(2,008)	**(19,435)**	9,833

29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONT'D.)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fees and commission				
Corporate advisory fees	**4,787**	9,019	**3,245**	7,639
Service charges and fees	**6,521**	7,809	**381**	316
Commission	**9,220**	2,175	**9,220**	2,175
	20,528	19,003	**12,846**	10,130
Other income				
Rental income	**1,160**	649	**1,280**	769
Gain from sale of property, plant and equipment	**45**	553	**45**	553
Fair value adjustments of investment properties (Note 12)	**2,415**	1,821	**2,415**	1,821
Others	**-**	141	**-**	-
	3,620	3,164	**3,740**	3,143
Total	**27,409**	43,028	**17,442**	45,975

30. (WRITEBACK OF)/ALLOWANCE FOR IMPAIRMENT ON FINANCING

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Allowance for impairment on financing				
(a) Individual assessment allowance (Note 8(ii)):				
Made during the year	**12,849**	30,753	**12,849**	35,686
Written back during the year	**(25,011)**	(14,552)	**(25,011)**	(14,552)
	(12,162)	16,201	**(12,162)**	21,134

30. (WRITEBACK OF)/ALLOWANCE FOR IMPAIRMENT ON FINANCING (CONT'D.)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Allowance for impairment on financing (cont'd.)				
(b) Collective assessment allowance (Note 8(ii)):				
Made during the year	**293,271**	351,926	**293,271**	351,926
Written back during the year	**(328,924)**	(292,349)	**(328,924)**	(292,349)
	(35,653)	59,577	**(35,653)**	59,577
Bad debts on financing:				
Written off	**6,684**	1,689	**6,684**	1,689
Recovered	**(8,995)**	(12,852)	**(8,995)**	(12,852)
	(2,311)	(11,163)	**(2,311)**	(11,163)
Total	**(50,126)**	64,615	**(50,126)**	69,548

31. IMPAIRMENT WRITEBACK/(LOSS) ON INVESTMENTS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment writeback/(loss) on financial investments available-for-sale	**3,343**	(16,899)	**3,343**	(16,899)
Impairment writeback on investment in a subsidiary	**-**	-	**504**	-
	3,343	(16,899)	**3,847**	(16,899)

32. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits from customers				
- Mudharabah funds	**1,904**	4,170	**1,904**	4,170
- Non-Mudharabah funds	**570,686**	538,570	**571,152**	538,907
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah funds	**4,910**	39,053	**4,910**	39,053
	577,500	581,793	**577,966**	582,130

33. PERSONNEL EXPENSES

	Group		Bank	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Salary and wages	**130,118**	125,041	**128,658**	123,546
Contribution to defined contribution plan	**26,949**	23,299	**26,736**	23,094
Social security contributions	**1,380**	1,288	**1,366**	1,275
Allowances and bonuses	**30,985**	15,340	**30,515**	15,063
Mutual Separation Scheme	**3,683**	388	**3,683**	388
Others	**19,900**	12,925	**19,816**	12,822
	213,015	178,281	**210,774**	176,188

34. DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION

	Group		Bank	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
(a) Executive Director/Chief Executive Officer				
Salaries and wages	**2,030**	1,954	**1,575**	1,486
Bonus	**686**	526	**619**	526
Other emoluments	**479**	1,059	**395**	946
Benefits-in-kind	**88**	83	**81**	81
	3,283	3,622	**2,670**	3,039
(b) Non-Executive Directors				
Fees	**1,102**	868	**1,062**	817
Benefits-in-kind	**23**	-	**23**	-
Other emoluments	**590**	448	**586**	436
	1,715	1,316	**1,671**	1,253
(c) Shariah Committee members				
Allowance	**263**	318	**263**	318
Total	**5,261**	5,256	**4,604**	4,610
Total (excluding benefits-in-kind)	**5,150**	5,173	**4,500**	4,529

34. 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 2018	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 34(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,575	-	619	395	81	2,670
Executive Director of the subsidiaries:						
Norahmadi Sulong	455	-	67	84	7	613
	2,030	-	686	479	88	3,283
Note 34(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	29	23	274
Tengku Dato' Seri Hasmuddin Tengku Othman	-	120	-	102	-	222
Dato' Haji Mohd Izani Ghani*	-	120	-	54	-	174
Dato' Azmi Abdullah	-	120	-	104	-	224
Dato' Haji Kamil Khalid Ariff	-	120	-	95	-	215
Dato' Sri Che Khalib Mohamad Noh	-	120	-	61	-	181
Dr Azura Othman	-	120	-	68	-	188
Ghazali Hj Darman	-	120	-	73	-	193

34. 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 2018	**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	-	2	-	22
Dato' Adnan Alias	-	20	-	2	-	22
	-	1,102	-	590	23	1,715
Total Directors' remuneration	2,030	1,102	686	1,069	111	4,998

* Director's fees payable to Khazanah Nasional Berhad.

Group 2018	**Salary RM'000**	**Allowance RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 34(c):						
Shariah Committee:						
En Azizi Che Seman	-	48	-	11	1	60
Dr Mohamad Sabri Haron	-	42	-	9	1	52
Engku Ahmad Fadzil Engku Ali	-	42	-	9	1	52
Dr Ab Halim Muhammad	-	42	-	4	1	47
Dr Wan Marhaini Wan Ahmad	-	42	-	9	1	52
	-	216	-	42	5	263

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34. 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**
Note 34(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,486	-	526	946	81	3,039
Executive Director of the subsidiaries:						
Sharifatul Hanizah Said Ali	189	-	-	51	2	242
Norahmadi Sulong	279	-	-	62	-	341
	1,954	-	526	1,059	83	3,622
Note 34(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

34. 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.

	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 34(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

34. 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 Group					
Bank 2018	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 34(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,575	-	619	395	81	2,670
	1,575	-	619	395	81	2,670
Note 34(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	29	23	274
Tengku Dato' Seri Hasmuddin Tengku Othman	-	120	-	102	-	222
Dato' Haji Mohd Izani Ghani*	-	120	-	54	-	174
Dato' Azmi Abdullah	-	120	-	104	-	224
Dato' Hj Kamil Khalid Ariff	-	120	-	95	-	215
Dato' Sri Che Khalib Mohamad Noh	-	120	-	61	-	181
Dr Azura Othman	-	120	-	68	-	188
Ghazali Hj Darman	-	120	-	73	-	193
	-	1,062	-	586	23	1,671
Total Directors' remuneration	1,575	1,062	619	981	104	4,341

* Director's fees payable to Khazanah Nasional Berhad.

34. 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 2018	Remuneration received from the Group Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 34(c):						
Shariah Committee:						
En Azizi Che Seman	**-**	**48**	**-**	**11**	**1**	**60**
Dr Mohamad Sabri Haron	**-**	**42**	**-**	**9**	**1**	**52**
Engku Ahmad Fadzil Engku Ali	**-**	**42**	**-**	**9**	**1**	**52**
Dr Ab Halim Muhammad	**-**	**42**	**-**	**4**	**1**	**47**
Dr Wan Marhaini Wan Ahmad	**-**	**42**	**-**	**9**	**1**	**52**
	-	**216**	**-**	**42**	**5**	**263**

Bank 2017	Remuneration received from the Group Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 34(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,486	-	526	946	81	3,039
	1,486	-	526	946	81	3,039

34. 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 Group					
Bank 2017	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 34(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	26	-	248
Tuan Haji Abdul Jabbar Abdul Majid	-	42	-	46	-	88
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	77	-	161
Dato' Haji Mohd Izani Ghani*	-	84	-	39	-	123
Dato' Azmi Abdullah	-	84	-	86	-	170
Dato' Hj Kamil Khalid Ariff	-	84	-	61	-	145
Dato' Sri Che Khalib Mohamad Noh	-	84	-	35	-	119
Dr Azura Othman	-	84	-	52	-	136
Ghazali Hj Darman	-	21	-	9	-	30
Dato' Ahmad Fuaad Mohd Kenali	-	28	-	5	-	33
	-	817	-	436	-	1,253
Total Directors' remuneration	1,486	817	526	1,382	81	4,292

* Director's fees payable to Khazanah Nasional Berhad.

34. 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 Group					
Bank 2017	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 34(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

35. KEY MANAGEMENT PERSONNEL REMUNERATION

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

	Group	
	2018 RM'000	**2017 RM'000**
Short-term employees benefits	**9,250**	9,558
Included in the total key management personnel are:		
Executive Director's remuneration (Note 34(a))	**3,283**	3,622

35. KEY MANAGEMENT PERSONNEL REMUNERATION

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

	Bank	
	2018	**2017**
	RM'000	**RM'000**
Short-term employees benefits (salary, bonus, allowances)	**8,637**	8,974
Included in the total key management personnel are:		
Executive Director's remuneration (Note 34(a))	**2,670**	3,039

36. OTHER OVERHEADS AND EXPENDITURES

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Marketing				
Advertisement and publicity	**12,090**	7,059	**12,090**	7,059
Donation and sponsorship	**4,796**	7,132	**4,796**	7,132
Others	**2,039**	3,033	**2,021**	3,010
	18,925	17,224	**18,907**	17,201
Establishment				
Rental	**13,047**	12,590	**12,443**	11,917
Depreciation of property, plant and equipment (Note 14)	**17,224**	18,686	**17,190**	18,648
Amortisation of intangible assets (Note 13)	**27,743**	26,599	**27,528**	26,401
Amortisation of prepaid land lease payments (Note 15)	**4**	4	**4**	4
Information technology expenses	**42,105**	32,347	**42,104**	32,347
Repair and maintenance	**2,734**	1,917	**2,263**	1,576
Hire of equipment	**5,008**	4,892	**4,622**	4,437
Takaful	**7,708**	10,762	**7,707**	10,762
Utilities expenses	**5,062**	5,349	**5,039**	5,322
Security expenses	**9,301**	8,653	**9,301**	8,653
Others	**3,876**	3,621	**3,876**	3,621
	133,812	125,420	**132,077**	123,688

36. OTHER OVERHEADS AND EXPENDITURES (CONT'D.)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
General expenses				
Auditors' fees				
- statutory audit				
- current year	**412**	526	**389**	503
- underprovision in prior year	**6**	-	**-**	-
- regulatory related services	**293**	278	**275**	260
- others	**1,075**	49	**1,070**	49
Professional fees	**1,534**	1,949	**1,192**	1,783
Legal expenses	**2,290**	2,219	**2,290**	2,219
Telephone	**1,845**	1,805	**1,841**	1,798
Stationery and printing	**1,750**	1,908	**1,732**	1,883
Postage and courier	**1,474**	1,560	**1,474**	1,560
Travelling	**1,930**	1,769	**1,924**	1,754
Directors remuneration and Shariah Committee allowance (Note 34)	**5,150**	5,173	**4,500**	4,529
Intangible assets written off (Note 13)	**368**	-	**368**	-
Property, plant and equipment written off (Note 14)	**12**	6	**12**	6
Others	**10,359**	12,627	**12,558**	14,567
	28,498	29,869	**29,625**	30,911
	181,235	172,513	**180,609**	171,800

37. FINANCE COSTS

	Group and Bank	
	2018 RM'000	2017 RM'000
Dividend paid on subordinated sukuk	**14,500**	15,734
Dividend paid on senior sukuk	**27,498**	9,844
Financing sold to Cagamas	**21,239**	-
	63,237	25,578

38. ZAKAT

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Provision of zakat for the year	**6,138**	4,447	**5,587**	4,402
Under provision in prior year	**-**	16	**-**	-
	6,138	4,463	**5,587**	4,402

39. TAXATION

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current income tax	**51,280**	34,111	**47,388**	32,520
Over provision in prior years	**(1,148)**	(18,478)	**(805)**	(17,111)
	50,132	15,633	**46,583**	15,409
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	**(7,347)**	533	**(7,347)**	533
	42,785	16,166	**39,236**	15,942

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

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation	**230,548**	170,536	**223,486**	171,019
Taxation at Malaysian statutory tax rate 24% (2017: 24%)	**55,332**	40,929	**53,637**	41,045
Income not subject to tax	**(18,614)**	(10,644)	**(21,664)**	(12,034)
Expenses not deductible for tax purposes	**7,215**	4,359	**8,068**	4,042
Over provision of income tax in prior years	**(1,148)**	(18,478)	**(805)**	(17,111)
Income tax expense for the year	**42,785**	16,166	**39,236**	15,942

39. TAXATION (CONT'D.)

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

	Group	
	2018 RM'000	**2017 RM'000**
Unutilised tax losses	**2,153**	2,153

The unutilised tax losses of the Group amounting to RM2,153,095 (2017: 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.

40. EARNINGS PER SHARE

	Group	
Basic and diluted	**2018 RM'000**	**2017 RM'000**
Profit attributable to ordinary equity holders of the Bank (RM'000)	**181,625**	149,907
Weighted average number of ordinary shares in issue ('000)	**1,195,000**	1,195,000
Basic and diluted earnings per share (sen)	**15.20**	12.54

41. DIVIDENDS

The directors did not declare any final dividend for the financial year ended 31 March 2018.

42. 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.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Holding company				
Expenditure				
- hibah on deposits	**8,818**	2,007	**8,818**	2,007
- sponsorship	**-**	5,000	**-**	5,000
- others	**2**	-	**2**	-
Amounts due to				
- deposits	**338,066**	209,460	**338,066**	209,460
- accrued expenses	**43,680**	22,344	**43,680**	22,344
Subsidiaries				
Income				
- dividend received	**-**	-	**14,315**	3,100
Expenditure				
- management fee	**-**	-	**2,256**	2,200
- profit sharing incentive	**-**	-	**568**	76
- hibah on deposits	**-**	-	**466**	337
Amounts due from				
- financing	**-**	-	**42,153**	98,903
Amounts due to				
- deposits	**-**	-	**18,327**	12,277
Key management personnel				
Amounts due from				
- financing	**496**	445	**441**	325

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Related companies*				
Income				
- profit on financing	**11,385**	14,276	**11,385**	14,276
Expenditure				
- hibah on deposits	**8,244**	9,224	**8,244**	9,224
- seconded staff salary and related expenses	**841**	227	**841**	227
- mailing and courier service	**428**	352	**428**	352
- rental (offsite ATM machine and branch)	**231**	230	**231**	230
- sponsorship	**253**	602	**253**	602
- others	**485**	146	**485**	146
Amounts due to				
- deposits	**469,832**	790,655	**469,832**	790,655
Amounts due from				
- financing	**259,093**	300,181	**259,093**	300,181
Other related companies**				
Income				
- profit on financing	**21,140**	19,354	**21,140**	19,354
Expenditure				
- hibah and dividend on deposits	**13,017**	10,823	**13,017**	10,823
- security services and equipment	**247**	414	**247**	414
- takaful expenses	**3,436**	3,561	**3,436**	3,561
- staff travelling expenses	**498**	416	**498**	416
- corporate attire expenses	**1**	17	**1**	17
- rental (offsite ATM machine and branch)	**795**	796	**795**	796
- sponsorship	**130**	137	**130**	137
- others	**5**	9	**5**	9
Amounts due to				
- deposits	**623,943**	529,823	**623,943**	529,823
Amounts due from				
- financing	**1,111,438**	1,199,427	**1,111,438**	1,199,427

* Related companies are companies within DRB-HICOM Berhad Group and Khazanah Nasional Berhad Group.
** Other related companies are companies related to a substantial shareholder of DRB-HICOM Berhad Group.

43. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group	
	2018 RM'000	**2017 RM'000**
Outstanding credit exposures with connected parties	**1,374,346**	1,505,626
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**5.3%**	6.1%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**-**	-

	Bank	
	2018 RM'000	**2017 RM'000**
Outstanding credit exposures with connected parties	**1,416,499**	1,604,529
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**5.5%**	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 1 January 2008.

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

44. 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					
	2018			2017		
The commitments and contingencies constitute the following:	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Total risk weighted amount RM'000**	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Total risk weighted amount RM'000**
Contingent liabilities						
Direct credit substitutes	**237,010**	**237,010**	**208,603**	213,136	213,136	181,099
Trade-related contingencies	**25,603**	**5,121**	**528**	22,970	4,594	4,581
Transaction related contingencies	**342,229**	**171,114**	**166,532**	425,973	212,986	208,304
Commitments						
Credit extension commitment:						
- Maturity within one year	**927,991**	**185,598**	**170,493**	798,577	159,715	146,883
- Maturity exceeding one year	**2,336,704**	**1,168,352**	**371,012**	1,019,465	509,732	452,990
Islamic derivative financial instruments						
Foreign exchange related contracts	**1,707,391**	**98,531**	**30,839**	2,875,367	88,561	69,605
Profit rate related contract	**1,200,000**	**10,875**	**2,175**	2,000,000	104,111	20,822
	6,776,928	**1,876,601**	**950,182**	7,355,488	1,292,835	1,084,284

45. 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.

45. 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.

45. 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 ERMC 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.

45. 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.

45. 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 2018	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	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,579,923	-	-	-	-	-	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	7,758
Investment accounts due from designated financial instituition	-	146	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	161,274
Financial investments available-for-sale	4,232,765	302,598	686,821	126,720	-	-	970,509	6,319,413
Financial investments held-to-maturity	143,730	-	-	-	-	-	-	143,730
Islamic derivative financial assets	-	72,770	-	-	-	-	-	72,770
Financing of customers	752,535	666,164	1,688,051	1,619,699	14,233	9,259,428	687,736	14,687,846
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	674,500
Other financial assets	-	-	-	-	-	-	81,425	81,425
	5,803,530	2,790,633	2,374,872	1,746,419	14,233	9,259,428	1,739,670	23,728,785
Commitments and contingencies								
Contingent liabilities	21,907	50,016	142,830	343,163	6,257	3,836	36,833	604,842
Commitments	1,478,093	234,876	538,018	827,977	3,181	54,620	127,930	3,264,695
Islamic derivative financial instruments	-	2,907,391	-	-	-	-	-	2,907,391
	1,500,000	3,192,283	680,848	1,171,140	9,438	58,456	164,763	6,776,928
Total credit exposures	7,303,530	5,982,916	3,055,720	2,917,559	23,671	9,317,884	1,904,433	30,505,713

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

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

By sector analysis (cont'd.)

Group 2017	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household 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 instituition	-	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	9,589,839	918,449	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	9,589,839	2,218,660	23,307,846
Commitments and contingencies								
Contingent liabilities	-	65,049	118,254	401,321	9,957	5,078	62,420	662,079
Commitments	-	127,162	696,737	671,528	11,021	107,914	203,680	1,818,042
Islamic derivative financial instruments	-	4,875,367	-	-	-	-	-	4,875,367
	-	5,067,578	814,991	1,072,849	20,978	112,992	266,100	7,355,488
Total credit exposures	5,462,631	7,833,262	2,527,933	2,616,182	35,735	9,702,831	2,484,760	30,663,334

45. 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 2018	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	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,579,923	-	-	-	-	-	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	7,758
Investment accounts due from designated financial instituition	-	146	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	161,274
Financial investments available-for-sale	4,232,765	302,598	686,821	126,720	-	-	967,855	6,316,759
Financial investments held-to-maturity	143,730	-	-	-	-	-	-	143,730
Islamic derivative financial assets	-	72,770	-	-	-	-	-	72,770
Financing of customers	752,535	666,164	1,688,051	1,619,699	14,234	9,259,428	687,318	14,687,429
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	674,500
Other financial assets	-	-	-	-	-	-	81,138	81,138
	5,803,530	2,790,633	2,374,872	1,746,419	14,234	9,259,428	1,736,311	23,725,427
Commitments and contingencies								
Contingent liabilities	21,907	50,016	142,830	343,163	6,257	3,836	36,833	604,842
Commitments	1,478,093	234,876	538,018	827,977	3,181	54,620	127,930	3,264,695
Derivative financial instruments	-	2,907,391	-	-	-	-	-	2,907,391
	1,500,000	3,192,283	680,848	1,171,140	9,438	58,456	164,763	6,776,928
Total credit exposures	7,303,530	5,982,916	3,055,720	2,917,559	23,672	9,317,884	1,901,074	30,502,355

45. 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	Household 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 instituition	-	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	9,589,839	930,686	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	9,589,839	2,180,306	23,276,839
Commitments and contingencies								
Contingent liabilities	-	65,049	118,254	401,321	9,957	5,078	62,420	662,079
Commitments	-	127,162	696,737	671,528	11,021	107,914	203,680	1,818,042
Derivative financial instruments	-	4,875,367	-	-	-	-	-	4,875,367
	-	5,067,578	814,991	1,072,849	20,978	112,992	266,100	7,355,488
Total credit exposures	5,462,631	7,833,262	2,535,279	2,616,183	35,735	9,702,831	2,446,406	30,632,327

45. 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
2018				
On Balance Sheet Exposures				
Cash and short-term funds	1,490,563	89,360	1,490,563	89,360
Cash and placements with financial institutions	7,758	-	7,758	-
Investment accounts due from designated financial instituition	146	-	146	-
Financial investments designated at fair value through profit and loss	-	161,274	-	161,274
Financial investments available-for-sale	6,300,136	19,277	6,297,482	19,277
Financial investments held-to-maturity	143,730	-	143,730	-
Islamic derivative financial assets	72,770	-	72,770	-
Financing of customers	14,687,846	-	14,687,429	-
Statutory deposits with Bank Negara Malaysia	674,500	-	674,500	-
Other financial assets	81,422	3	81,135	3
	23,458,871	269,914	23,455,513	269,914
Commitments and contingencies				
Contingent liabilities	604,842	-	604,842	-
Commitments	3,264,695	-	3,264,695	-
Derivative financial instruments	2,907,391	-	2,907,391	-
	6,776,928	-	6,776,928	-
Total credit exposures	30,235,799	269,914	30,232,441	269,914

45. 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**
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 instituition	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

45. 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:

	Neither past due nor impaired		Past due but	Impaired	
	Good	Satisfactory	not impaired	financing	Total
Group 2018	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	4,063,791	265,306	189,049	95,747	4,613,893
- Syndicated financing	686,022	-	-	-	686,022
- Hire purchase receivables	564,463	24,235	16,540	17,981	623,219
- Leasing receivables	-	-	-	1,277	1,277
- Other term financing	5,636,624	186,346	55,208	145,843	6,024,021
Other financing	2,753,659	134,149	20,892	24,568	2,933,268
	13,704,559	610,036	281,689	285,416	14,881,700
Less:					
- Collective assessment allowance	-	-	-	-	(176,922)
- Individual assessment allowance	-	-	-	(16,932)	(16,932)
Total net financing	13,704,559	610,036	281,689	268,484	14,687,846

45. 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.)

	Neither past due nor impaired		Past due but	Impaired	
	Good	Satisfactory	not impaired	financing	Total
Group 2017	RM'000	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 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

45. 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.)

	Neither past due nor impaired		Past due but	Impaired	
	Good	Satisfactory	not impaired	financing	Total
Bank 2018	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	4,063,791	265,306	189,049	95,747	4,613,893
- Syndicated financing	686,022	-	-	-	686,022
- Hire purchase receivables	564,463	24,235	16,540	17,981	623,219
- Leasing receivables	-	-	-	1,277	1,277
- Other term financing	5,636,207	186,346	55,208	150,776	6,028,537
Other financing	2,753,659	134,149	20,892	24,568	2,933,268
	13,704,142	610,036	281,689	290,349	14,886,216
Less:					
- Collective assessment allowance	-	-	-	-	(176,922)
- Individual assessment allowance	-	-	-	(21,865)	(21,865)
Total net financing	13,704,142	610,036	281,689	268,484	14,687,429

45. 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.)

	Neither past due nor impaired		Past due but	Impaired	
	Good	Satisfactory	not impaired	financing	Total
Bank 2017	RM'000	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	6,177,608	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

45. 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	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
2018				
Term financing				
- Home financing	**-**	**126,747**	**62,302**	**189,049**
- Hire purchase receivables	**-**	**11,281**	**5,259**	**16,540**
- Other term financing	**-**	**34,409**	**20,799**	**55,208**
Other financing	**824**	**14,863**	**5,205**	**20,892**
Total	**824**	**187,300**	**93,565**	**281,689**
2017				
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

45. 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	2018 RM'000	2017 RM'000
Purchase of transport vehicles	**16,481**	20,586
Purchase of landed properties of which:		
– residential	**186,463**	180,127
– non-residential	**21,893**	23,272
Purchase of fixed assets (excluding landed properties)	**19**	-
Personal use	**51,320**	60,824
Working capital	**3,887**	1,651
Other purpose	**1,626**	2,888
	281,689	289,348

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.

45. 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.

45. 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 90.1% and 90.0% respectively as at 31 March 2018 (Group and the Bank are at 84.7% and 84.6% as at 31 March 2017). The financial effect of collateral held for other financial assets is not significant.

As at 31 March 2018, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM60,009,987 as compared against 31 March 2017 total amount of RM56,077,135. The collateral consists of cash, securities, letters of guarantee, and properties.

Repossessed collateral

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets:

Group	Financing of customers RM'000	Financial investments available -for-sale RM'000	Total RM'000
2018			
Individual assessment allowance			
At 1 April 2017	**76,865**	**86,578**	**163,443**
Allowance made during the year	**12,849**	**-**	**12,849**
Amount written back	**(25,011)**	**(3,343)**	**(28,354)**
Amount written off	**(47,771)**	**-**	**(47,771)**
Foreign exchange differences	**-**	**(2,025)**	**(2,025)**
As at 31 March 2018	**16,932**	**81,210**	**98,142**
2017			
Individual assessment allowance			
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	76,865	86,578	163,443

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

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

Bank	Financing of customers RM'000	Financial investments available -for-sale RM'000	Total RM'000
2018			
Individual assessment allowance			
As at 1 April 2017	**81,798**	**86,578**	**168,376**
Allowance made during the year	**12,849**	**-**	**12,849**
Amount written- back	**(25,011)**	**(3,343)**	**(28,354)**
Amount written off	**(47,771)**	**-**	**(47,771)**
Foreign exchange differences	**-**	**(2,025)**	**(2,025)**
As at 31 March 2018	**21,865**	**81,210**	**103,075**
2017			
Individual assessment allowance			
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 exchangedifferences	-	117	117
As at 31 March 2017	81,798	86,578	168,376

45. 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
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	RM'000
2018							
AAA+ to AA-	**-**	**-**	**-**	**-**	**1,019,619**	**1,019,619**	**-**
A+ to A-	**-**	**-**	**-**	**19,277**	**25,015**	**44,292**	**-**
BBB+ to BB-	**-**	**143,730**	**143,730**	**-**	**-**	**-**	**-**
Unrated	**-**	**-**	**-**	**-**	**138,821**	**138,821**	**81,425**
Defaulted	**-**	**-**	**-**	**-**	**3,343**	**3,343**	**-**
Sovereign	**-**	**-**	**-**	**-**	**5,028,189**	**5,028,189**	**-**
Total	**-**	**143,730**	**143,730**	**19,277**	**6,214,987**	**6,234,264**	**81,425**
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

45. 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.)

	Financial investments held-to-maturity Non-Money Market Instruments - Debt			Financial investments available-for-sale Non-Money Market Instruments - Debt			
Bank	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
2018							
AAA+ to AA-	-	-	-	-	1,019,619	1,019,619	-
A+ to A-	-	-	-	19,277	25,015	44,292	-
BBB+ to BB-	-	143,730	143,730	-	-	-	-
Unrated	-	-	-	-	138,821	138,821	81,138
Defaulted	-	-	-	-	3,343	3,343	-
Sovereign	-	-	-	-	5,028,189	5,028,189	-
Total	-	143,730	143,730	19,277	6,214,987	6,234,264	81,138
2017							
AAA+ to AA-	-	-	-	-	1,448,464	1,448,464	-
A+ to A-	-	-	-	22,224	24,572	46,796	-
BBB+ to BB-	-	142,168	142,168	-	-	-	-
Unrated	-	-	-	-	129,653	129,653	113,183
Defaulted	-	-	-	-	-	-	-
Sovereign	-	-	-	-	4,372,773	4,372,773	-
Total	-	142,168	142,168	22,224	5,975,462	5,997,686	113,183

45. 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 and prior year, 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 gross outstanding amount of RM81,629,437 (31 March 2017: RM 83,587,337), which have been classified as impaired and fully provided for.

(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.

45. 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.

45. 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 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	1,251,598	8,774	-	-	-	-	-	-	319,551	-	1,579,923	2.6%
Cash and placements with financial institutions	-	7,727	-	-	-	-	-	-	31	-	7,758	2.6%
Investment accounts due from designated financial institution	-	-	-	145	-	-	-	-	1	-	146	-
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	161,274	-	161,274	-
Financial investments available-for-sale	26,148	91,360	659,693	412,545	654,723	350,149	1,065,366	2,932,220	127,209	-	6,319,413	3.9%
Financial investments held-to-maturity	-	-	-	-	-	-	-	143,730	-	-	143,730	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	72,770	72,770	-
Financing of customers:												
- non-impaired	10,250,310	1,084,845	417,085	209,096	94,317	141,923	278,740	2,081,957	38,011	-	14,596,284	6.0%
- impaired*	-	-	-	-	-	-	-	-	268,484	-	268,484	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(176,922)	-	(176,922)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	970,831	-	970,831	-
TOTAL ASSETS	**11,528,056**	**1,192,706**	**1,076,778**	**621,786**	**749,040**	**492,072**	**1,344,106**	**5,157,907**	**1,708,470**	**72,770**	**23,943,691**	

45. 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 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	12,250,408	4,215,250	2,924,646	300,937	225,449	50,018	206	-	205,613	-	20,172,527	2.4%
Deposits and placements of banks and other financial institutions	230	305	979	1,473	2,228	2,258	1,381	-	-	-	8,854	3.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	9,618	-	9,618	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,923	77,923	-
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	-	485,665	-	186	-	485,851	4.7%
Subordinated sukuk	-	-	-	-	-	250,000	-	-	4,035	-	254,035	5.8%
Senior Sukuk	-	-	-	-	-	500,000	-	-	9,127	-	509,127	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	125,840	-	125,840	-
Total Liabilities	12,250,638	4,215,555	2,925,625	302,410	227,677	802,276	487,252	-	354,419	77,923	21,643,775	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,299,916	-	2,299,916	-
TOTAL LIABILITIES AND EQUITY	12,250,638	4,215,555	2,925,625	302,410	227,677	802,276	487,252	-	2,654,335	77,923	23,943,691	

45. 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 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	(722,582)	(3,022,849)	(1,848,847)	319,376	521,363	(310,204)	856,854	5,157,907	(945,865)	(5,153)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	**(722,582)**	**(3,022,849)**	**(1,848,847)**	**319,376**	**521,363**	**(310,204)**	**856,854**	**5,157,907**	**(945,865)**	**1,194,847**	**1,200,000**	

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Group 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	892,541	30,270	-	-	-	-	-	-	104,931	-	1,027,742	2.5%
Cash and placements with financial institutions	-	22,115	-	-	-	-	-	-	68	-	22,183	1.0%
Investment accounts due from designated financial institution	-	-	382	-	-	-	-	-	-	-	382	-
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	197,207	1	197,208	-
Financial investments available-for-sale	15,262	273,509	641,857	980,604	459,258	676,341	332,300	2,729,612	22,673	-	6,131,416	3.8%
Financial investments held-to-maturity	-	-	-	-	-	-	-	142,168	-	-	142,168	3.8%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	55,948	55,948	-
Financing of customers:												
- non-impaired	10,119,095	401,629	426,539	791,075	258,432	125,694	186,430	2,509,189	61,292	-	14,879,375	6.0%
- impaired*	-	-	-	-	-	-	-	-	275,056	-	275,056	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(236,159)	-	(236,159)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,031,023	-	1,031,023	-
TOTAL ASSETS	11,026,898	727,523	1,068,778	1,771,679	717,690	802,035	518,730	5,380,969	1,456,091	55,949	23,526,342	

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Group 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	8,114,893	4,570,959	3,134,457	2,803,356	300,639	25,332	50,168	-	917,678	-	19,917,482	3.0%
Deposits and placements of banks and other financial institutions	550,000	200	1,584	2,535	1,744	2,191	1,319	-	2,081	-	561,654	3.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	9,196	-	9,196	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	63,088	63,088	-
Subordinated sukuk	-	-	-	-	-	-	250,000	-	3,964	-	253,964	5.6%
Senior Sukuk	-	5,000	-	-	-	-	500,000	-	9,119	-	514,119	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	68,268	-	68,268	-
Total Liabilities	8,664,893	4,576,159	3,136,041	2,805,891	302,383	27,523	801,487	-	1,010,306	63,088	21,387,771	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,138,571	-	2,138,571	-
TOTAL LIABILITIES AND EQUITY	8,664,893	4,576,159	3,136,041	2,805,891	302,383	27,523	801,487	-	3,148,877	63,088	23,526,342	

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Group 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	2,362,005	(3,848,636)	(2,067,263)	(1,034,212)	415,307	774,512	(282,757)	5,380,969	(1,692,786)	(7,139)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	800,000	1,200,000	-	-	-	-	-	-	2,000,000	-
TOTAL PROFIT SENSITIVITY GAP	2,362,005	(3,848,636)	(1,267,263)	165,788	415,307	774,512	(282,757)	5,380,969	(1,692,786)	(7,139)	2,000,000	

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

45. 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 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	1,251,598	8,774	-	-	-	-	-	-	319,551	-	1,579,923	2.6%
Cash and placements with financial institutions	-	7,727	-	-	-	-	-	-	31	-	7,758	2.6%
Investment accounts due from designated financial institution	-	-	-	145	-	-	-	-	1	-	146	-
Financial investment designated at held for trading	-	-	-	-	-	-	-	-	-	-	-	-
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	161,274	-	161,274	-
Financial investments available-for-sale	26,148	91,360	659,693	412,545	654,723	350,149	1,065,366	2,932,220	124,555	-	6,316,759	3.9%
Financial investments held-to-maturity	-	-	-	-	-	-	-	143,730	-	-	143,730	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	72,770	72,770	-
Financing of customers:												
- non-impaired	10,250,310	1,084,845	417,085	209,096	94,317	141,923	278,740	2,081,957	37,594	-	14,595,867	6.0%
- impaired*	-	-	-	-	-	-	-	-	268,484	-	268,484	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(176,922)	-	(176,922)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	976,772	-	976,772	-
TOTAL ASSETS	11,528,056	1,192,706	1,076,778	621,786	749,040	492,072	1,344,106	5,157,907	1,711,340	72,770	23,946,561	

45. 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 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	12,263,208	4,215,250	2,924,646	300,937	225,449	50,018	206	-	211,140	-	20,190,854	2.4%
Deposits and placements of banks and other financial institutions	230	305	979	1,475	2,228	2,257	1,380	-	-	-	8,854	3.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	9,618	-	9,618	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,923	77,923	-
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	-	485,665	-	186	-	485,851	4.7%
Subordinated sukuk	-	-	-	-	-	250,000	-	-	4,035	-	254,035	5.8%
Senior Sukuk	-	-	-	-	-	500,000	-	-	9,127	-	509,127	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	121,601	-	121,601	-
Total Liabilities	12,263,438	4,215,555	2,925,625	302,412	227,677	802,275	487,251	-	355,707	77,923	21,657,863	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,288,698	-	2,288,698	-
TOTAL LIABILITIES AND EQUITY	12,263,438	4,215,555	2,925,625	302,412	227,677	802,275	487,251	-	2,644,405	77,923	23,946,561	

45. 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 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	(735,382)	(3,022,849)	(1,848,847)	319,374	521,363	(310,203)	856,855	5,157,907	(933,065)	(5,153)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-									1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	(735,382)	(3,022,849)	(1,848,847)	319,374	521,363	(310,203)	856,855	5,157,907	(933,065)	1,194,847	1,200,000	

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Bank 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	892,541	8,156	-	-	-	-	-	-	127,045	-	1,027,742	2.5%
Cash and placements with financial institutions	-	22,115	-	-	-	-	-	-	68	-	22,183	1.0%
Investment accounts due from designated financial institution	-	-	382	-	-	-	-	-	-	-	382	-
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	197,207	1	197,208	-
Financial investments available-for-sale	15,262	273,509	641,857	980,604	459,258	676,341	332,300	2,587,211	115,191	-	6,081,533	3.8%
Financial investments held-to-maturity	-	-	-	-	-	-	-	(232)	142,400	-	142,168	3.8%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	55,948	55,948	-
Financing of customers:												
- non-impaired	10,119,095	401,629	426,539	791,075	258,432	125,694	186,430	2,509,189	80,877	-	14,898,960	6.0%
- impaired*	-	-	-	-	-	-	-	-	275,055	-	275,055	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(236,159)	-	(236,159)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,037,027	-	1,037,027	-
TOTAL ASSETS	11,026,898	705,409	1,068,778	1,771,679	717,690	802,035	518,730	5,096,168	1,738,711	55,949	23,502,047	

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Bank 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	8,125,193	4,571,467	3,134,457	2,803,356	300,639	25,332	50,168	-	919,147	-	19,929,759	3.0%
Deposits and placements of banks and other financial institutions	550,000	200	1,584	2,535	1,744	2,191	1,319	-	2,081	-	561,654	3.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	9,196	-	9,196	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	63,088	63,088	-
Subordinated sukuk	-	-	-	-	-	-	250,000	-	3,964	-	253,964	5.6%
Senior Sukuk	-	5,000	-	-	-	-	500,000	-	9,119	-	514,119	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	60,531	-	60,531	-
Total Liabilities	8,675,193	4,576,667	3,136,041	2,805,891	302,383	27,523	801,487	-	1,004,038	63,088	21,392,311	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,109,736	-	2,109,736	-
TOTAL LIABILITIES AND EQUITY	8,675,193	4,576,667	3,136,041	2,805,891	302,383	27,523	801,487	-	3,113,774	63,088	23,502,047	

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Bank 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	2,351,705	(3,871,258)	(2,067,263)	(1,034,212)	415,307	774,512	(282,757)	5,096,168	(1,375,063)	(7,139)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	800,000	1,200,000	-	-	-	-	-	-	2,000,000	-
TOTAL PROFIT SENSITIVITY GAP	2,351,705	(3,871,258)	(1,267,263)	165,788	415,307	774,512	(282,757)	5,096,168	(1,375,063)	(7,139)	2,000,000	

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

45. 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.

45. 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.

45. 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
2018					
Effect on profit after tax	**24%**	**(2,179)**	**2,179**	**(2,125)**	**2,125**
Effect on other comprehensive income, net of tax	**24%**	**109,102**	**(109,102)**	**107,682**	**(107,682)**
Effect on equity		**126,988**	**(126,988)**	**125,144**	**(125,144)**
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)

45. 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 US Dollar, Swiss Franc, Euro, the Great Britain Pound and Japanese Yen. The "others" foreign exchange risk include mainly exposure to Canadian Dollar and Singapore Dollar.

45. 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 2018	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	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	1,097,041	430,170	(4)	357	514	5,452	38,780	7,613	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	-	7,758
Investment accounts due from designated financial institution	146	-	-	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	-	161,274
Financial investments available-for-sale	6,298,300	21,113	-	-	-	-	-	-	6,319,413
Financial investments held-to-maturity	143,730	-	-	-	-	-	-	-	143,730
Islamic derivative financial assets	72,770	-	-	-	-	-	-	-	72,770
Financing of customers	14,662,244	25,602	-	-	-	-	-	-	14,687,846
Other assets	91,978	-	-	-	-	-	-	-	91,978
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	-	674,500
Investment in subsidiaries	-	-	-	-	-	-	-		
Investment properties	41,781	-	-	-	-	-	-	-	41,781
Intangible assets	94,069	-	-	-	-	-	-	-	94,069
Property, plant and equipment	52,669	-	-	-	-	-	-	-	52,669
Prepaid land lease payments	227	-	-	-	-	-	-	-	227
Deferred tax assets	15,607	-	-	-	-	-	-	-	15,607
Total assets	23,245,062	645,917	(4)	357	514	5,452	38,780	7,613	23,943,691

45. 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 2018 (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	Japanese Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	19,727,330	438,204	7	-	1,589	2,798	-	2,599	20,172,527
Deposits and placements of banks and other financial institutions	8,854	-	-	-	-	-	-	-	8,854
Bills and acceptances payable	9,612	1	-	-	-	-	-	5	9,618
Islamic derivative financial liabilities	77,923	-	-	-	-	-	-	-	77,923
Other liabilities	71,622	-	(10)	357	(1,075)	2,655	38,780	5,010	117,339
Provision for taxation and zakat	7,914	-	-	-	-	-	-	-	7,914
Recourse obligation on financing sold to Cagamas	485,851	-	-	-	-	-	-	-	485,851
Deferred tax liabilities	587	-	-	-	-	-	-	-	587
Subordinated sukuk	254,035	-	-	-	-	-	-	-	254,035
Senior sukuk	509,127	-	-	-	-	-	-	-	509,127
Total liabilities	21,152,855	438,205	(3)	357	514	5,453	38,780	7,614	21,643,775
On-balance sheet open position	2,092,207	207,712	(1)	-	-	(1)	-	(1)	2,299,916
Less: Islamic derivative financial assets	(72,770)	-	-	-	-	-	-	-	(72,770)
Add: Islamic derivative financial liabilities	77,923	-	-	-	-	-	-	-	77,923
Net open position	2,097,360	207,712	(1)	-	-	(1)	-	(1)	2,305,069

45. 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	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	Japanese 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	6,107,024	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 properties	38,778	-	-	-	-	-	-	-	38,778
Intangible assets	109,510	-	-	-	-	-	-	-	109,510
Property, plant and equipment	52,309	-	-	-	-	-	-	-	52,309
Prepaid land lease payments	231	-	-	-	-	-	-	-	231
Deferred tax assets	9,652	-	-	-	-	-	-	-	9,652
Total assets	22,804,476	686,859	268	375	4,637	3,116	20,602	6,009	23,526,342

45. 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	Japanese 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
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	-	-	-	-
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

45. 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 2018	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	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	1,097,041	430,170	(4)	357	514	5,452	38,780	7,613	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	-	7,758
Investment accounts due from designated financial institution	146	-	-	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	-	161,274
Financial investments available-for-sale	6,295,646	21,113	-	-	-	-	-	-	6,316,759
Financial investments held-to-maturity	143,730	-	-	-	-	-	-	-	143,730
Islamic derivative financial assets	72,770	-	-	-	-	-	-	-	72,770
Financing of customers	14,661,827	25,602	-	-	-	-	-	-	14,687,429
Other assets	89,543	-	-	-	-	-	-	-	89,543
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	-	674,500
Investment in subsidiaries	8,559	-	-	-	-	-	-	-	8,559
Investment properties	41,781	-	-	-	-	-	-	-	41,781
Intangible assets	93,894	-	-	-	-	-	-	-	93,894
Property, plant and equipment	52,661	-	-	-	-	-	-	-	52,661
Prepaid land lease payments	227	-	-	-	-	-	-	-	227
Deferred tax assets	15,607	-	-	-	-	-	-	-	15,607
Total assets	**23,247,932**	**645,917**	**(4)**	**357**	**514**	**5,452**	**38,780**	**7,613**	**23,946,561**

45. 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 2018 (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	Japanese Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	19,745,657	438,204	7	-	1,589	2,798	-	2,599	20,190,854
Deposits and placements of banks and other financial institutions	8,854	-	-	-	-	-	-	-	8,854
Bills and acceptances payable	9,612	1	-	-	-	-	-	5	9,618
Islamic derivative financial liabilities	77,923	-	-	-	-	-	-	-	77,923
Other liabilities	69,895	-	(10)	357	(1,075)	2,655	38,780	5,010	115,612
Provision for taxation and zakat	5,989	-	-	-	-	-	-	-	5,989
Recourse obligation on financing sold to Cagamas	485,851	-	-	-	-	-	-	-	485,851
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Subordinated sukuk	254,035	-	-	-	-	-	-	-	254,035
Senior sukuk	509,127	-	-	-	-	-	-	-	509,127
Total liabilities	21,166,943	438,205	(3)	357	514	5,453	38,780	7,614	21,657,863
On-balance sheet open position	2,080,989	207,712	(1)	-	-	(1)	-	(1)	2,288,698
Less: Islamic derivative financial assets	(72,770)	-	-	-	-	-	-	-	(72,770)
Add: Islamic derivative financial liabilities	77,923	-	-	-	-	-	-	-	77,923
Net open position	2,086,142	207,712	(1)	-	-	(1)	-	(1)	2,293,851

45. 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	Japanese 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

45. 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	Japanese 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
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
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

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.

45. 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 and Bank			
	2018		2017	
	RM'000 1% appreciation	RM'000 1% depreciation	RM'000 1% appreciation	RM'000 1% depreciation
Impact to profit after tax and reserves	**(2,077)**	**2,077**	(19)	19

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 2018 based on remaining contractual maturities.

45. 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 2018	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	1,515,035	56,114	8,774	-	-	-	1,579,923
Cash and placements with financial institution	-	-	7,758	-	-	-	7,758
Investment accounts due from designated financial instituition	-	-	-	-	-	146	146
Financial investments designated at fair value through profit and loss	-	-	-	-	-	161,274	161,274
Financial investments available-for-sale	-	18,934	91,360	60,521	601,802	5,546,796	6,319,413
Financial investments held-to-maturity	-	-	-	-	-	143,730	143,730
Islamic derivative financial assets	100	28,088	21,013	13,895	9,674	-	72,770
Financing of customers	223,985	1,283,979	1,437,751	722,867	792,454	10,226,810	14,687,846
Other assets	-	7,038	-	-	84,341	879,452	970,831
Total assets	1,739,120	1,394,153	1,566,656	797,283	1,488,271	16,958,208	23,943,691
Liabilities							
Deposits from customers	7,241,751	5,039,176	4,307,053	1,466,052	1,501,273	617,222	20,172,527
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,340	8,854
Bills and acceptances payable	-	9,618	-	-	-	-	9,618
Islamic derivative financial liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Other liabilities	-	61,151	-	-	64,102	587	125,840
Recourse obligation on financing sold to Cagamas	-	-	186	-	-	485,665	485,851
Subordinated sukuk	-	4,262	-	-	-	249,773	254,035
Senior sukuk	-	9,601	-	-	-	499,526	509,127
Total liabilities	7,241,869	5,152,851	4,328,379	1,480,274	1,575,879	1,864,523	21,643,775
Net maturity mismatch	(5,502,749)	(3,758,698)	(2,761,723)	(682,991)	(87,608)	15,093,685	2,299,916
Commitments and contingencies							
Contingent liabilities	2,833	21,551	13,487	22,604	123,450	420,917	604,842
Commitments	45,959	79,120	152,564	78,402	60,866	2,847,784	3,264,695
Islamic derivative financial instruments	127,470	483,609	422,090	365,143	559,080	949,999	2,907,391
Total commitments and contingencies	176,262	584,280	588,141	466,149	743,396	4,218,700	6,776,928

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

45. 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:

Bank 2018	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	1,515,035	56,114	8,774	-	-	-	1,579,923
Cash and placements with financial institution	-	-	7,758	-	-	-	7,758
Investment accounts due from designated financial instituition	-	-	-	-	-	146	146
Financial investments designated at fair value through profit and loss	-	-	-	-	-	161,274	161,274
Financial investments available-for-sale	-	18,725	91,360	60,521	599,357	5,546,796	6,316,759
Financial investments held-to-maturity	-	-	-	-	-	143,730	143,730
Islamic derivative financial assets	100	28,088	21,013	13,895	9,674	-	72,770
Financing of customers	223,985	1,283,979	1,437,751	722,867	792,454	10,226,393	14,687,429
Other assets	9	7,038	-	-	81,896	887,829	976,772
Total assets	1,739,129	1,393,944	1,566,656	797,283	1,483,381	16,966,168	23,946,561
Liabilities							
Deposits from customers	7,247,277	5,049,476	4,309,554	1,466,052	1,501,273	617,222	20,190,854
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,340	8,854
Bills and acceptances payable	-	9,618	-	-	-	-	9,618
Islamic derivative financial liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Other liabilities	-	59,984	-	-	61,617	-	121,601
Recourse obligation on financing sold to Cagamas	-	-	186	-	-	485,665	485,851
Subordinated sukuk	-	4,262	-	-	-	249,773	254,035
Senior sukuk	-	9,601	-	-	-	499,526	509,127
Total liabilities	7,247,395	5,161,984	4,330,880	1,480,274	1,573,394	1,863,936	21,657,863
Net maturity mismatch	(5,508,266)	(3,768,040)	(2,764,224)	(682,991)	(90,013)	15,102,232	2,288,698
Commitments and contingencies							
Contingent liabilities	2,833	21,551	13,487	22,604	123,450	420,917	604,842
Commitments	45,959	79,120	152,564	78,402	60,866	2,847,784	3,264,695
Islamic derivative financial instruments	127,470	483,609	422,090	365,143	559,080	949,999	2,907,391
Total commitments and contingencies	176,262	584,280	588,141	466,149	743,396	4,218,700	6,776,928

45. 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 instituition	-	-	-	-	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

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

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

(ii) Behavioural maturity of deposits from customers

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

	Deposits from customers						
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**
2018							
By contractual maturity	**7,241,751**	**5,039,176**	**4,307,053**	**1,466,052**	**1,501,273**	**617,222**	**20,172,527**
By behavioural maturity	**2,799,139**	**1,858,592**	**1,453,811**	**932,894**	**1,507,358**	**11,620,733**	**20,172,527**
Difference	**4,442,612**	**3,180,584**	**2,853,242**	**533,158**	**(6,085)**	**(11,003,511)**	**-**
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)	-
Bank							
2018							
By contractual maturity	**7,247,277**	**5,049,476**	**4,309,554**	**1,466,052**	**1,501,273**	**617,222**	**20,190,854**
By behavioural maturity	**2,800,654**	**1,859,745**	**1,455,004**	**933,814**	**1,508,848**	**11,632,789**	**20,190,854**
Difference	**4,446,623**	**3,189,731**	**2,854,550**	**532,238**	**(7,575)**	**(11,015,567)**	**-**
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)	-

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

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

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

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

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

Group 2018	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
Non-derivative liabilities							
Deposits from customers	7,241,751	5,039,176	4,307,053	1,466,052	1,501,273	657,727	20,213,032
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,722	9,236
Bills and acceptances payable	-	9,618	-	-	-	-	9,618
Other liabilities	-	61,151	-	-	64,102	587	125,840
Recourse obligation on financing sold to Cagamas	-	-	186	-	-	572,057	572,243
Subordinated sukuk	-	4,262	-	-	-	250,822	255,084
Senior sukuk	-	9,601	-	-	-	509,571	519,172
Derivative liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Total financial liabilities	7,241,869	5,152,851	4,328,379	1,480,274	1,575,879	2,002,896	21,782,148

45. 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 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
Non-derivative liabilities							
Deposits from customers	6,395,675	5,158,588	4,784,519	1,784,192	1,375,893	458,439	19,957,306
Deposits and placements of banks and other financial institutions	250,523	301,361	200	-	1,612	8,348	562,044
Bills and acceptances payable	-	9,196	-	-	-	-	9,196
Other liabilities	-	24,004	-	-	37,178	7,086	68,268
Subordinated sukuk	-	-	4,262	-	-	251,174	255,436
Senior sukuk	-	-	14,724	-	-	516,975	531,699
Derivative liabilities	285	22,512	16,974	10,688	3,777	8,852	63,088
Total financial liabilities	6,646,483	5,515,661	4,820,679	1,794,880	1,418,460	1,250,874	21,447,037

45. **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
2018							
Non-derivative liabilities							
Deposits from customers	**7,247,277**	**5,049,476**	**4,309,554**	**1,466,052**	**1,501,273**	**657,727**	**20,231,359**
Deposits and placements of banks and other financial institutions	**69**	**161**	**305**	**735**	**244**	**7,722**	**9,236**
Bills and acceptances payable	**-**	**9,618**	**-**	**-**	**-**	**-**	**9,618**
Other liabilities	**-**	**59,984**	**-**	**-**	**61,617**	**-**	**121,601**
Recourse obligation on financing sold to Cagamas	**-**	**-**	**186**	**-**	**-**	**572,057**	**572,243**
Subordinated sukuk	**-**	**4,262**	**-**	**-**	**-**	**250,822**	**255,084**
Senior sukuk	**-**	**9,601**	**-**	**-**	**-**	**509,571**	**519,172**
Derivative liabilities	**49**	**28,882**	**20,835**	**13,487**	**10,260**	**4,410**	**77,923**
Total financial liabilities	**7,247,395**	**5,161,984**	**4,330,880**	**1,480,274**	**1,573,394**	**2,002,309**	**21,796,236**
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

45. 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.

46. 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.

46. 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:

		Valuation technique using		
	Quoted Market Price	Observable Inputs	Unobservable Inputs	
Group	**Level 1**	**Level 2**	**Level 3**	**Total**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-financial assets				
Investment properties	-	-	41,781	41,781
Financial assets				
Financial investments designated at fair value through profit or loss	-	-	161,274	161,274
Financial investments available-for-sale	118,670	6,192,018	8,725	6,319,413
Derivative financial assets	-	72,770	-	72,770
Total financial assetsmeasured at fair value	118,670	6,264,788	169,999	6,553,457
Financial liabilities				
Derivative financial liabilities	-	77,923	-	77,923
Total financial liabilities measured at fair value	-	77,923	-	77,923

46. FAIR VALUE MEASUREMENTS (CONT'D.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

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

Group 2017	Quoted Market Price Level 1 RM'000	Valuation technique using Observable Inputs Level 2 RM'000	Valuation technique using Unobservable Inputs Level 3 RM'000	Total RM'000
Non-financial assets				
Investment properties	-	-	38,778	38,778
Financial assets				
Financial investments designated at fair value through profit or loss	-	1	197,207	197,208
Financial investments available-for-sale	159,860	5,966,240	5,316	6,131,416
Derivative financial assets	-	55,948	-	55,948
Total financial assets measured at fair value	159,860	6,022,189	202,523	6,384,572
Financial liabilities				
Derivative financial liabilities	-	63,088	-	63,088
Total financial liabilities measured at fair value	-	63,088	-	63,088

Bank 2018	Quoted Market Price Level 1 RM'000	Valuation technique using Observable Inputs Level 2 RM'000	Valuation technique using Unobservable Inputs Level 3 RM'000	Total RM'000
Non-financial assets				
Investment properties	**-**	**-**	**41,781**	**41,781**
Financial assets				
Financial investments designated at fair value through profit or loss	**-**	**-**	**161,274**	**161,274**
Financial investments available-for-sale	**116,016**	**6,192,018**	**8,725**	**6,316,759**
Derivative financial assets	**-**	**72,770**	**-**	**72,770**
Total financial liabilities measured at fair value	**116,016**	**6,264,788**	**169,999**	**6,550,803**

46. 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 2018	Quoted Market Price Level 1 RM'000	Valuation technique using: Observable Inputs Level 2 RM'000	Valuation technique using: Unobservable Inputs Level 3 RM'000	Total RM'000
Financial liabilities				
Derivative financial liabilities	**-**	**77,923**	**-**	**77,923**
Total financial liabilities measured at fair value	**-**	**77,923**	**-**	**77,923**

Bank 2017	Quoted Market Price Level 1 RM'000	Valuation technique using: Observable Inputs Level 2 RM'000	Valuation technique using: Unobservable Inputs Level 3 RM'000	Total RM'000
Non-financial assets				
Investment properties	-	-	38,778	38,778
Financial assets				
Financial investments designated at fair value through profit or loss	-	1	197,207	197,208
Financial investments available-for-sale	109,977	5,966,240	5,316	6,081,533
Derivative financial assets	-	55,948	-	55,948
Total financial assets measured at fair value	109,977	6,022,189	202,523	6,334,689
Financial liabilities				
Derivative financial liabilities	-	63,088	-	63,088
Total financial liabilities measured at fair value	-	63,088	-	63,088

46. 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 April 2017	**202,523**	205,619	**202,523**	196,586
Loss recognised in income statement	**(7,946)**	(33,526)	**(7,946)**	(24,493)
Purchases	**2,259**	4,929	**2,259**	4,929
Foreign exchange translation difference	**(26,837)**	25,501	**(26,837)**	25,501
At 31 March 2018	**169,999**	202,523	**169,999**	202,523

	Group	
	2018 RM'000	2017 RM'000
Total loss recognised in income statement for financial instruments measured at fair value at the end of the financial year	**(7,946)**	(33,526)

	Bank	
	2018 RM'000	2017 RM'000
Total loss recognised in income statement for financial instruments measured at fair value at the end of the financial year	**(7,946)**	(24,493)

46. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
2018					
Financial assets					
Financial investments held-to-maturity	**-**	**159,357**	**-**	**159,357**	**143,730**
Financing of customers	**-**	**8,629,201**	**5,208,288**	**13,837,489**	**14,687,846**
Financial liabilities					
Deposits from customers	**-**	**5,665,931**	**14,507,680**	**20,173,611**	**20,172,527**
Deposits and placements of banks and other financial institutions	**-**	**-**	**8,436**	**8,436**	**8,854**
Bills and acceptances payable	**-**	**-**	**9,618**	**9,618**	**9,618**
Subordinated sukuk	**-**	**254,795**	**-**	**254,795**	**254,035**
Senior sukuk	**-**	**513,812**	**-**	**513,812**	**509,127**
2017					
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

46. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
2018					
Financial assets					
Financial investments held-to-maturity	**-**	**159,357**	**-**	**159,357**	**143,730**
Financing of customers	**-**	**8,629,201**	**5,207,871**	**13,837,072**	**14,687,429**
Financial liabilities					
Deposits from customers	**-**	**5,671,457**	**14,520,480**	**20,191,937**	**20,190,854**
Deposits and placements of banks and other financial institutions	**-**	**-**	**8,436**	**8,436**	**8,854**
Bills and acceptances payable	**-**	**-**	**9,618**	**9,618**	**9,618**
Subordinated sukuk	**-**	**254,795**	**-**	**254,795**	**254,035**
Senior sukuk	**-**	**513,812**	**-**	**513,812**	**509,127**
2017					
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

46. 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.

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.

47. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

				Amount not set off in the statement of financial position		
Group and Bank	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	Net amount RM'000
2018						
Derivative assets	**72,770**	**-**	**72,770**	**-**	**-**	**72,770**
Derivative liabilities	**77,923**	**-**	**77,923**	**-**	**-**	**77,923**
2017						
Derivative assets	56,309	361	55,948	-	-	55,948
Derivative liabilities	63,449	361	63,088	-	-	63,088

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.

48. CAPITAL AND OTHER COMMITMENTS

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Approved and contracted for	**25,864**	11,941
Approved but not contracted for	**44,885**	59,979
	70,749	71,920

	Bank	
	2018	**2017**
	RM'000	**RM'000**
Approved and contracted for	**25,864**	11,941
Approved but not contracted for	**44,885**	59,979
	70,749	71,920

49. CAPITAL ADEQUACY

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
		Restated
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	**12,411,610**	12,914,295
Total market RWA	**38,159**	26,483
Total operational RWA	**1,161,497**	1,100,584
Total RWA	**13,611,266**	14,041,362

49. CAPITAL ADEQUACY (CONT'D.)

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

	Group	
	2018 RM'000	2017 RM'000 Restated
Computation of capital ratios		
Tier-I capital		
Share capital	**1,195,000**	1,195,000
Retained profits	**1,132,781**	294,528
Other Reserves		
Statutory reserve	**-**	658,158
Regulatory reserve	**1,530**	-
Unrealised losses on available for-sale financial instruments	**(27,616)**	(11,298)
Foreign exchange translation reserve	**(1,779)**	2,183
Less: Regulatory Adjustment		
Deferred tax assets	**(24,235)**	(19,589)
Investment property gain	**(5,880)**	(3,465)
Regulatory reserve	**(1,530)**	-
Intangible asset (net of deferred tax liabilities)	**(85,441)**	(99,573)
Total Common Equity Tier-I Capital	**2,182,830**	2,015,944
Total Tier-I Capital	**2,182,830**	2,015,944
Tier-II capital		
Subordinated sukuk	**254,035**	253,964
Collective assessment allowance for non-impaired financing and regulatory reserve	**62,809**	75,211
Add: Investment property gain	**2,646**	1,559
Total Tier-II Capital	**319,490**	330,734
Total Capital Base	**2,502,320**	2,346,678
Ratio (%)		
CET 1 Capital	**16.04%**	14.36%
Tier 1 Capital	**16.04%**	14.36%
Total Capital	**18.38%**	16.71%

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49. CAPITAL ADEQUACY (CONT'D.)

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

	Bank	
	2018 RM'000	**2017 RM'000 Restated**
Computation of total risk- weighted assets ("RWA")		
Total credit RWA	**12,404,662**	12,867,364
Total market RWA	**38,159**	26,483
Total operational RWA	**1,143,979**	1,082,591
Total RWA	**13,586,800**	13,976,438
Computation of capital ratios		
Tier-I capital		
Share capital	**1,195,000**	1,195,000
Retained profits	**1,123,420**	289,726
Other Reserves		
Statutory reserve	**-**	656,561
Regulatory reserve	**1,530**	-
Unrealised losses on available for-sale financial instruments	**(29,473)**	(33,734)
Foreign exchange translation reserve	**(1,779)**	2,183
Regulatory Adjustment		
Deferred tax assets	**(24,235)**	(19,589)
Investment property gain	**(5,880)**	(3,465)
Regulatory reserve	**(1,530)**	-
Investment in subsidiaries	**(8,559)**	(8,055)
Intangible asset (net of deferred tax liabilities)	**(85,266)**	(99,183)
Total Common Equity Tier- I Capital	**2,163,228**	1,979,444
Total Tier-I Capital	**2,163,228**	1,979,444
Tier-II capital		
Subordinated sukuk	**254,035**	253,964
Collective assessment allowance for non-impaired financing and regulatory reserve	**62,809**	75,211
Add: Investment property gain	**2,646**	1,559
Total Tier-II Capital	**319,490**	330,734
Total Capital Base	**2,482,718**	2,310,178

49. CAPITAL ADEQUACY (CONT'D.)

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

	Bank	
	2018 RM'000	2017 RM'000 Restated
Computation of capital ratios (cont'd.)		
Ratio (%)		
CET 1 Capital	**15.92%**	14.16%
Tier 1 Capital	**15.92%**	14.16%
Total Capital	**18.27%**	16.53%

The capital adequacy ratios 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 4 August 2017 and 2 March 2017 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 (2017: 4.5%, 6.0% and 8.0% of total RWA).

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

	Group			
	2018		2017	
	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 Restated	Total risk weighted assets RM'000 Restated
0%	**7,610,997**	**-**	5,888,524	-
20%	**2,918,651**	**583,730**	3,294,361	658,872
35%	**3,136,586**	**1,097,805**	2,778,346	972,421
50%	**1,723,833**	**861,917**	1,770,574	885,287
75%	**1,711,429**	**1,283,572**	2,328,702	1,746,527
100%	**8,526,867**	**8,526,867**	8,571,638	8,571,638
150%	**38,480**	**57,719**	53,033	79,550
Risk weighted assets for credit risk	**25,666,843**	**12,411,610**	24,685,178	12,914,295

49. CAPITAL ADEQUACY (CONT'D.)

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

	Group			
	2018		2017	
	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 Restated	Total risk weighted assets RM'000 Restated
Risk weighted assets for market risk		**38,159**		26,483
Risk weighted assets for operational risk		**1,161,497**		1,100,584
Total risk weighted assets		**13,611,266**		14,041,362

	Bank			
	2018		2017	
	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 Restated	Total risk weighted assets RM'000 Restated
0%	**7,610,997**	**-**	5,888,524	-
20%	**2,918,651**	**583,730**	3,294,361	658,872
35%	**3,136,586**	**1,097,805**	2,778,346	972,421
50%	**1,723,833**	**861,917**	1,770,574	885,287
75%	**1,711,429**	**1,283,572**	2,328,702	1,746,527
100%	**8,524,211**	**8,524,211**	8,569,617	8,569,617
150%	**35,618**	**53,427**	23,093	34,640
Risk weighted assets for credit risk	**25,661,325**	**12,404,662**	24,653,217	12,867,364
Risk weighted assets for market risk		**38,159**		26,483
Risk weighted assets for operational risk		**1,143,979**		1,082,591
Total risk weighted assets		**13,586,800**		13,976,438

50. 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.

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.

51. 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.

51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

(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.

Other business segments include rental services, none of which is of a sufficient size to be reported separately.

Group 2018	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	**296,258**	**645,199**	**250,100**	**28,248**	**1,219,805**
Total income	**151,469**	**400,587**	**15,193**	**75,056**	**642,305**
Writeback for impairment on financing	**16,286**	**33,807**	**33**	**-**	**50,126**
Writeback of impairment on investments	**-**	**-**	**3,343**	**-**	**3,343**
Other expenses	**-**	**-**	**-**	**(7,739)**	**(7,739)**
Total net income	**167,755**	**434,394**	**18,569**	**67,317**	**688,035**
Total overhead expenses					**(457,487)**
Profit before zakat and taxation					**230,548**
Zakat					**(6,138)**
Taxation					**(42,785)**
Profit for the year					**181,625**

51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

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)/writeback 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

Bank 2018	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	**296,258**	**645,199**	**240,133**	**28,248**	**1,209,838**
Total Income	**151,469**	**400,587**	**4,760**	**75,056**	**631,872**
Writeback for impairment on financing	**16,286**	**33,807**	**33**	**-**	**50,126**
Writeback of impairment on investments	**-**	**-**	**3,343**	**504**	**3,847**
Other expenses	**-**	**-**	**-**	**(7,739)**	**(7,739)**
Total net income	**167,755**	**434,394**	**8,136**	**67,821**	**678,106**
Total overhead expenses					**(454,620)**
Profit before zakat and taxation					**223,486**
Zakat					**(5,587)**
Taxation					**(39,236)**
Profit for the year					**178,663**

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51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

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

BASEL II PILLAR 3 DISCLOSURES

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 2018.

Dato' Haji Mohd Redza Shah bin Abdul Wahid
Chief Executive Officer

BASEL II - PILLAR 3 DISCLOSURE

PILLAR 3 DISCLOSURE CONTENT

ABBREVIATIONS

ALCO	Asset-Liability Management Committee
ALM	Asset and Liability Management
BCM	Business Continuity Management
BCP	Business Continuity Plan
BIA	Business Impact Analysis
BOD	Board of Director
BNM	Bank Negara Malaysia
BRMC	Board Risk Management Committee
BU	Business Unit
CAFIB	Capital Adequacy Framework for Islamic Banks
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
CSRD	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
RMD	Risk Management Department
RWA	Risk Weighted Assets
RWCAF	Risk Weighted Capital Adequacy Framework
TBPS	Trading Book Policy Statement
S&P	Standard and Poor's
SC	Shariah Committee
SNCI	Shariah Non-Compliance Income
SRP	Shariah Review Program
SU	Support Unit
VaR	Value at Risk

BASEL II - PILLAR 3 DISCLOSURE

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 2018.

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.

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.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

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 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
Core Capital Ratio	**16.04%**	14.35%	**15.92%**	14.15%
Risk-weighted capital ratio	**18.38%**	16.69%	**18.27%**	16.50%

The following table represents the Group's and Bank's capital position as at 31 March 2018. 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 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 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	**1,132,781**	294,528	**1,123,420**	289,726
Other Reserves				
Statutory reserve	**-**	658,158	**-**	656,561
Regulatory reserve	**1,530**	-	**1,530**	-
Unrealised gains and losses on 'available for-sale' financial instruments	**(27,616)**	(11,298)	**(29,473)**	(33,734)
Foreign exchange translation reserve	**(1,779)**	2,183	**(1,779)**	2,183
Regulatory Adjustment				
Less: Regulatory reserve	**(1,530)**	-	**(1,530)**	-
Less: Investment property gain or loss	**(5,880)**	(3,465)	**(5,880)**	(3,465)
Less: Deferred tax assets	**(24,235)**	(19,589)	**(24,235)**	(19,589)
Less: Investment in subsidiaries	**-**	-	**(8,559)**	(8,055)
Less: Intangible Asset (net of deferred tax liabilities)	**(85,440)**	(99,573)	**(85,266)**	(99,183)
Total Tier-I Capital	**2,182,831**	2,015,944	**2,163,228**	1,979,444
Tier-II capital				
Subordinated bonds	**254,035**	253,964	**254,035**	253,964
Collective assessment allowance	**62,809**	75,211	**62,809**	75,211
Add:Investment property gain or loss	**2,646**	1,559	**2,646**	1,559
Total Tier-II Capital	**319,490**	330,734	**319,490**	330,734
Total Capital	**2,502,321**	2,346,679	**2,482,718**	2,310,178

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 2018		31 March 2017	
	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	**12,411,610**	**992,929**	12,914,295	1,033,144
Market Risk	**38,159**	**3,053**	26,483	2,119
Operational Risk	**1,161,497**	**92,920**	1,100,584	88,047
Total	**13,611,266**	**1,088,901**	14,041,361	1,123,309

	31 March 2018		31 March 2017	
	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	**12,404,662**	**992,373**	12,867,364	1,029,389
Market Risk	**38,159**	**3,053**	26,483	2,119
Operational Risk	**1,143,979**	**91,518**	1,082,591	86,607
Total	**13,586,800**	**1,086,944**	13,976,439	1,118,115

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.

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 31 March 2018	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8%" RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,747,388	6,747,388	-	-
PSEs	839,266	839,045	167,809	13,425
Banks, Development Financial Institution & MDBs	460,602	460,602	131,960	10,557
Corporates	6,022,001	5,932,715	4,423,249	353,860
Regulator Retail	4,883,585	4,873,919	4,465,385	357,231
Residential Real Estate	4,403,799	4,403,799	1,855,903	148,472
Higher Risk Assets	2,861	2,861	4,292	343
Other Assets	373,726	373,726	253,546	20,284
Defaulted Exposures	156,185	156,185	159,285	12,743
	23,889,414	23,790,241	11,461,430	916,914
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,767,196	1,767,196	917,168	73,373
Derivative financial instruments	109,406	109,406	33,014	2,641
	1,876,602	1,876,602	950,181	76,014
Total Credit Exposures	25,766,015	25,666,842	12,411,611	992,929

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	811	(802)	9,711	777
Foreign Currency Risk	6,421	(26,550)	28,448	2,276
Equity Position Risk	-	-	-	-
			38,159	3,053
(iii) Operational Risk (Basic Indicators Approach)			1,161,497	92,920
(iv) Total RWA and Capital Requirements			13,611,267	1,088,901

* 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 31 March 2017	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8%" RM'000
(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	6,271,371	6,199,508	4,401,371	352,110
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	29,940	29,940	44,910	3,593
Other Assets	380,766	380,766	265,710	21,257
Defaulted Exposures	114,106	114,106	87,562	7,005
	23,478,927	23,392,342	11,830,009	946,401
(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	24,771,763	24,685,178	12,914,295	1,033,144

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(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
(iii) Operational Risk (Basic Indicators Approach)			1,100,584	88,047
(iv) Total RWA and Capital Requirements			14,041,361	1,123,309

* 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 31 March 2018	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8%" RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,747,388	6,747,388	-	-
PSEs	839,266	839,045	167,809	13,425
Banks, Development Financial Institution & MDBs	460,602	460,602	131,960	10,557
Corporates	6,021,792	5,932,506	4,423,040	353,843
Regulator Retail	4,883,585	4,873,919	4,465,385	357,231
Residential Real Estate	4,403,799	4,403,799	1,855,903	148,472
Higher Risk Assets	-	-	-	-
Other Assets	371,279	371,279	251,099	20,088
Defaulted Exposures	156,185	156,185	159,285	12,743
	23,883,896	23,784,723	11,454,481	916,358
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,767,196	1,767,196	917,168	73,373
Derivative financial instruments	109,406	109,406	33,014	2,641
	1,876,602	1,876,602	950,181	76,014
Total Credit Exposures	25,760,498	25,661,325	12,404,663	992,373

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	811	(802)	9,711	777
Foreign Currency Risk	6,421	(26,550)	28,448	2,276
Equity Position Risk	-	-	-	-
			38,159	3,053
(iii) Operational Risk (Basic Indicators Approach)			1,143,979	91,518
(iv) Total RWA and Capital Requirements			13,586,800	1,086,944

* 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 31 March 2017	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8%" RM'000
(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	379,104	379,104	264,048	21,124
Defaulted Exposures	114,106	114,106	87,562	7,005
	23,446,966	23,360,381	11,783,078	942,646
(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	24,739,802	24,653,217	12,867,363	1,029,389

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(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
(iii) Operational Risk (Basic Indicators Approach)			1,082,591	86,607
(iv) Total RWA and Capital Requirements			13,976,437	1,118,115

* After netting and credit risk mitigation

** 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

RISK GOVERNANCE				AUDIT COMMITTEE
	Risk Management Organisation Structure			
Board *Establish Risk Appetite & Policy*	Board of Directors (BOD)	Board Risk Management Committee (BRMC)	Sariah Committee (SC)	Board Audit Committee (BAC)
Management *Ensure Implementation of Policy & Compliance*	Excecutive Risk Managemnet (ERMC)	Asset-Liability Management Committee (ALCO)	Credit Committee (CC)	Management Committee (MANCO)
	Investment Committee (IC)	Operational Risk Management Committee		
Working Level *Implement & Comply with Risk Policy*	Risk Managemnet Department (RMD)	Credit Assessment Department (CAD)	Retail Approving Centre (RAC)	Internal Audit Committee (IAD)
	Compliance Department	Sharial Department (SD)	Bank's Line Management	

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 ERMC 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.

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 31 March 2018	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	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,579,923	-	-	-	-	-	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	7,758
Investment accounts due from designated financial instituition	-	146	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	161,274
Financial investment available-for-sale	4,232,765	302,598	686,821	126,720	-	-	970,509	6,319,413
Financial investment held-to-maturity	143,730	-	-	-	-	-	-	143,730
Islamic derivative financial assets	-	72,770	-	-	-	-	-	72,770
Financing of customers	752,535	666,164	1,688,051	1,619,699	14,233	9,259,428	687,736	14,687,846
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	674,500
Other financial assets	-	-	-	-	-	-	81,425	81,425
	5,803,530	2,790,633	2,374,872	1,746,419	14,233	9,259,428	1,739,670	23,728,785
Commitments and contingencies								
Contingent liabilities	21,907	50,016	142,830	343,163	6,257	-	36,833	601,006
Commitments	1,478,093	234,876	538,018	827,977	3,181	-	127,930	3,210,075
Derivative financial instruments	-	2,907,391	-	-	-	-	-	2,907,391
	1,500,000	3,192,283	680,848	1,171,140	9,438	-	164,763	6,718,472
Total credit exposures	7,303,530	5,982,916	3,055,720	2,917,559	23,671	9,259,428	1,904,433	30,447,257

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 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	Household 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 instituition	-	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
Islamic derivative financial assets	-	55,948	-	-	-	-	-	55,948
Financing of customers	752,618	1,038,203	1,177,571	1,426,835	14,757	9,808,207	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	9,808,207	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	9,808,207	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)

Bank 31 March 2018	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	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,579,923	-	-	-	-	-	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	7,758
Investment accounts due from designated financial instituition	-	146	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	161,274
Financial investment available-for-sale	4,232,765	302,598	686,821	126,720	-	-	967,855	6,316,759
Financial investment held-to-maturity	143,730	-	-	-	-	-	-	143,730
Islamic derivative financial assets	-	72,770	-	-	-	-	-	72,770
Financing of customers	752,535	666,164	1,688,051	1,619,699	14,234	9,259,428	687,318	14,687,429
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	674,500
Other financial assets	-	-	-	-	-	-	81,138	81,138
	5,803,530	2,790,633	2,374,872	1,746,419	14,234	9,259,428	1,736,311	23,725,427
Commitments and contingencies								
Contingent liabilities	21,907	50,016	142,830	343,163	6,257	-	36,833	601,006
Commitments	1,478,093	234,876	538,018	827,977	3,181	-	127,930	3,210,075
Derivative financial instruments	-	2,907,391	-	-	-	-	-	2,907,391
	1,500,000	3,192,283	680,848	1,171,140	9,438	-	164,763	6,718,472
Total credit exposures	7,303,530	5,982,916	3,055,720	2,917,559	23,672	9,259,428	1,901,074	30,443,899

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	Household 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 instituition	-	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
Islamic derivative financial assets	-	55,948	-	-	-	-	-	55,948
Financing of customers	752,618	1,038,203	1,177,572	1,426,836	14,757	9,808,207	719,663	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	1,712,943	1,543,334	14,757	9,808,207	1,969,283	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	2,527,934	2,616,183	35,735	9,808,207	2,348,375	30,632,327

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:

	Group		Bank	
31 March 2018	**Domestic RM'000**	**Labuan RM'000**	**Domestic RM'000**	**Labuan RM'000**
On Balance Sheet Exposures				
Cash and short-term funds	1,490,563	89,360	1,490,563	89,360
Cash and placements with financial institutions	7,758	-	7,758	-
Investment accounts due from designated financial instituition	146	-	146	-
Financial investment designated at fair value through profit and loss	-	161,274	-	161,274
Financial investment available-for-sale	6,300,136	19,277	6,297,482	19,277
Financial investment held-to-maturity	143,730	-	143,730	-
Islamic derivative financial assets	72,770	-	72,770	-
Financing of customers	14,687,846	-	14,687,429	-
Statutory deposits with Bank Negara Malaysia	674,500	-	674,500	-
Other financial assets	81,422	3	81,135	3
	23,458,871	269,914	23,455,513	269,914
Commitments and contingencies				
Contingent liabilities	604,842	-	604,842	-
Commitments	3,264,695	-	3,264,695	-
Derivative financial instruments	2,907,391	-	2,907,391	-
	6,776,928	-	6,776,928	-
Total credit exposures	30,235,799	269,914	30,232,441	269,914

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	
31 March 2017	**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 instituition	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 Exposures of Financial Assets by Maturity Distribution

Table 10: Maturities of financial assets by remaining contractual maturity

Group 31 March 2018	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	1,579,923	-	-	-	1,579,923
Cash and placements with financial institutions	7,758	-	-	-	7,758
Investment accounts due from designated financial instituition	-	-	146	-	146
Financial investments designated at fair value through profit and loss	-	-	-	161,275	161,275
Financial investment available-for-sale	170,815	601,802	2,612,365	2,937,455	6,322,437
Financial investment held-to-maturity	-	-	-	143,730	143,730
Islamic derivative financial assets	63,096	9,674	-	-	72,770
Financing of customers	3,666,123	804,346	4,583,591	5,634,271	14,688,331
Statutory deposits with Bank Negara Malaysia	-	-	-	674,500	674,500
Other financial assets	-	81,425	-	-	81,425
Total On-Balance Sheet Exposures	**5,487,715**	**1,497,247**	**7,196,102**	**9,551,231**	**23,732,295**

Group 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 instituition	-	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

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 2018	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	**1,579,923**	**-**	**-**	**-**	**1,579,923**
Cash and placements with financial institutions	**7,758**	**-**	**-**	**-**	**7,758**
Investment accounts due from designated financial instituition	**-**	**-**	**146**	**-**	**146**
Financial investments designated at fair value through profit and loss	**-**	**-**	**-**	**161,275**	**161,275**
Financial investment available-for-sale	**170,606**	**599,357**	**2,609,712**	**2,937,455**	**6,317,130**
Financial investment held-to-maturity	**-**	**-**	**-**	**143,730**	**143,730**
Islamic derivative financial assets	**63,096**	**9,674**	**-**	**-**	**72,770**
Financing of customers	**3,666,123**	**804,346**	**4,583,461**	**5,634,272**	**14,688,202**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**674,500**	**674,500**
Other financial assets	**-**	**81,138**	**-**	**-**	**81,138**
Total On-Balance Sheet Exposures	**5,487,506**	**1,494,515**	**7,193,319**	**9,551,232**	**23,726,572**

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 instituition	-	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

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.

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 31 March 2018	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	**4,063,791**	**265,306**	**189,049**	**95,747**	**4,613,893**
- Syndicated financing	**686,022**	**-**	**-**	**-**	**686,022**
- Hire purchase receivables	**564,463**	**24,235**	**16,540**	**17,981**	**623,219**
- Leasing receivables	**-**	**-**	**-**	**1,277**	**1,277**
- Other term financing	**5,636,624**	**186,346**	**55,208**	**145,843**	**6,024,021**
Other financing	**2,753,659**	**134,149**	**20,892**	**24,568**	**2,933,268**
	13,704,559	**610,036**	**281,689**	**285,416**	**14,881,700**
Less:					
- Collective assesment allowance	**-**	**-**	**-**	**-**	**(176,922)**
- Individual assesment allowance	**-**	**-**	**-**	**(16,932)**	**(16,932)**
Total net financing	**13,704,559**	**610,036**	**281,689**	**268,484**	**14,687,846**

Group 31 March 2017	Neither past due nor impaired Good RM'000	 Satisfactory RM'000	Past due but not Impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,208,374	243,960	176,074	86,530	4,714,938
- Syndicated financing	620,274	-	-	-	620,274
- Hire purchase receivables	705,538	24,275	20,905	22,826	773,544
- Leasing receivables	-	-	-	4,997	4,997
- Other term financing	6,158,024	58,114	79,843	178,049	6,474,030
Other financing	2,561,234	10,235	12,526	59,518	2,643,513
	14,253,444	336,584	289,348	351,920	15,231,296
Less:					
- Collective assesment allowance	-	-	-	-	(236,159)
- Individual assesment allowance	-	-	-	(76,865)	(76,865)
Total net financing	14,253,444	336,584	289,348	275,055	14,918,272

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 2018	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	**4,063,791**	**265,306**	**189,049**	**95,747**	**4,613,893**
- Syndicated financing	**686,022**	**-**	**-**	**-**	**686,022**
- Hire purchase receivables	**564,463**	**24,235**	**16,540**	**17,981**	**623,219**
- Leasing receivables	**-**	**-**	**-**	**1,277**	**1,277**
- Other term financing	**5,636,207**	**186,346**	**55,208**	**150,776**	**6,028,547**
Other financing	**2,753,659**	**134,149**	**20,892**	**24,568**	**2,933,268**
	13,704,142	**610,036**	**281,689**	**290,349**	**14,881,216**
Less:					
- Collective assesment allowance	**-**	**-**	**-**	**-**	**(176,922)**
- Individual assesment allowance	**-**	**-**	**-**	**(21,865)**	**(21,865)**
Total net financing	**13,704,142**	**610,036**	**281,689**	**268,484**	**14,687,429**

Bank 31 March 2017	Neither past due nor impaired Good RM'000	 Satisfactory RM'000	Past due but not Impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,208,374	243,960	176,074	86,530	4,714,938
- Syndicated financing	620,274	-	-	-	620,274
- Hire purchase receivables	705,538	24,275	20,905	22,826	773,544
- Leasing receivables	-	-	-	4,997	4,997
- Other term financing	6,177,608	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

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 2018 RM'000	31 March 2017 RM'000
Term financing		
- Home financing	-	-
- Hire purchase receivables	-	-
- Other term financing	-	-
Total	-	-

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 2018	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	126,747	62,302	189,049
- Hire purchase receivables	-	11,281	5,259	16,540
- Other term financing	-	34,409	20,799	55,208
Other financing	824	14,863	5,205	20,892
Total	824	187,300	93,565	281,689

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

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 2018 RM'000	31 March 2017 RM'000
Purchase of transport vehicles	**16,481**	20,586
Purchase of landed properties of which:		
– residential	**186,463**	180,127
– non-residential	**21,893**	23,272
Purchase of fixed assets (excluding landed properties)	**19**	-
Personal use	**51,320**	60,824
Working capital	**3,887**	1,651
Other purpose	**1,626**	2,888
	281,689	289,348

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	31 March 2018 RM'000	31 March 2017 RM'000
Domestic	**281,689**	-
Labuan Offshore	**-**	-
	281,689	-

(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 exibits 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.

	31 March 2018						
Group	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	60	-	-	-	-	44	44
Purchase of transport vehicles	17,856	6,301	(2,519)	-	3,782	8,891	12,673
Purchase of landed properties of which:							
– residential	94,017	-	-	-	-	26,907	26,907
– non-residential	10,884	-	-	-	-	6,115	6,115
Purchase of fixed assets (excluding landed properties)	1,403	111	(68)	-	42	90	132
Personal use	125,611	-	(548)	-	(548)	124,130	123,582
Construction	23	19,111	(19,089)	-	22	980	1,002
Working capital	33,554	49,050	10,062	(47,771)	11,341	7,821	19,162
Other purpose	2,008	2,292	-	-	2,292	1,943	4,235
	285,416	76,865	(12,162)	(47,771)	16,931	176,921	193,852

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.

	31 March 2017						
Group	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	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.

	31 March 2018						
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 31 March RM'000**	**Collective Assessment Allowance at 31 March RM'000**	**Total Impairment Allowances for Financing RM'000**
Purchase of securities	60	-	-	-	-	44	44
Purchase of transport vehicles	17,856	6,301	(2,519)	-	3,782	8,891	12,673
Purchase of landed properties of which:							
– residential	94,017	-	-	-	-	26,907	26,907
– non-residential	10,884	-	-	-	-	6,115	6,115
Purchase of fixed assets (excluding landed properties)	1,403	111	(68)	-	42	90	133
Personal use	125,611	-	(548)	-	(548)	124,130	123,582
Construction	23	19,112	(19,089)	-	23	980	1,003
Working capital	38,486	53,982	10,063	(47,771)	16,274	7,822	24,096
Other purpose	2,009	2,292	(1)	-	2,291	1,943	4,234
	290,349	81,798	(12,162)	(47,771)	21,864	176,922	198,787

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.

	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 31 March RM'000**	**Collective Assessment Allowance at 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)

Table 15: Impaired financing by geographical distribution

The following tables present an analysis of the impaired financing by geographical distribution.

	31 March 2018						
Group	**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	**285,416**	**76,865**	**(12,162)**	**(47,771)**	**16,931**	**176,922**	**193,854**
Labuan offshore	-	-	-	-	-	-	-
	285,416	**76,865**	**(12,162)**	**(47,771)**	**16,931**	**176,922**	**193,854**

	31 March 2017						
Group	**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	351,920	81,078	16,201	(20,414)	76,865	236,133	312,998
Labuan offshore	-	-	-	-	-	26	26
	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)

Table 15: Impaired financing by geographical distribution (cont'd)

The following tables present an analysis of the impaired financing by geographical distribution.

	31 March 2018						
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	**290,349**	**81,798**	**(12,162)**	**(47,771)**	**21,864**	**176,922**	**198,787**
Labuan offshore	-	-	-	-	-	-	-
	290,349	**81,798**	**(12,162)**	**(47,771)**	**21,864**	**176,922**	**198,787**

	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	21,134	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 as 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 **90.1%** and **87.9%** respectively as at 31 March 2018 (Group and the Bankare at 84.7% and 84.6% as at 31 March 2017). The financial effect of collateral held for other financial assets is not significant.

At 31 March 2018, the fair value of collateral that the Group and Bank hold relating to financing of customers individually determined to be impaired amounts to **RM60,009,987** as compared with 31 March 2017 of RM56,077,135. 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 2018	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	**7,490,816**	-	-	-	-	-	-	-	-	-	**7,490,816**
Public Sector Entities	-	-	-	-	-	-	-	-	**853,183**	-	**853,183**
Banks, Development Financial Institutions & MDBs	**30,088**	-	**30,302**	-	**132,798**	-	-	**115,324**	**247,342**	**30**	**555,885**
Corporates	**2,104,252**	**99,857**	**361,607**	**91,800**	**179,965**	**144,286**	-	**38,702**	**3,688,206**	**309,091**	**7,017,766**
Regulatory Retail	-	-	-	-	-	-	-	-	**5,000,540**	-	**5,000,540**
Residential Mortgages	-	-	-	-	-	-	-	-	**4,476,546**	-	**4,476,546**
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	**371,279**	-	**371,279**
Total	**9,625,156**	**99,857**	**391,909**	**91,800**	**312,764**	**144,286**	-	**154,026**	**14,637,096**	**309,122**	**25,766,015**

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	5,448,284	264,639	7,387,449
Regulatory Retail	-	-	-	-	-	-	-	-	-	5,630,783	5,630,783
Residential Mortgages	-	-	-	-	-	-	-	-	-	4,233,823	4,233,823
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	379,104	379,104
Total	748,776	94,582	564,400	121,972	5,935,509	142,168	(0)	234,960	6,421,047	10,508,350	24,771,763

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 2018	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	**7,490,816**	-	-	-	-	-	-	-	-	-	**7,490,816**
Public Sector Entities	-	-	-	-	-	-	-	-	**853,183**	-	**853,183**
Banks, Development Financial Institutions & MDBs	**30,088**	-	**30,302**	-	**132,798**	-	-	**115,324**	**247,342**	**30**	**555,885**
Corporates	**2,104,252**	**99,857**	**361,607**	**91,800**	**179,965**	**144,286**	-	**38,702**	**3,682,689**	**309,091**	**7,012,248**
Regulatory Retail	-	-	-	-	-	-	-	-	**5,000,540**	-	**5,000,540**
Residential Mortgages	-	-	-	-	-	-	-	-	**4,476,546**	-	**4,476,546**
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	**371,279**	-	**371,279**
Total	**9,625,156**	**99,857**	**391,909**	**91,800**	**312,764**	**144,286**	-	**154,026**	**14,631,579**	**309,122**	**25,760,498**

Bank 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	5,416,323	264,639	7,355,487
Regulatory Retail	-	-	-	-	-	-	-	-	-	5,630,783	5,630,783
Residential Mortgages	-	-	-	-	-	-	-	-	-	4,233,823	4,233,823
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	379,104	379,104
Total	748,776	94,582	564,400	121,972	5,935,509	142,168	-	234,960	6,389,086	10,508,350	24,739,802

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	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 2018						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	853,183
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		2,696,218	179,965	144,286	-	3,991,780
Total		2,696,218	179,965	144,286	-	4,844,963
Group and Bank						
31 March 2017						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	762,502
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		1,498,870	33,488	142,168	-	5,680,962
Total		1,498,870	33,488	142,168	-	6,443,464

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class		Short term Ratings of Banking Institutions and Corporate by Approved ECAIs				
	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 2018						
Banks, MDBs and FDIs		**115,324**	-	-	-	-
Credit Exposures (using Corporate Risk Weights)		-	-	-	-	
Corporates		-	-	-	-	-
Total		**115,324**	-	-	-	-
Group and Bank						
31 March 2017						
Banks, MDBs and FDIs		167,000	-	-	-	-
Credit Exposures (using Corporate Risk Weights)		-	-	-	-	
Corporates		-	-	-	-	-
Total		167,000	-	-	-	-

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 2018		Ratings of Sovereigns and Central Banks by Approved ECAIs					
	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
Exposure Class	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
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		-	-	-	-	-	-
Total		-	-	-	-	-	-

Group and Bank 31 March 2017		Ratings of Sovereigns and Central Banks by Approved ECAIs					
	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
Exposure Class	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
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		-	5,773,468	-	-	-	-
Total		-	5,773,468	-	-	-	-

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class		Ratings of Banking Institutions by Approved ECAIs					
		Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	Moody's	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	RAM	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
	RII Inc	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Group and Bank							
31 March 2018							
Banks, MDBs and FDIs		**60,390**	**132,798**	**-**	**-**	**-**	**247,372**
Total		**60,390**	**132,798**	**-**	**-**	**-**	**247,372**
Group and Bank							
31 March 2017							
Banks, MDBs and FDIs		98,820	128,553	-	-	-	210,261
Total		98,820	128,553	-	-	-	210,261

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 2018 Group	Exposures after Netting and Credit Risk Mitigation										
	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	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
Risk-Weights											
0%	7,490,816	-	-	-	-	-	-	-	120,181	7,610,997	-
20%	-	852,962	423,087	1,642,602	-	-	-	-	-	2,918,651	583,730
35%	-	-	-	-	-	3,136,586	-	-	-	3,136,586	1,097,805
50%	-	-	132,798	553,578	28,196	1,009,261	-	-	-	1,723,833	861,917
75%	-	-	-	-	1,693,490	17,939	-	-	-	1,711,429	1,283,572
100%	-	-	-	4,702,489	3,258,072	312,761	-	-	253,545	8,526,867	8,526,867
150%	-	-	-	24,502	11,116	-	-	2,861	-	38,480	57,719
Total	7,490,816	852,962	555,885	6,923,171	4,990,875	4,476,546	-	2,861	373,726	25,666,842	12,411,610

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 Group	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	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	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%	-	-	-	4,745,055	3,286,038	274,834	-	-	265,710	8,571,638	8,571,638
150%	-	-	-	20,061	3,032	-	-	29,940	-	53,033	79,550
Total	5,773,468	762,499	604,634	7,283,984	5,616,064	4,233,823	-	29,940	380,766	24,685,178	12,914,295

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 2018 Bank	Exposures after Netting and Credit Risk Mitigation										
	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	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
Risk-Weights											
0%	7,490,816	-	-	-	-	-	-	-	120,181	7,610,997	-
20%	-	852,962	423,087	1,642,602	-	-	-	-	-	2,918,651	583,730
35%	-	-	-	-	-	3,136,586	-	-	-	3,136,586	1,097,805
50%	-	-	132,798	553,578	28,196	1,009,261	-	-	-	1,723,833	861,917
75%	-	-	-	-	1,693,490	17,939	-	-	-	1,711,429	1,283,572
100%	-	-	-	4,702,280	3,258,072	312,761	-	-	251,098	8,524,211	8,524,211
150%	-	-	-	24,502	11,116	-	-	-	-	35,618	53,427
Total	7,490,816	852,962	555,885	6,922,962	4,990,875	4,476,546	-	-	371,279	25,661,325	12,404,662

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 2018											
Bank	Exposures after Netting and Credit Risk Mitigation										
	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	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets 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	-	-	264,048	8,569,617	8,569,617
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	-	-	379,104	24,653,217	12,867,363

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 31 March 2018	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	6,747,388	-	6,747,388
Public sector entities	839,266	221	839,045
Banks, Development Financial Institution & MDBs	460,602	-	460,602
Corporates	6,022,001	89,286	5,932,715
Regulatory retail	4,883,585	9,666	4,873,919
Residential real estate	4,403,799	-	4,403,799
Higher risk assets	2,861	-	2,861
Other assets	373,726	-	373,726
Defaulted exposure	156,185	-	156,185
	23,889,414	99,173	23,790,241
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,767,196	-	1,767,196
Derivative financial instruments	109,406	-	109,406
	1,876,602	-	1,876,602
Total Credit Exposures	25,766,015	99,173	25,666,842

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 31 March 2017	Gross Exposures RM'000	Total Exposures Covered by Eligible 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	6,264,026	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)

Bank 31 March 2018	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central Banks	6,747,388	-	6,747,388
Public Sector Entities	839,266	221	839,045
Banks, Development Financial Institution & MDBs	460,602	-	460,602
Corporates	6,021,792	89,286	5,932,506
Regulatory Retail	4,883,585	9,666	4,873,919
Residential Real Estate	4,403,799	-	4,403,799
Higher Risk Assets	-	-	-
Other Assets	371,279	-	371,279
Defaulted Exposures	156,185	-	156,185
	23,883,896	99,173	23,784,723
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,767,196	-	1,767,196
Derivative Financial Instruments	109,406	-	109,406
	1,876,602	-	1,876,602
Total Credit Exposures	25,760,498	99,173	25,661,325

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	Gross Exposures RM'000	Total Exposures Covered by Eligible 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

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 2018			31 March 2017		
	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000
The commitments and contigencies constitute the following:						
Contingent liabilities						
Direct credit substitutes	**237,010**	**237,010**	**208,603**	213,136	213,136	181,099
Trade-related contingencies	**25,603**	**5,121**	**528**	22,970	4,594	4,581
Transaction related contingencies	**342,229**	**171,114**	**166,532**	425,973	212,986	208,304
Obligations under an on-going underwriting agreement	**-**	**-**	**-**	-	-	-
Commitments						
Credit extension commitment:						
- Maturity within one year	**927,991**	**185,598**	**170,493**	798,577	159,715	146,883
- Maturity exceeding one year	**2,336,704**	**1,168,352**	**371,012**	1,019,465	509,732	452,990
Bills of collection	**-**	**-**	**-**	428	-	-
Islamic derivative financial instruments						
Foreign exchange related contracts	**1,707,392**	**98,531**	**30,839**	2,875,367	88,561	69,605
Profit rate related contract	**1,200,000**	**10,875**	**2,175**	2,000,000	104,111	20,822
Total off-balance sheet exposures	**6,776,929**	**1,876,602**	**950,181**	7,355,915	1,292,836	1,084,285

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.

	2018			2017		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
Group and Bank	**RM'000**	**Assets RM'000**	**Liabilities RM'000**	**RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading derivatives:						
Foreign exchange contracts:						
- Currency forwards						
Less than one year	**777,177**	**1,660**	**(71,428)**	862,936	51,435	(467)
- Currency swaps						
Less than one year	**841,470**	**70,995**	**(1,498)**	1,545,210	3,502	(54,090)
- Currency spot						
Less than one year	**88,744**	**115**	**(55)**	467,221	1,009	(39)
- Dual currency investment option	**-**	**-**	**-**	-	2	(2)
	1,707,391	**72,770**	**(72,981)**	2,875,367	55,948	(54,598)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	**325,000**	**-**	**(2,391)**	500,000	-	(2,251)
Hedged IPRS	**875,000**	**-**	**(2,551)**	1,500,000	-	(6,239)
Total	**2,907,391**	**72,770**	**(77,923)**	4,875,367	55,948	(63,088)

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 2018			31 March 2017		
	Contract/ notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract/ notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
IPRS	**875,000**	**-**	**(2,551)**	1,500,000	-	(6,239)

Fair Value hedges

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

For the year ended 31 March 2018, the Group and the Bank:

(i) recognised a net loss of RM3,549,171 (31 March 2017: 5,412,674) on the hedging instrument. The total net loss on the hedged items attributable to the hedged risk amounted to RM5,157,995 (31 March 2017: 7,454,067); and

(ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM4,810,910 (31 March 2017: RM1,771,572) 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 ERMC, 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 2017/2018 were:

- Assets securitization through purchase with recourse programme.
- 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 2018	Long Position RM'000	Short Position RM'000	Risk weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Benchmark Rate Risk	**811**	**(802)**	**9,711**	**777**
Foreign Currency Risk	**6,421**	**(26,550)**	**28,448**	**2,276**
Total	**7,232**	**(27,351)**	**38,159**	**3,053**

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

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 2018			
Publicly Traded	**Gross Credit Exposure RM'000**	**Risk Weighted Assets RM'000**	**Unrealised Gain (Losses) RM'000**
Investment in Unit Trust Funds	**-**	**-**	**-**
Investment in Quoted Shares	**116,016**	**116,016**	**(13,289)**
Total	**116,016**	**116,016**	**(13,289)**

Group and Bank 31 March 2017			
Publicly Traded	**Gross Credit Exposure RM'000**	**Risk Weighted Assets RM'000**	**Unrealised Gain (Losses) RM'000**
Investment in Unit Trust Funds	-	-	-
Investment in Quoted Shares	109,977	109,977	(8,423)
Total	109,977	109,977	(8,423)

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.
Basic 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:

		Group		Bank	
Increase/(decrease) in basis points	Tax rate	-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
31 March 2018					
Effect on profit after tax	**24%**	**(2,179)**	**2,179**	**(2,125)**	**2,125**
Effect on other comprehensive income, net of tax	**24%**	**109,102**	**(109,102)**	**107,682**	**(107,682)**
Effect on equity		**126,988**	**(126,988)**	**125,144**	**(125,144)**
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)

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	Earnings sources and liability structure suggest current or potential difficulty in maintaining long-term and cost-efficient 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 - ERMC 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 31 March 2018	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	1,515,035	56,114	8,774	-	-	-	-	1,579,923
Cash and placements with financial institutions	-	-	7,758	-	-	-	-	7,758
Investment accounts due from designated financial instituition	-	-	-	-	-	146	-	146
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	161,274	161,274
Financial investment available-for-sale	-	18,934	91,360	60,521	601,802	2,612,365	2,937,455	6,322,437
Financial investment held-to-maturity	-	-	-	-	-	-	143,730	143,730
Islamic derivative financial assets	100	28,088	21,013	13,895	9,674	-	-	72,770
Financing of customers	223,982	1,283,976	1,437,750	720,415	804,346	4,583,591	5,634,271	14,688,331
Other assets	-	7,038	-	-	84,341	16,208	863,246	970,833
TOTAL ASSETS	1,739,117	1,394,150	1,566,655	794,831	1,500,163	7,212,310	9,739,976	23,947,202
LIABILITIES AND EQUITY								
Deposits from customers	7,241,751	5,039,176	4,307,053	1,466,052	1,501,273	583,814	33,408	20,172,527
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,340	-	8,854
Bills and acceptances payable	-	9,618	-	-	-	-	-	9,618
Islamic derivative financial liabilities	49	28,882	20,835	13,487	10,260	4,410	-	77,923
Other liabilities	-	61,151	-	-	64,102	-	587	125,840
Recourse obligation on financing sold to Cagamas	-	-	186	-	-	485,665	-	485,851
Subordinated sukuk	-	4,262	-	-	-	249,773	-	254,035
Senior sukuk	-	9,600	-	-	-	499,527	-	509,127
Total Liabilities	7,241,869	5,152,850	4,328,379	1,480,274	1,575,879	1,830,529	33,995	21,643,775
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,299,916	2,299,916
NET MATURITY MISMATCH	(5,502,752)	(3,758,700)	(2,761,724)	(685,443)	(75,716)	5,381,781	7,406,065	-
Commitments and contingencies								
Contingent liabilities	2,833	21,551	13,487	22,604	123,450	418,964	1,953	604,842
Commitments	45,959	79,120	152,564	78,402	60,866	2,028,328	819,456	3,264,695
Islamic derivative financial instruments	127,470	483,609	422,090	365,143	559,080	950,000	-	2,907,392
Total commitments and contingencies	176,262	584,280	588,141	466,149	743,396	3,397,292	821,409	6,776,929

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 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 instituition	-	-	-	-	382	-	-	382
Financial investments designated at fair value through profit and loss	1	-	-	-	-	-	197,207	197,208
Financial investment available-for-sale	5,087	120,511	273,509	422,654	268,726	2,448,260	2,592,669	6,131,416
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	1,149,119	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	-

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 2018	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	1,515,035	56,114	8,774	-	-	-	-	1,579,923
Cash and placements with financial institutions	-	-	7,758	-	-	-	-	7,758
Investment accounts due from designated financial instituition	-	-	-	-	-	146	-	146
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	161,274	161,274
Financial investment available-for-sale	-	18,725	91,360	60,521	599,357	2,609,712	2,937,455	6,317,130
Financial investment held-to-maturity	-	-	-	-	-	-	143,730	143,730
Islamic derivative financial assets	100	28,088	21,013	13,895	9,674	-	-	72,770
Financing of customers	223,982	1,283,976	1,437,750	720,415	804,346	4,583,461	5,634,272	14,688,202
Other assets	9	7,038	-	-	81,896	16,208	871,619	976,770
TOTAL ASSETS	1,739,126	1,393,941	1,566,655	794,831	1,495,273	7,209,527	9,748,350	23,947,703
LIABILITIES AND EQUITY								
Deposits from customers	7,247,277	5,049,476	4,309,554	1,466,052	1,501,273	583,814	33,408	20,190,854
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,340	-	8,854
Bills and acceptances payable	-	9,618	-	-	-	-	-	9,618
Islamic derivative financial liabilities	49	28,882	20,835	13,487	10,260	4,410	-	77,923
Other liabilities	-	59,984	-	-	61,617	-	-	121,601
Recourse obligation on financing sold to Cagamas	-	-	186	-	-	485,665	-	485,851
Subordinated sukuk	-	4,262	-	-	-	249,773	-	254,035
Senior sukuk	-	9,601	-	-	-	499,525	-	509,126
Total Liabilities	7,247,395	5,161,984	4,330,880	1,480,274	1,573,394	1,830,527	33,408	21,657,862
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,288,698	2,288,698
NET MATURITY MISMATCH	(5,508,269)	(3,768,043)	(2,764,225)	(685,443)	(78,121)	5,379,000	7,426,244	1,143
Commitments and contingencies								
Contingent liabilities	2,833	21,551	13,487	22,604	123,450	418,964	1,953	604,842
Commitments	45,959	79,120	152,564	78,402	60,866	2,028,328	819,456	3,264,695
Islamic derivative financial instruments	127,470	483,609	422,090	365,143	559,080	950,000	-	2,907,392
Total commitments and contingencies	176,262	584,280	588,141	466,149	743,396	3,397,292	821,409	6,776,929

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 instituition	-	-	-	-	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
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)

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 framewok 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 tracks 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 adopt 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 (*a* 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 2018		31 March 2017	
	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	**1,161,497**	**92,920**	1,131,625	90,530
Bank	**1,143,979**	**91,518**	1,115,342	89,227

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.

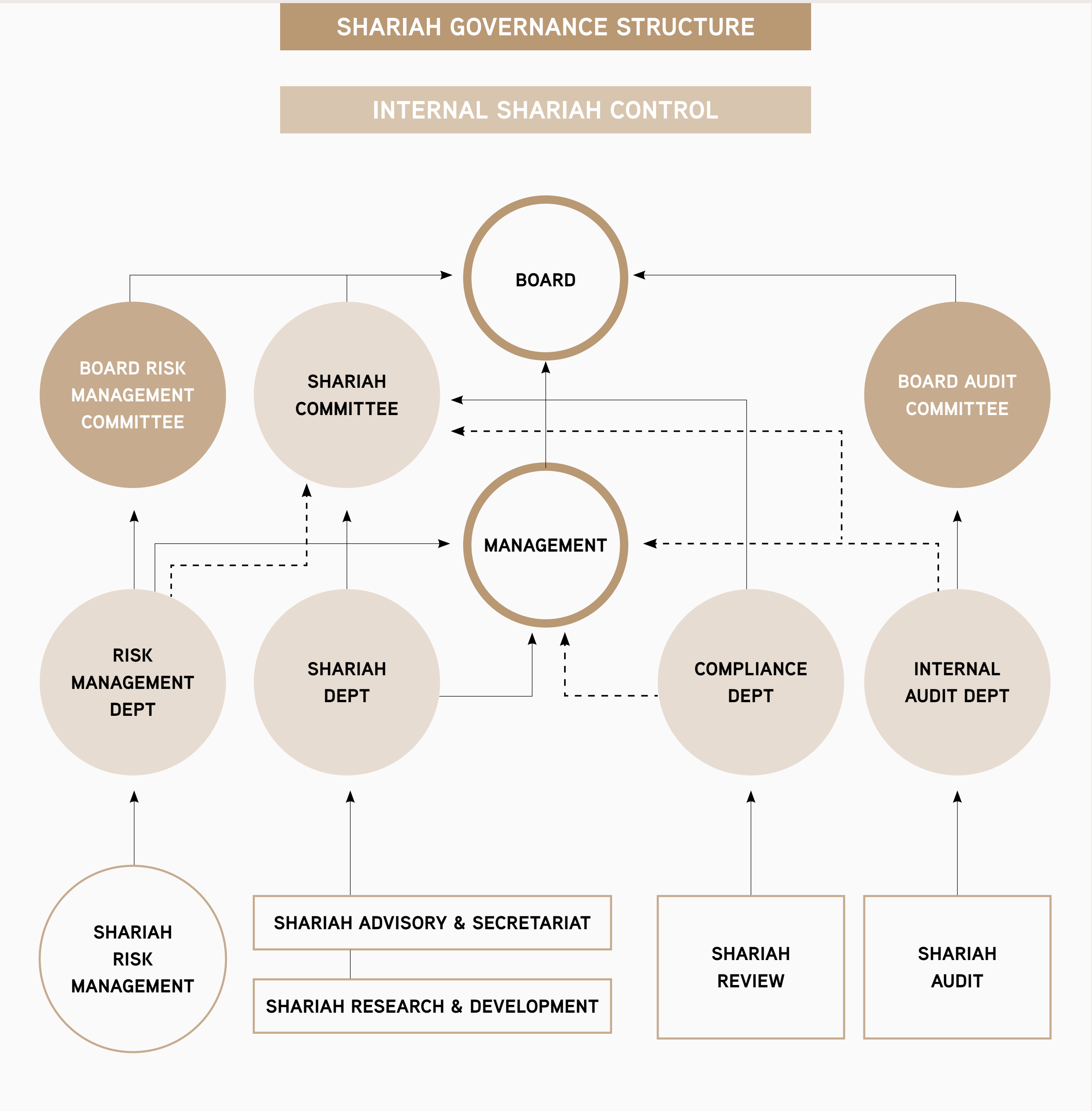
The Group and the Bank align its Shariah Management and Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and ensure the 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 to time.

The amount of SNCI and events decided by SC is as follows:

31 March 2018	31 March 2017
Event - NIL plus monthly Nostro interest received (31 March 2018: RM573.20)	RM 217.25 - 1 incident plus monthly Nostro interest received (31 March 2017: RM264.96)

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 fund 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 total earning prohibited by Shariah and the unidentified fund during the year was recorded at RM80,267 (2017: RM80,447).

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman	Members		
Tan Sri Dato' Dr Mohd Munir Abdul Majid	**Dato' Sri' Che Khalib Mohamad Noh**	**Dato' Haji Mohd Izani Ghani**	**Dato' Ibrahim Taib (appointed w.e.f 29 March 2018)**
	Dato' Azmi Abdullah	**Dato' Haji Kamil Khalid Ariff**	**Dr Azura Othman**
	Ghazali Haji Darman	**Dato' Che Pee Samsudin (appointed w.e.f. 29 March 2018)**	**Dato' Haji Mohd Redza Shah Abdul Wahid**

COMPANY SECRETARY

Julaida Jufri (LS 9358)

REGISTERED OFFICE

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50100 Kuala Lumpur

Tel : 603-2600 5493
Fax : 603-2693 3367

AUDITORS

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur

BRANCH NETWORK

Our general line: 1300 88 8787
Ar-Rahnu services is incorporated in all branches

REGIONAL OFFICE CENTRAL

1st & 2nd Floor, No D32 & D33,
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Seksyen 9,
43650 Bandar Baru Bangi, Selangor
Fax : 03-8925 5894

WILAYAH PERSEKUTUAN

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Fax: +603 2032 5997

Jalan Ipoh

Ground Floor, Wisma TCT,
No. 516-1,
Batu 3, Jalan Ipoh,
51200 Kuala Lumpur
Fax: +603 4043 1467

Sungai Besi

No. 2 & 2A, Jalan Tasik Utama 7,
Medan Niaga Tasik Damai,
Sungai Besi,
57000 Kuala Lumpur.
Fax : 03-90587067, 03-90581476

Jalan TAR

No. 399, Ground Floor,
Bangunan UMNO Lama,
Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur
Fax: +603 2697 8020

Putrajaya

No. 2 & 4, Ground & 1st Floor,
Jalan Diplomatik 2,
Pusat Komersial Diplomatik,
Precinct 15,
62050 Putrajaya
Fax: +603 8889 2053

Taman Melawati

268, 269 & 270,
Jalan Bandar 12,
Taman Melawati,
53100 Kuala Lumpur
Fax: +603 4107 4625

Alam Damai

52A, 52a-1 and 56,
Wisma Alam Damai,
Jalan Alam Damai 1,
Alam Damai, Cheras,
56100 Kuala Lumpur
Fax: +603 9101 8023

BUREAU DE CHANGE

Kuala Lumpur International Airport

Lot No. MTBD 12a, Level 5,
International Departure Level,
Main Terminal Building (MTBD),
Kuala Lumpur International Airport,
64000 KLIA, Sepang,
Selangor.
Fax : +603 8787 1346

Kuala Lumpur International Airport 2 (KLIA2)

Level 2, Lot No. S6-2-A24,
International Departure Level (Airside),
KLIA2,
64000 Sepang, Selangor.
Fax : +603 8787 1687

SELANGOR

Bandar Baru Bangi

Ground, 1st & 2nd Floor, D32 & D33,
Jalan Medan Pusat Bandar 4, Seksyen 9,
43650 Bandar Baru Bangi,
Selangor Darul Ehsan.
Fax: +603 8925 5884/5894

Batu Caves

No.3A & 3A-1 (Ground & Level 1) &
No.5 (Ground Floor),
Prima Samudera,
Jalan Samudera Utara 11,
Taman Samudera,
68100 Batu Caves,
Selangor Darul Ehsan.
Fax: +603 6186 2387

Glenmarie, Shah Alam

No. 2, Jalan Presiden F U1/F,
Accentra Glenmarie,
Seksyen U1,
40150 Shah Alam,
Selangor Darul Ehsan.
Fax: +603 5569 1435

Kajang

Ground, 1st & 2nd Floor,
No. 2-1-G/1/2,
Jalan Prima Saujana 2/1,
Prima Saujana,
43000 Kajang,
Selangor Darul Ehsan.
Fax: +603-8733 8014

Klang

No. 46 & 48,
Jalan Kelicap 42A/Ku1,
Klang Bandar Diraja,
Off Jalan Meru,
41050 Klang,
Selangor Darul Ehsan.
Fax: +603-3344 4146

Petaling Jaya

No. B-29-1 & 2, Block B, Jaya One,
72A, Jalan Universiti,
46200 Petaling Jaya,
Selangor Darul Ehsan.
Fax: +603-7954 1196/1255

Rawang

No. 9 & 11,
Jalan Bandar Rawang 1,
Bandar Baru Rawang,
48000 Rawang,
Selangor Darul Ehsan.
Fax: +603 6092 1677

PKNS, Shah Alam

G-1, 2 & 3 Ground Floor,
Kompleks PKNS,
40000 Shah Alam,
Selangor Darul Ehsan.
Fax: +603 5510 6611

Laman Seri

Ground & 1st Floor No. G03A & 103A,
Laman Seri Business Park,
No. 7, Jalan Sukan, Seksyen 13,
40100 Shah Alam,
Selangor Darul Ehsan.
Fax: +603 55100239

Subang Jaya

Ground & 1st Floor,
No. 1, Jalan USJ Sentral 2,
USJ Sentral,
47500 Subang Jaya,
Selangor Darul Ehsan.
Fax: +603 8022 1729/ 8022 1730

Universiti Islam Antarabangsa (UIA)

Ground & 1st Floor,
Azman Hashim Complex,
Pt 5063 Mukim Setapak,
Universiti Islam Antarabangsa Malaysia,
Jalan Gombak,
53300 Kuala Lumpur
Fax: +603 6187 8579

Ampang Point

No. 23 & 23-A,
Jalan Memanda 7/1
Off Jalan Ampang,
68000 Ampang, Selangor
Fax : 03-4270 0215

NEGERI SEMBILAN

Seremban

Wisma Great Eastern,
No. 105, 107 & 109,
Jalan Yam Tuan,
70000 Seremban,
Negeri Sembilan.
Fax: +606 762 7218

Port Dickson

Ground Floor, No 3 & 3A,
Jalan Remis 2,
Medan Remis, Telok Kemang,
71050 Port Dickson,
Negeri Sembilan.
Fax: +606 646 2331

Gemas

No 16, Jalan DS 1/1,
Dataran Satria 1,
73400 Gemas,
Negeri Sembilan.
Fax: +607 948 2106

REGIONAL OFFICE NORTHERN

No. 64, Lebuh Pantai,
10300, Georgetown,
Pulau Pinang.
Fax: +604 261 1700

PERAK

Ipoh

Ground & Mezzanine Floor,
Wisma Maju UMNO,
Jalan Sultan Idris Shah,
30000 Ipoh,
Perak Darul Ridzuan.
Fax: +605 243 4997

Parit Buntar

No. 40 & 42,
Jalan Wawasan 4,
Taman Wawasan Jaya,
Pusat Bandar Baru,
34200 Parit Buntar,
Perak Darul Ridzuan.
Fax: +605 716 7202

Seri Manjung

Ground & 1st Floor,
No. 392, Taman Samudera,
32040 Seri Manjung,
Perak Darul Ridzuan.
Fax: +605 688 4931

Taiping

98-100, Ground & 1st Floor,
Jalan Kota,
34000 Taiping,
Perak Darul Ridzuan.
Fax: +605 807 8375

KEDAH

Alor Setar

Ground & Mezzanine Floor,
Lot No. 2242 & 1009,
Menara Dewan Perhimpunan Melayu Kedah,
(DPMK) Lebuhraya Darul Aman,
05100 Alor Setar,
Kedah Darul Aman.
Fax: +604 734 0248

Kulim

No. 6, Bangunan Al-Ikhwan,
Pusat Perniagaan Putra,
Jalan Kilang Lama,
09000 Kulim,
Kedah Darul Aman.
Fax: +604 490 7714

Sungai Petani

No. 21, Lot 88,
Jalan Perdana Heights 2/2,
Perdana Heights,
08000, Sungai Petani,
Kedah Darul Aman.
Fax: +604-421 5007

Souq Al-Bukhary

Ground Floor,
Bazaar Souq Al-Bukhary,
No. 1, Jln Tun Abdul Razak,
05200 Alor Setar,
Kedah Darul Aman.
Fax: +604 731 5546

PULAU PINANG

Bayan Baru

2A-G-26 & 2A-G-28,
QuarterMile,
Solok Mayang Pasir,
11950 Bayan Baru,
Pulau Pinang.
Fax: +604 641 1058

Seberang Jaya

Ground, 1st & 2nd Floor,
No. 27&28,
Jalan Todak 2,
Bandar Sunway,
Seberang Jaya,
13700 Perai, Butterworth,
Pulau Pinang.
Fax: +604 399 3797/04-398 0306

Lebuh Pantai

No. 64, Lebuh Pantai,
10300, Georgetown,
Pulau Pinang.
Fax: +604 261 1700

PERLIS

Kangar

No. 11 & 13,
Jalan Bukit Lagi,
01000 Kangar,
Perlis Darul Sunnah.
Fax: +604 976 4799

REGIONAL OFFICE EAST COAST

Tingkat 2, Bangunan Perbadanan Menteri
Besar Kelantan (PMBK),
Jalan Kuala Krai,
15150 Kota Bharu, Kelantan
Fax: +609 743 3993

PAHANG

Kuantan

B-114 & B-116,
Sri Dagangan Centre,
Jalan Tun Ismail,
25000 Kuantan,
Pahang Darul Makmur.
Fax: +609 516 2853

Mentakab

6 & 7, Jalan Tun Abd Razak,
28400 Mentakab,
Pahang Darul Makmur.
Fax: +609 277 3306/2306

Pekan

G-02, Ground Floor,
Bangunan UMNO (Bahagian Pekan),
Jalan Teng Que,
26600 Pekan,
Pahang Darul Makmur.
Fax: +609 422 3751

Temerloh

Ground & 1st Floor,
C-8, Jalan Tengku Ismail,
28000 Temerloh,
Pahang Darul Makmur.
Fax: +609-2962 364

TERENGGANU

Kuala Terengganu

1, Jalan Air Jerneh,
20300 Kuala Terengganu,
Terengganu Darul Naim.
Fax: +609 622 3543

Kampung Raja

Lot 5678 & 5679, Taman D'Lahar,
Gong Kepas, Kampung Raja,
22200 Besut,
Terengganu Darul Naim.
Fax: +609-697 5566

KELANTAN

Jalan Sultan Yahya Petra

Ground Floor,
Lot PT 265 & PT 266,
Wisma Nik Kob,
Jalan Sultan Yahya Petra,
15200 Kota Bharu,
Kelantan Darul Naim.
Fax: +609 747 3230

Kota Bharu

Ground & First Floor,
Bangunan Perbadanan Menteri Besar
Kelantan (PMBK),
Jalan Kuala Krai,
15150 Kota Bharu,
Kelantan Darul Naim.
Fax: +609 744 4622

Jeli

Ground & 1st Floor,
No. PT 4646, Lot 2003,
PN 3523,
17600 Bandar Jeli,
Kelantan Darul Naim.
Fax: +609 944 8228

Kok Lanas

Ground & 1st Floor,
Lot PT 5080, Kompleks Perniagaan Saidina Ali,
Jalan Kuala Krai, Kok Lanas,
16450 Kota Bharu,
Kelantan Darul Naim.
Fax: +609 788 6828

Tanah Merah

No. 692, 693 & 694,
Kompleks Perniagaan Humaira,
Pusat Bandar Tanah Merah,
17500 Tanah Merah,
Kelantan Darul Naim
Fax: 09-9544550

Gua Musang

Ground Floor,
PT 13772, 13773 & 13774,
Bandar Baru Gua Musang,
18300 Gua Musang,
Kelantan Darul Naim.
Fax: 09-9122069

REGIONAL OFFICE SOUTHERN

Lot 1 & 2,
Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor
Fax : 07-228 1550

JOHOR

Batu Pahat

Ground & 1st Floor,
No 24 & 25,
Jalan Kundang,
Taman Bukit Pasir,
83000 Batu Pahat,
Johor Darul Takzim.
Fax: +607 432 4945

Johor Bahru

Ground & 1st Floor,
Lot 1 & 2, Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru,
Johor Darul Takzim.
Fax: +607 224 0811

Johor Jaya

Ground & 1st Floor,
No. 17, Jalan Ros Merah 2/20,
Taman Johor Jaya,
81100 Johor Bahru
Johor Darul Takzim.
Fax: +607 355 8106

Kluang

No. 1,
Jalan Persiaran Dato' Haji Ismail Hassan,
86000 Kluang,
Johor Darul Takzim.
Fax: +607 774 4419

Kulai Jaya

No. 32 Jalan Sri Putra 1,
Bandar Putra,
81000 Kulai,
Johor Darul Takzim.
Fax: +607-662 1570

Segamat

No. 37&38,
Jalan Genuang Perdana,
Taman Genuang Perdana,
85000 Segamat,
Johor Darul Takzim.
Fax: +607-943 3042

Taman Universiti

Ground & 1st Floor,
No. 28, Jalan Kebudayaan 5,
Taman Universiti,
81300 Skudai,
Johor Darul Takzim.
Fax: +607 520 5503

Universiti Tun Hussein Onn Malaysia

Ground Floor,
Bangunan Pusat Khidmat Pelajar,
Universiti Tun Hussein Onn Malaysia,
86400 Parit Raja,
Batu Pahat,
Johor Darul Takzim.
Fax: +607 453 6125

Kota Tinggi

No. 23, 25 & 27,
Jalan Sri Warisan 1,
Kota Tinggi Heritage Mall,
81920 Kota Tinggi,
Johor Darul Takzim.
Fax: +607 882 5229

BUREAU DE CHANGE

Senai International Airport

Lot KA 15, AeroMall,
Senai International Airport,
81250 Johor Bharu,
Johor
Fax : +607-597 0612

MELAKA

Taman Cheng Baru

Ground & 1st Floor,
No.92, Jalan Cheng Baru,
Taman Cheng Baru,
75250 Melaka
Fax: +606 312 5091/5092

Melaka

395, Taman Sinn,
Jalan Semabuk,
75050 Melaka
Tel: 1300-88-8787
Fax: +606 286 7518

KIOSK

Sungai Udang

No 11, Jalan Kerambit 1,
Bandar Baru Sungai Udang,
76300 Sungai Udang, Melaka
Fax : 06-35 1570

EAST MALAYSIA REGIONAL OFFICE

C-06-01 & C-07-01, Block C,
Aeropod Commercial Square, Jalan Aeropod,
Off Jalan Kepayan, 88200 Kota Kinabalu,
Sabah.
Fax: 088-239 128

SARAWAK

Bintulu

Ground 1st & 2nd Floor, No. 252,
Lot 73 Park City Commercial Centre,
Jalan Tanjung Batu,
97012 Bintulu,
Sarawak.
Fax: 086-337 461

Kuching

Lot 456, 457 & 458,
Al Idrus Commercial Centre,
Jalan Santok,
93400 Kuching,
Sarawak.
Fax: 082-418 692

Miri

433-434 Ground & First Floor,
98000 Miri,
Sarawak.
Fax : 085-418 111

SABAH

Kota Kinabalu

C-06-01 & C-07-01, Block C,
Aeropod Commercial Square,
Jalan Aeropod,
Off Jalan Kepayan, 88200 Kota Kinabalu,
Sabah.
Fax: 088 239 128

Labuan

Ground Floor & 1st Floor,
Block A, Lot 25,
Lazenda Centre,
Jalan OKK Abdullah,
87007 Wilayah Persekutuan Labuan.
Fax: 087-424 204

Tawau

Lot 69 & 70,
Ground & 1st Floor,
Kubota Square, Jalan Kubota,
91000 Tawau,
Sabah.
Fax: 087-771 493

BUREAU DE CHANGE

Kota Kinabalu, Sabah Airport
Lot No. L3L07 (A), Level 3,
Departure Hall (Landside),
Kota Kinabalu International Airport, Sabah
Fax : +6088-210454

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Ibu Pejabat, Menara Bumiputra,
21 Jalan Melaka,
50100 Kuala Lumpur
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