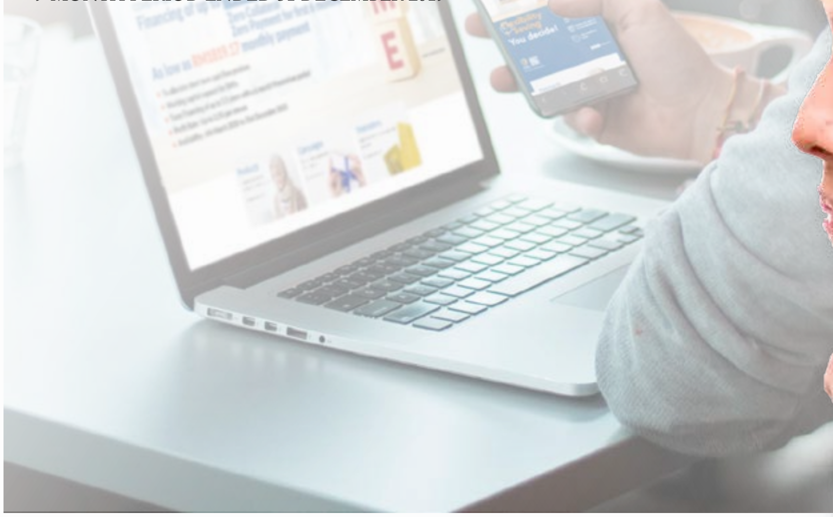
Bank Muamalat
Jalan Melaka, City Centre, 50100 Kuala Lumpur

Manoeuvring Through A New Banking Horizon

ANNUAL REPORT
9-MONTH PERIOD ENDED 31 DECEMBER 2019



Keeping our stakeholders informed of our operations and performance
#bankmuamalat #togetherness #stayhome #staysafe

Bank Muamalat
196501000376 (6175-W)

Inside This Report

COVER RATIONALE

The cover of our Annual Report for the 9-month period ended 31 December 2019 highlights the power of technology harnessed by Bank Muamalat Malaysia Berhad in rising to its role as one of the nation's leading Islamic Financial Institutions (IFIs). As we navigate the fast-changing landscape of the financial industry, as depicted in our Annual Report for the 9-month period ended 31 December 2019 tagline, Manoeuvring Through a New Banking Horizon, we recognise that technology, coupled with our human capital expertise, will be integral in ensuring that we create enduring positive impacts for all our stakeholders.

OUR SUSTAINABILITY STATEMENT

OUR GOVERNANCE

OUR NUMBERS

OTHER INFORMATION

How to get the most out of our Report:

This icon tells you where you can find related information in our report.

This QR code brings you direct to the website. www.muamalat.com.my/corporate-overview/financials/

About This Report

REPORTING FRAMEWORK

This Annual Report 2019 (AR2019) covers the period from 1 April 2019 to 31 December 2019 and serves to transition between our previous financial year ending 31 March 2019 and our new financial year ending 31 December 2019. We have changed our financial year to align our reporting period with that of our parent company, DRB-HICOM Berhad.

We have developed this AR2019 with an aim to provide a balanced and comprehensive reporting of the Bank's financial and non-financial performance, benchmarked against our strategy and our delivery of long-term value. This report also includes our outlook for the short, medium and long-term to ensure our stakeholders receive a holistic view of our performance to assist in their decision-making.

SCOPE AND BOUNDARIES

This report discloses the performance of Bank Muamalat and its subsidiaries, located in Malaysia. In developing this report, we have adhered to the requirements of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and Sustainability Reporting Guide (Second Edition), the Malaysian Code on Corporate Governance, Bank Negara Malaysia's Policy Documents and Guidelines, the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Companies Act 2016, the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework and the Global Reporting Initiative's (GRI) Sustainability Reporting Standards.

Unless otherwise stated, information disclosed in this report is as at 31 December 2019.

NAVIGATION ICONS

In line with the Framework, we have reported on our value creation activities in relation to the Six Capitals. For ease of reference, the following navigation icons are used to represent each capital and will appear throughout this report as the capitals are discussed:

Our Capitals

- Financial Capital
- Social and Relationship Capital
- Manufactured Capital
- Human Capital
- Natural Capital
- Intellectual Capital

At A Glance

Key Facts at a Glance

1

The financial year for **Bank Muamalat Malaysia Berhad** has been changed from **31 March to** **31 December**

2

Gross Impaired Financing of **1.31% was lowest** since its establishment

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3

CASA ratio at **31.1%;** higher than **banking system** of **26.5%**

4

Move extra mile into **WAQF collection** through introduction of **e-WAKAF**. The first Islamic bank to introduce an alternative payment mode for cash waqf via **QR code**

5

Mobile apps new subscription increased by **54.0%** as compared to **previous year's subscription** growth of **34.0%**

About Bank Muamalat

BANK MUAMALAT IS A VALUE-DRIVEN ISLAMIC BANK AND AIMS TO CONTRIBUTE TO A SUSTAINABLE FINANCIAL ECOSYSTEM. HENCE, ADOPTING STRATEGIES TO BALANCE OUR BUSINESS OBJECTIVES WITH THE ECONOMIC, ENVIRONMENTAL AND SOCIAL CONSIDERATIONS AS WE STRIVE TO BECOME THE PREFERRED ISLAMIC FINANCIAL SERVICES PROVIDER.

Our Vision, Mission and Values

VISION:

To become the preferred Islamic financial provider

MISSION:

To ethically deliver best value to stakeholders, society and environment

OUR CORE VALUES:

- **CARE** We care about the growing needs of our society and environment by providing effective service and product solutions
- **RESPECT** We understand and acknowledge the diversity of beliefs, rights and needs, internally and externally
- **INTEGRITY** We build our business foundation on ethics and integrity and is practised through strong risk and compliance

Bank Muamalat is one of three independent full-fledged Islamic Financial Institutions (IFI) 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. For the FY2019, the Bank ranks 10th out of 16 Islamic banks in the country in terms of asset size. The Bank has two shareholders, DRB-HICOM Berhad and Khazanah Nasional Berhad, each holding 70% and 30% equity respectively.

Bank Muamalat's network spans across 65 branches nationwide through which the Bank provides a wide range of Islamic banking products and services to Malaysians and foreigners, offering wholesale and retail banking services, 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 pioneer 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.

The Bank is a member of the Global Alliance for Banking on Values ("GABV"), an independent network of banks and banking cooperatives worldwide that operates 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.

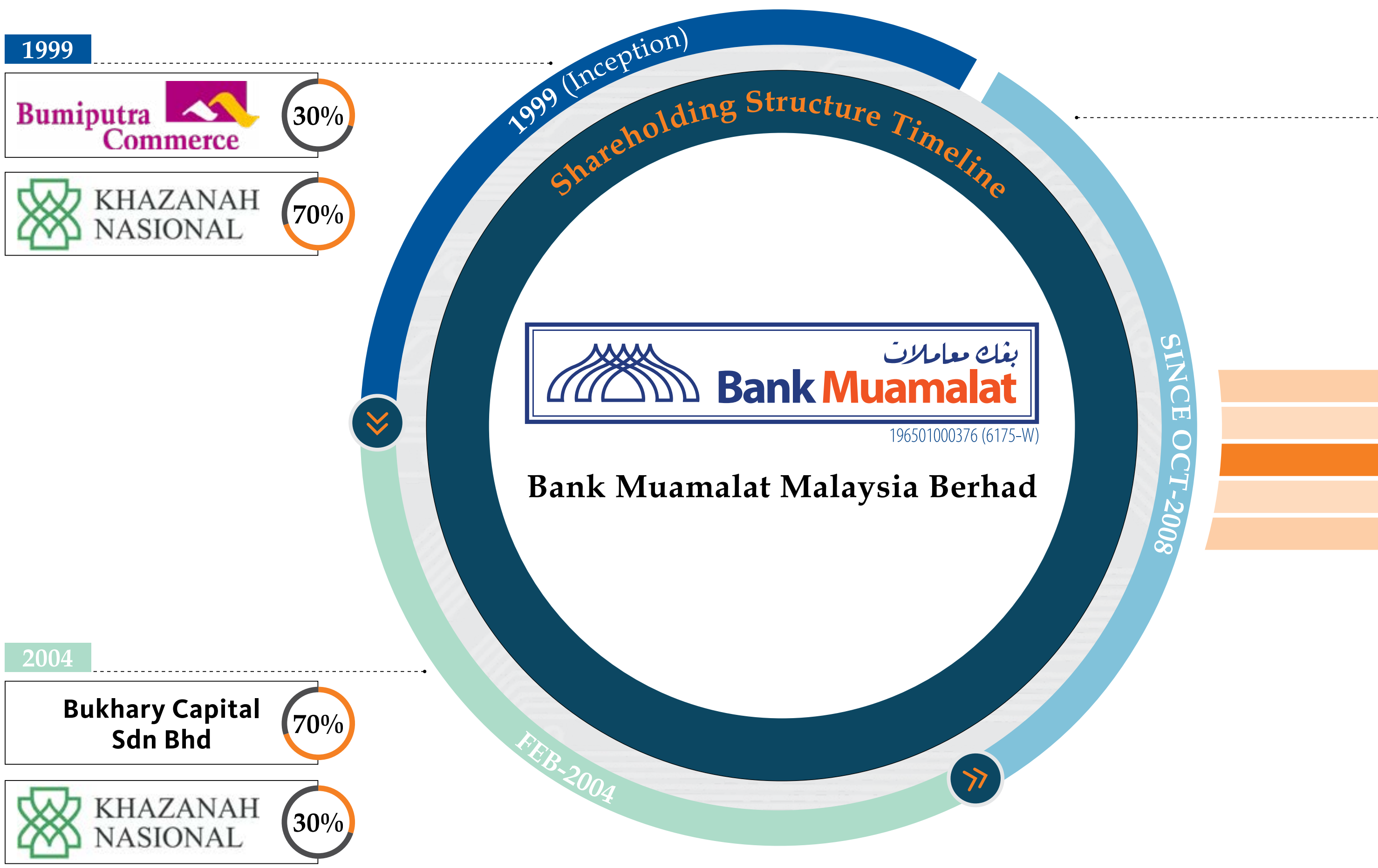
INNOVATIVE
We embrace and innovate ideas to improve processes, services and for product innovation to meet the needs of our stakeholders

SERVICE ORIENTED
Being customer centric, we strive to provide the best service for our customers as they are the top priority

WHAT DIFFERENTIATES BANK MUAMALAT?

1. **A bank that is continuously committed in delivering positive impact to the community**
2. **Continuously striving to improve client satisfaction especially in digital platform**
3. **Knowledgeable and widely experienced management team**
4. **A value-driven financial institution that inspires to be an ethical Islamic bank supported by its strong shared values**
5. **Holistic and sound risk management**
6. **Good governance and strong leadership**

Corporate Structure



Muamalat Invest Sdn Bhd ("MISB") – *operating at Bank Muamalat HQ*

- Licenced Fund Management company, since 2006
- Accorded Islamic Fund Management licence in September 2010
- Offers wholesale funds for sophisticated investors and management of discretionary mandates
- Fund authorised to date:
  - 7 Cash Management Wholesale Funds under Dana Al-Ikhwan Series
  - 3 Sukuk Wholesale Funds
  - First retail unit trust fund launched in September 2019
- Asset under management more than RM4 billion

Present

30% KHAZANAH NASIONAL

70% DRB-HICOM

Group Corporate Structure

- Muamalat Venture Sdn Bhd ("MVSB")
- Muamalat Invest Sdn Bhd ("MISB")
- Muamalat Nominees (TEMPATAN) Sdn Bhd
- Muamalat Nominees (ASING) Sdn Bhd

Muamalat Venture Sdn Bhd ("MVSB") – *operating at Bank Muamalat HQ*

- Engaged in private equity and venture capital activities
- Investments in "alternative" asset class, offering diversification and absolute return
- Focus on medium to long-term funding to companies, i.e. equity and mezzanine facilities for growth, mid and late-stage opportunities
- Current JV:
  - Permodalan Kelantan Berhad: Ar-Rahnu business
  - Metro Exchange - Money changing business

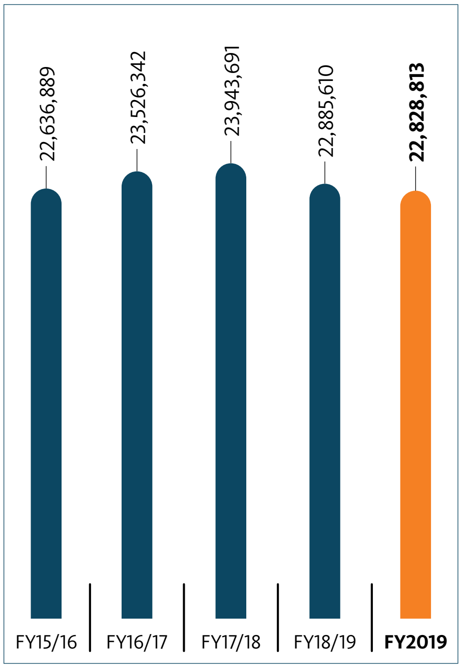
5-Year Financial Highlights

OUR FINANCIAL HIGHLIGHTS (FY15/16 TO FY2019) - GROUP

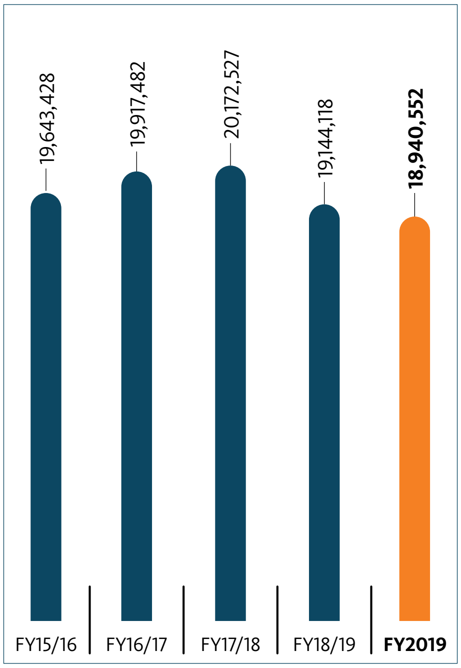
	FY15/16	FY16/17	FY17/18	FY18/19	FY2019
Operating Result (RM'000)					
Operating Revenue	1,210,028	1,215,759	1,219,805	1,333,591	957,547
Income attributable to depositors	586,500	581,793	577,500	613,236	407,832
Profit before tax and zakat	167,233	170,536	230,548	241,188	140,313
Profit after tax and zakat	131,909	149,907	181,625	179,494	98,806
Key Statements of Financial Position (RM'000)					
Total Assets	22,636,889	23,526,342	23,943,691	22,885,610	22,828,813
Financial Investments	6,027,128	6,471,174	6,624,563	5,700,141	5,016,779
Total Financing of Customers	14,512,877	14,918,272	14,687,846	15,330,895	15,861,238
of which: Gross Impaired Financing	326,470	351,920	285,416	221,216	209,166
Total Deposits from Customers	19,643,428	19,917,482	20,172,527	19,144,118	18,940,552
of which: CASA	4,775,825	4,225,851	5,006,151	5,343,192	5,895,877
Shareholders Equity	1,995,937	2,138,571	2,299,916	2,351,419	2,468,815
of which: Share Capital	1,195,000	1,195,000	1,195,000	1,195,000	1,195,000
Financial Ratios (%)					
Return on Equity - Before Tax and Zakat	8.69%	8.25%	10.39%	10.37%	7.76%
Return on Equity - After Tax and Zakat	6.85%	7.25%	8.18%	7.72%	5.47%
Return on Assets - Before Tax and Zakat	0.74%	0.74%	0.97%	1.03%	0.82%
Return on Asset - After Tax and Zakat	0.59%	0.65%	0.77%	0.77%	0.58%
Cost Income Ratio	55.4%	55.3%	61.4%	56.5%	59.8%
Capital Ratio	15.4%	16.7%	18.4%	18.6%	18.7%
Gross Impaired Financing Ratio	2.21%	2.31%	1.92%	1.43%	1.31%
CASA Composition to Total Deposits	24.3%	21.2%	24.8%	27.9%	31.1%

Note:
1. *FY15/16 refers to financial year from April 2015 to March 2016*
2. *FY16/17 refers to financial year from April 2016 to March 2017*
3. *FY17/18 refers to financial year from April 2017 to March 2018*
4. *FY18/19 refers to financial year from April 2018 to March 2019*
5. *FY2019 refers to financial period from April 2019 to December 2019*

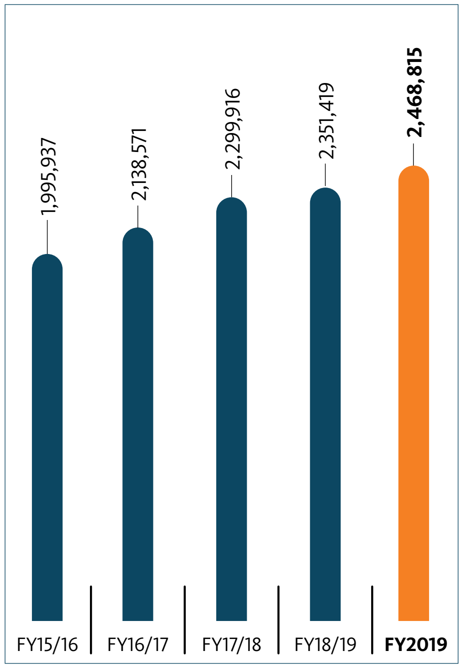
Total Assets
(RM'000)



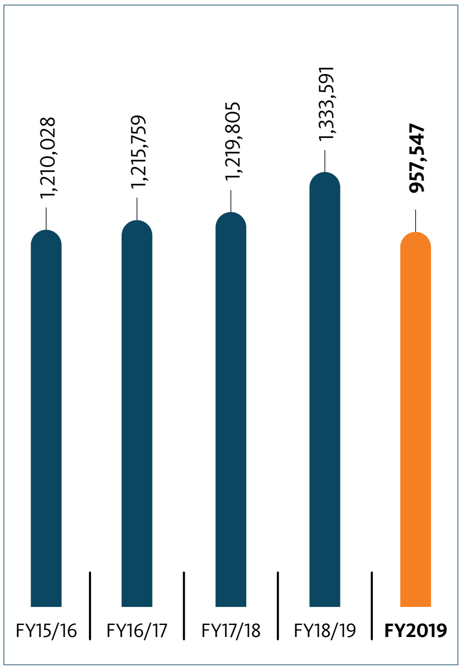
Total Deposits from Customers
(RM'000)



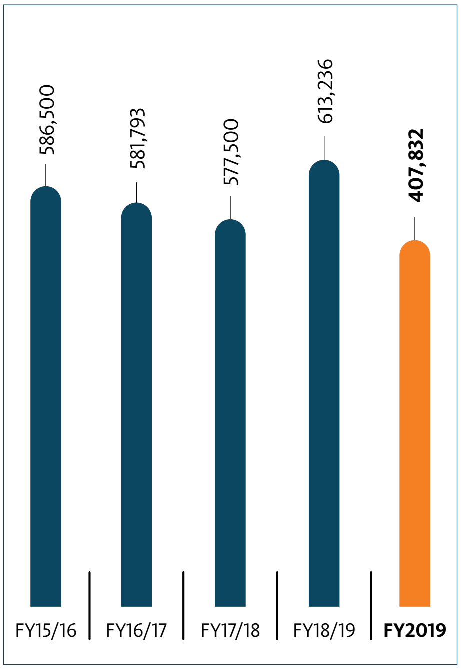
Shareholders Equity
(RM'000)



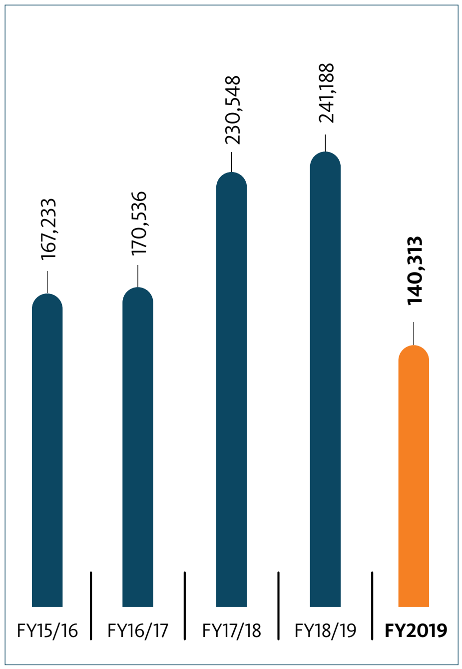
Operating Revenue
(RM'000)



Income Attributable to Depositors
(RM'000)



Profit Before Tax and Zakat
(RM'000)



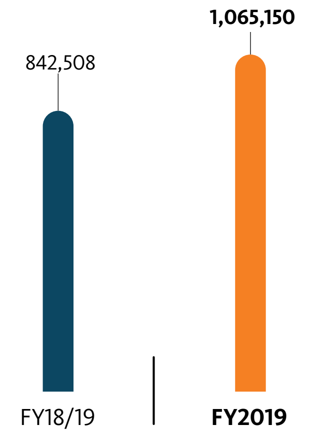
Assets Performance

Asset Portfolio
(RM'000)

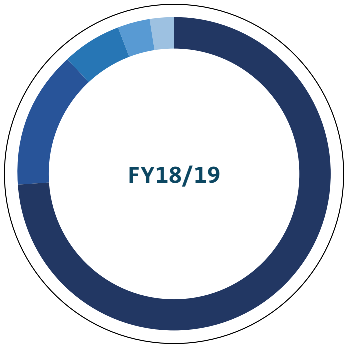
GROSS FINANCING

FINANCIAL INVESTMENTS

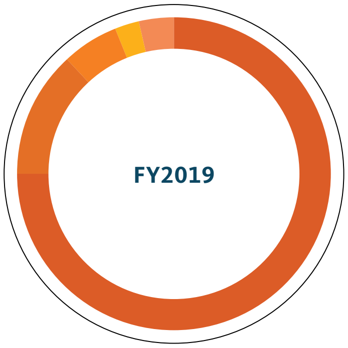
CASH & SHORT-TERM FUNDS



Financing by Islamic Contract
(%)

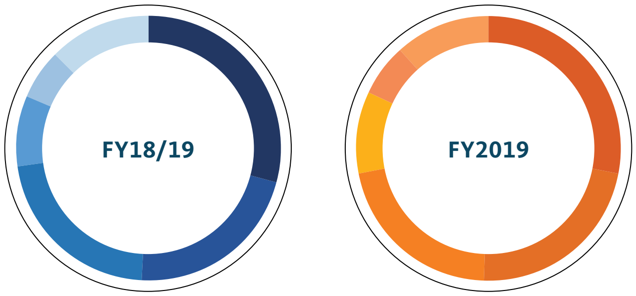


- Tawarruq — **73.90%**
  - *Personal financing* — *21.30%*
  - *Other term financing* — *19.58%*
  - *Home financing* — *17.55%*
  - *Others* — *15.47%*
- Bai' Bithaman Ajil — **14.35%**
- Bai' Al-Dayn — **6.11%**
- Ijarah Thumma Al-Bai — **3.27%**
-
  - *Ar-Rahnu* — *0.82%*
  - *Murabahah* — *0.64%*
  - *Istisna'* — *0.54%*
  - *Shirkah Mutanaqisah* — *0.33%*
  - *Others* — *0.04%*



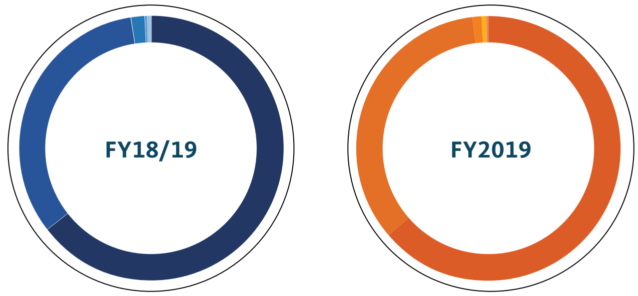
- Tawarruq — **75.23%**
  - *Personal financing* — *20.97%*
  - *Other term financing* — *20.68%*
  - *Home financing* — *17.53%*
  - *Others* — *16.05%*
- Bai' Bithaman Ajil — **12.90%**
- Murabahah — **5.90%**
- Ijarah Thumma Al-Bai — **2.55%**
-
  - *Ar-Rahnu* — *1.06%*
  - *Bai' Al-Dayn* — *1.05%*
  - *Others* — *0.52%*
  - *Istisna'* — *0.42%*
  - *Shirkah Mutanaqisah* — *0.37%*

Financing by Product
(%)



FY18/19		FY2019	
Home Financing	29.34%	Home Financing	28.14%
Other Term Financing	21.76%	Other Term Financing	22.58%
Personal Financing	21.74%	Personal Financing	21.36%
Revolving Credit	8.58%	Revolving Credit	10.04%
Claims on Customers Under Acceptance Credits	6.11%	Claims on Customers Under Acceptance Credits	6.47%
• *Syndicated financing*	*4.22%*	• *Hire purchase receivables*	*3.60%*
• *Hire purchase receivables*	*3.76%*	• *Syndicated Financing*	*3.46%*
• *Cash Line*	*2.24%*	• *Cash Line*	*1.90%*
• *Ar-Rahnu*	*0.82%*	• *Ar-Rahnu*	*1.06%*
• *Staff Financing*	*0.65%*	• *Staff Financing*	*0.62%*
• *Trust Receipts*	*0.64%*	• *Trust Receipts*	*0.48%*
• *Others*	*0.14%*	• *Others*	*0.29%*

Financing by Business Segment
(%)



FY18/19		FY2019	
Consumer	64.57%	Consumer	63.86%
Corporate	33.13%	Corporate	34.37%
Commercial	1.67%	Commercial	1.20%
Treasury & Investment	0.33%	Treasury & Investment	0.33%
SME	0.30%	SME	0.24%

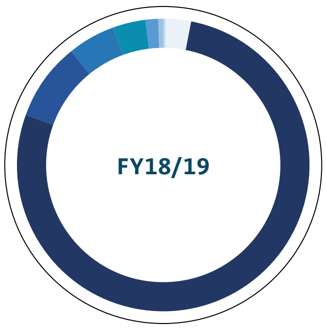
Asset Quality

	FY18/19	FY2019
Gross Impaired Financing (RM' Million)	221.2	209.2
Gross Impaired Financing Ratio	1.4%	1.3%
Financing Loss Reserve Ratio	74.2%	75.5%
Collective Assessment Ratio	0.9%	0.8%

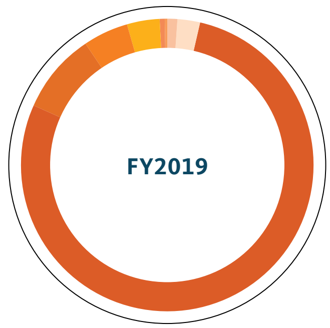
FY18/19		FY2019	
Non-Impaired Financing	98.6%	Non-Impaired Financing	98.7%
Impaired Financing	1.4%	Impaired Financing	1.3%

Assets Performance

Impaired Financing by Sector
(%)

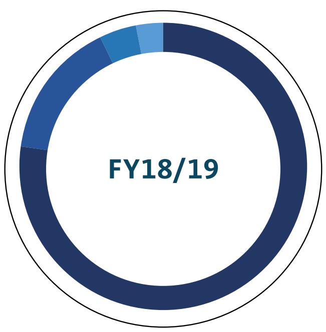


Household	77.44%
Real Estate	8.67%
Wholesale, retail and restaurant	5.31%
Transport, storage and communication	3.58%
Construction	3.08%
Finance, takaful and business services	1.43%
Community, social and personal service	0.32%
Manufacturing	0.17%

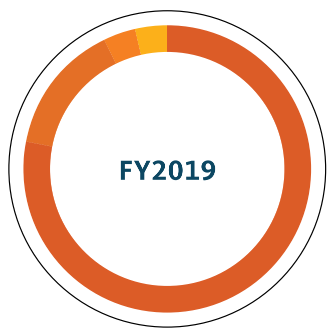


Household	78.20%
Real Estate	8.83%
Wholesale, retail and restaurant	4.96%
Transport, storage and communication	3.74%
Construction	2.28%
Manufacturing	1.34%
Finance, takaful and business services	0.46%
Community, social and personal service	0.19%

Impaired Financing by Business Segment
(%)



Consumer	77.44%
Commercial	15.42%
Corporate	4.34%
SME	2.80%

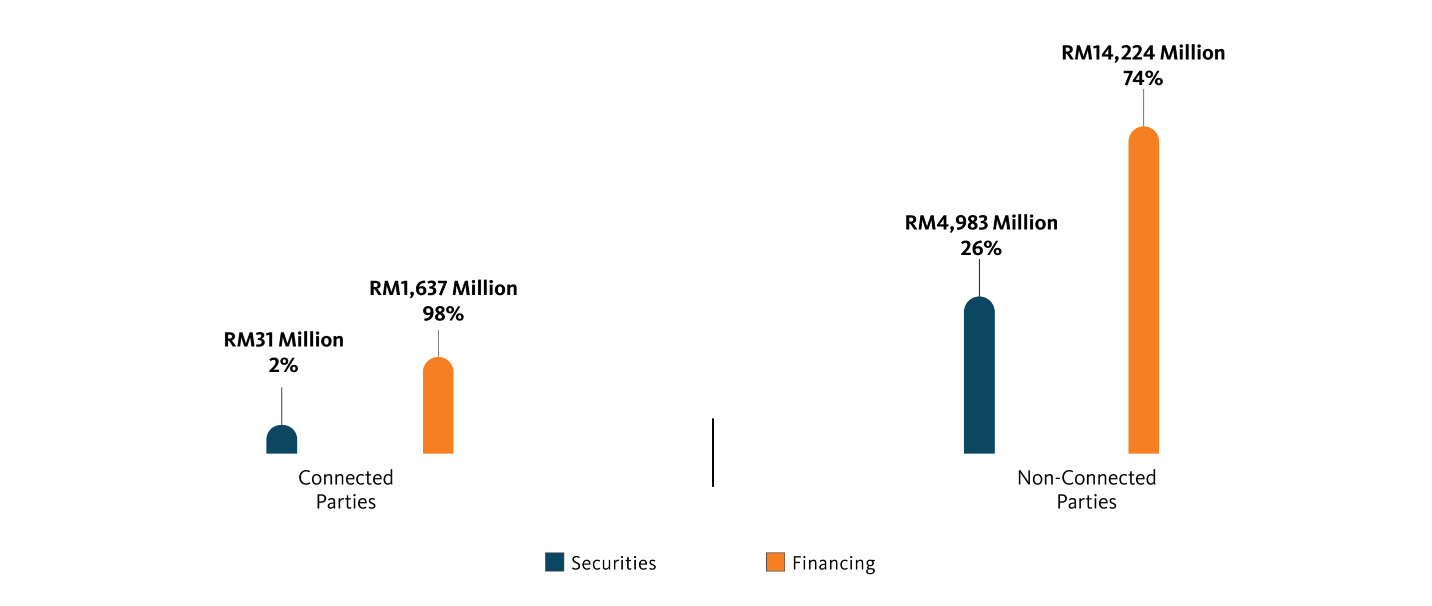


Consumer	78.20%
Commercial	14.63%
SME	3.73%
Corporate	3.44%

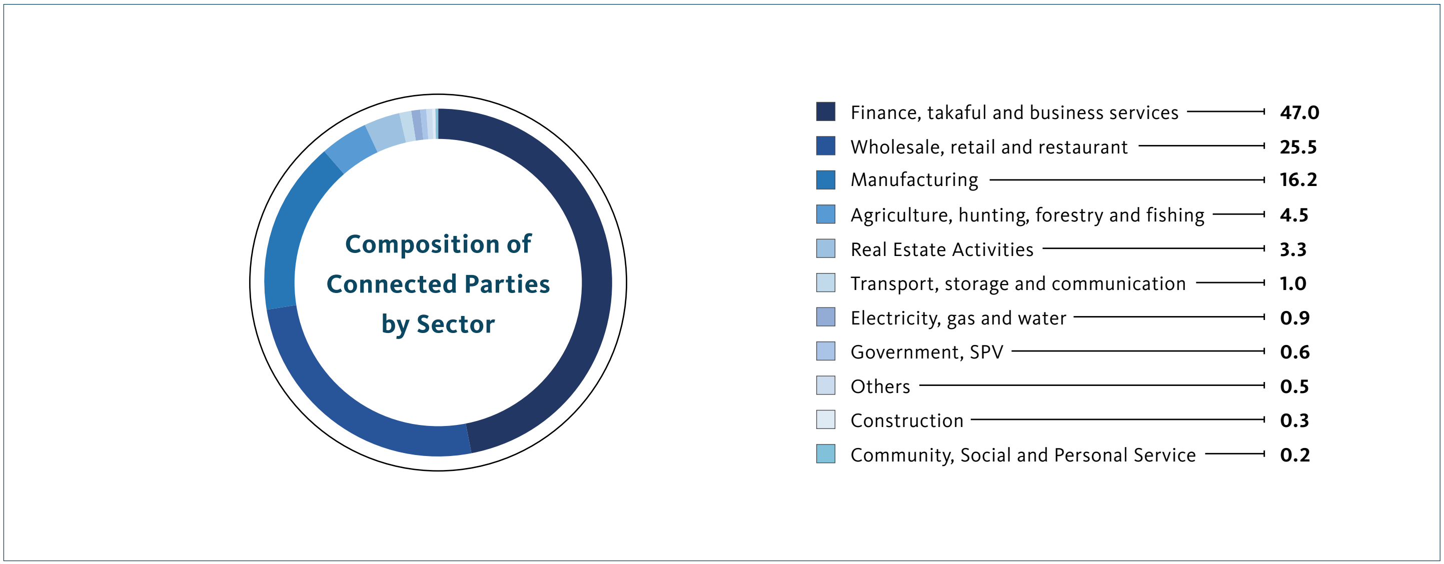
Connected Parties

As at end of FY2019, connected parties exposures accounted for 7.0% (RM1.67 billion) of the total credit exposures of RM24 billion. The amount stood at 62.8% against Bank Muamalat's capital base of RM2.65 billion. Both measurements were well below the threshold limit set by Bank Negara Malaysia.

Connected Parties vs Non-Connected Parties Exposure by Financial Instrument as at December 2019



Connected Parties Exposure by Sector as at December 2019
(%)



Chairman's Statement

Dear Valued Shareholders,

2019 proved to be yet another challenging year. On a macro level, the global economy expanded at a moderate pace, mainly due to US-China trade tension, escalating threats of global trade barriers, prolonged uncertainties over Brexit issues, continuous geopolitical tensions and a low interest rate environment. By end of the year, the world was rattled by the emergence of a mysterious new virus called COVID-19, which rapidly escalated into a global pandemic.

Back home, while the economy was supported by solid private consumption, lower output of palm oil, crude oil and natural gas and a shortfall in exports amidst the US-China trade war led to a slower Gross Domestic Product (GDP) growth of 4.3% in 2019 against 4.7% in 2018. A lack of catalysts in the Malaysian economy led to subtle growth and weaker earnings in businesses, and dampened the already bearish investor sentiment.

Despite this, Malaysia's banking system remained orderly and resilient, underpinned by ample liquidity and strong capital buffers, with monetary and financial conditions remaining accommodative and supportive of economic growth.

DATUK SERI TAJUDDIN ATAN
Chairman

Bank Muamalat's commitment to strengthen the position of the Bank in the market is apparent via the initiatives that have been implemented throughout the year. The structural changes, re-prioritisation of strategies, investment in technology and people, and improvement in processes and services are among key approaches to enhance the Bank's competitiveness amidst a highly challenging environment.

Nevertheless, as the external volatility began to affect domestic consumer sentiment, Bank Negara Malaysia (BNM) moved to slash the overnight policy rate (OPR) in a bid to regenerate the local economy. Following cuts in May 2019 and January 2020, the OPR stood at 2.75%. In March 2020, BNM further reduced the OPR to 2.50% to provide a more accommodative monetary environment. Business activities were affected by the subdued market sentiment, which in turn affected the demand for loan and financing, resulting in a moderation in growth of 3.9% y-o-y in 2019 as compared to 5.6% at the end of 2018.

Regulators also continued to update policies and guidelines to ensure banks adhered to robust risk management practices, prudent governance and internal controls, and maintained strong capital and liquidity buffers. The banking landscape is expected to become more competitive following BNM's issuance of the Exposure Draft on Licensing Framework for Digital Banks on 27 December 2019. Under this framework, up to five licences will be issued to qualified applicants to establish digital banks, which is expected to trigger a paradigm shift in the banking sector.

OUR PERFORMANCE

Due to the subdued internal and external environments, the Bank's performance was much slower during the year. In particular, the increase in allowance on impairment riding on a low base had affected its overall earnings for the FYE 31 December 2019 (FY2019). Bank Muamalat also changed its financial year-end to 31 December from its original 31 March reporting date, for alignment with its holding company, DRB-HICOM.

For the FY2019, Bank Muamalat achieved a profit before tax and zakat (PBTZ) of RM140.3 million, lower than the RM241.2 million registered during the 12-month period up to 31 March 2019 (FY18/19). The Bank posted a return on equity of 7.76% and a return on asset of 0.82%. The cost-to-income ratio was higher at 59.8%, from the 56.5% recorded in FY18/19.

As we focused on strengthening the Bank's asset quality, together with ensuring prudent practices in risk and compliance culture, our gross impaired financing ratio improved to 1.31% in FY2019 from the 1.43% recorded in FY18/19, the lowest so far since the Bank's establishment.

NAVIGATING THROUGH DIFFICULT TIMES

In FY2019, we implemented plans to further strengthen the Bank's position in the market while building capabilities for more resilient growth. While executing our plans, we were mindful of the need to fulfil our vision and mission. Over the course of the year, we further prioritised efforts to improve our processes and systems to elevate the Bank's efficiency.

To expand our outreach to small and medium-sized enterprises (SMEs), which were still underserved by financial services, we collaborated with PETRONAS and commenced initial discussions with SIRIM and Majlis Perbandaran Kota Bharu (MPKB). This was in line with the government's agenda to boost the SME economy, with National Budget 2020 targeting the SME segment to contribute 50% to the GDP from 38% currently.

The Bank continues to focus on growing its core business through the Consumer Banking Division, which offers products on mortgage, personal financing, auto financing, ASB financing, Ar-Rahnu, wealth management and deposits.

In today's highly dynamic landscape, digital disruption is forcing banks to re-evaluate their competitive advantage. Recognising the importance of digital innovation and process transformation, the Bank continued to enhance its ease of access and seamless banking services, besides increasing customer digital experience through mobile applications and internet banking usage. We also took further steps to fortify our cybersecurity with enhanced controls and protective measures to guard against any potential threats.

Although profitability remains critical to the growth of the Bank, as an Islamic financial institution we continue to support individuals and communities affected by the crisis. Committed to BNM's agenda on Value-Based Intermediation (VBI), Bank Muamalat welcomes requests for financing that can result in positive economic, environmental and social outcomes. During the financial year under review, our total exposure to financing aligned to VBI rose by 7.3% to RM3.09 billion from RM2.88 billion, accounting for 53.8% of our total Business Banking Division's portfolio.

Cognisant of our role to promote financial inclusion, we adhered to BNM's policy of Financing to Priority-Sectors. We continue to provide financing for affordable homes to the lower-to middle-income segments. We have also collaborated with Syarikat Jaminan Kredit Perumahan (SJKP) and Skim Rumah Pertamaku (SRP) to provide home financing to low-income earners, self-employed individuals and operators of small business entities. As a result of these efforts, our outstanding financing facilities, recognised as having a direct impact on the environment and society, accounted for RM2.88 billion or 28.1% of our total outstanding consumer financing in FY2019.

GOVERNANCE

We remain committed to the standards of corporate governance, which fulfil not only BNM's requirements but also those of the Islamic Financial Services Act 2013, Companies Act 2016 and Shariah Governance Framework 2010.

Chairman's Statement

During the period under review, we continued to closely monitor our risks, including reviewing our market, credit, operational, non-compliance with Shariah and emerging risks, apart from regulatory compliance and updates on new policies and regulations.

The Board also reviewed the Bank's risk appetite setting to ensure its alignment with the corporate strategy and direction, our stress test scenario and methodology and the implementation of the Bank's Internal Capital Adequacy Assessment Process (ICAAP). We also developed an Enterprise Risk Management (ERM) Framework that introduces a more structured and proactive approach towards managing risks. Through the ERM implementation, further enhancements will be made to the existing risk management framework in order to be more holistic, agile and forward looking. Additionally, we continued to monitor, deliberate on and review new products, services, programmes and policies to ensure their alignment with the Bank's risk requirements.

Moreover, we constantly reviewed and updated the control structure and processes implemented throughout the Bank to conform to the changes in the business environment. The Board is confident that the internal control framework is sufficient to safeguard the shareholders' investments, customers' interests and the Bank's assets.

On Shariah governance requirements, our Shariah Committee continuously ensured that all banking activities were in line with Shariah principles. We have full confidence in the credibility of our Shariah Committee members, with their extensive expertise in Islamic banking and finance.

Following the issuance of the new policy document on Shariah Governance by BNM in September 2019, we reviewed and updated our Shariah Governance Policy, to be in line with BNM's new requirements. This policy document on Shariah Governance, which takes effect on 1 April 2020, will repeal the current Shariah Governance Framework 2010.

During FY2019, the Board approved the Enhanced Code of Conduct (COC), which was updated in line with the evolving requirements in the Islamic Financial Services industry. The COC details our position on equitable treatment, bribery and corruption, whistleblowing and conflict of interests.

Compliance and risks management has become one of the most significant concerns for financial institutions. Recognising its importance, we appointed a Chief Compliance Officer to oversee and manage compliance issues within the Bank. We have also recently appointed a Chief Credit Officer who is responsible for monitoring and managing the Bank's overall credit portfolio, its risks and quality.

As per BNM's Risk Management in Technology (RMiT) requirements, the Bank also appointed a Chief Information Security Officer (CISO) to manage cyber and technology risks. He is tasked with formulating appropriate policies for the effective bank-wide implementation of the Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF). As part of being cyber-resilient, he is also responsible for ensuring robust business continuity and disaster recovery planning that will help the Bank identify its risks and ensure actionable plans are in place to protect the business.

Although the road ahead is long and arduous, we believe that Bank Muamalat will continue to deliver on its mandate as a full fledged Islamic bank based on Shariah-compliant principles. This complements well with our ethical and sustainable practices.

RISE24, OUR NEXT STRATEGIC PLAN

Rapid changes in the operating landscape and prevailing downward pressures on the economy have driven us to re-think our long-term strategy to remain relevant in the industry. With our vision 'To become the preferred Islamic financial services provider' and mission 'To ethically deliver best value to stakeholders, society and the environment', we have embarked on a five-year strategic business plan, namely, RISE24.

RISE24 is anchored on driving growth via our existing banking services through a more enhanced and digitalised platform and concurrently diversified target markets to ensure expansion of income streams. It is driven by seven strategic focus areas (7 SFAs), which are overarched by VBI principles. Central to the 7 SFAs is the risk and compliance culture to ensure that the Bank's offerings, conduct and practices adhere to all regulatory requirements.

Implemented in two phases, namely to build sustainable growth and aggressively drive profitability, RISE24 will drive the Bank's transformation towards a more firm and sustainable footing in terms of financial performance and future business growth. We will also focus on new technologies to diversify our digital offerings to cater to a more sophisticated customer segment and to millennials.

A NEW NORMAL MOVING FORWARD

The operating environment is currently challenging due to the COVID-19 pandemic. This unexpected pandemic has inflicted significant economic disruptions that have caused non-essential businesses to shut down and domestic economic activities to seize up.

Although the government has provided financial assistance and enforced a strict Movement Control Order (MCO) to curb the impact of the disease, economic recovery is expected to be slow and this will deal another blow to an already stagnant

"Although the road ahead is long and arduous, we believe that Bank Muamalat will continue to deliver on its mandate as a full fledged Islamic bank based on Shariah-compliant principles. This complements well with our ethical and sustainable practices."

economy. For the banking industry, the economic slowdown, coupled with the reductions in OPR, will weigh on earnings.

Amidst these unprecedented challenges, the Bank will continue to extend assistance to the communities affected by the pandemic so that the most vulnerable and neglected get a helping hand. We will also continue to support and participate in disbursing financial relief and providing financing to micro, small and medium enterprises (MSMEs).

Bank Muamalat will continue to re-prioritise its strategies, focus on maintaining its asset quality, implement an intensive recovery plan and undertake liquidity and capital management.

We have activated our Business Continuity Plan to ensure our operations remain uninterrupted during the pandemic outbreak. The Bank has split its workforce handling critical business operations into two teams, to work from home (WFH) and work in office (WIO). While some employees reported for work at the Business Continuity sites within the Klang Valley. To ensure the safety of our customers and staff, we also encouraged our customers to use our digital banking services.

In view of a more challenging landscape going into the new financial year, we have also outlined several strategic actions to focus on our target market based on our list of preferred and non-preferred sectors and have invested in built-in controls to avoid any vulnerable segments.

ACKNOWLEDGEMENTS

On behalf of Bank Muamalat's Board of Directors, I would like to take this opportunity to extend my appreciation to the Bank's previous Chairman, Tan Sri Dato' Dr Mohd Munir Abdul Majid, for his 12 years of dedicated service. My appreciation also goes to Dato' Haji Che Pee Samsudin for his commitment during his two-year tenure at Bank Muamalat, as a member of the Board.

I would also like to express my gratitude to the former Chief Executive Officer, Dato' Haji Mohd Redza Shah Abdul Wahid, for his 11 years of committed service and contributions in advancing the Bank's stature. His guidance has helped the new office bearer, Encik Khairul Kamarudin, to chart a new course for the Bank to propel the business further, moving forward.

I would also like to express the Board's gratitude to our shareholders for their continuous support and to the Management and staff of Bank Muamalat for their dedication and diligence in performing their duties. Special acknowledgments also go to our policymakers for their continuous guidance and support over the years.

DATUK SERI TAJUDDIN ATAN
Chairman

Chief Executive Officer's Statement

THE YEAR 2019 WAS CHALLENGING AS THE GLOBAL ECONOMY AND FINANCIAL MARKETS WERE VOLATILE DUE TO SEVERAL FACTORS, PRIMARILY SURROUNDING THE US-CHINA TRADE WARS WHICH HAD IMPACTED TRADE AND INVESTMENT DECISIONS.

Dear Valued Shareholders,

At home, the economic and business landscapes were also affected by more prudent government spending, which led to slower investments in sectors like infrastrucure. Consumer spending, however, remained robust and acted as a driver of the economy. While this domestic demand supported our business, the domestic banking industry witnessed intense competition. In spite

SEVEN STRATEGIC FOCUS AREAS UNDER #RISE24 COMPRISE:

- Resetting our target market to identify new business areas and expansion of our coverage to wider customer segments
- Exercising disciplined balance sheet management to optimise balance sheet expansion while maximising returns and implementing an intensive recovery plan to improve asset quality
- Undertaking a digital transformation towards establishing a virtual bank
- Optimising data analytics to generate income and cost efficiency

of these conditions, Malaysian banks maintained their profitability during the year, albeit at a slower pace. Banking system loans/financing grew 3.6% in 2019 against 5.5% in 2018. Banks have also had to manage the downtrend in Overnight Policy Rate (OPR) since May 2019 which had affected bank margins, with banks' profitability propped up by higher non-interest income and continued lending activity.

The emergence of the COVID-19 crisis towards the end of 2019, which eventually escalated into a global pandemic, has also altered life as we know it.

Against this backdrop, Bank Muamalat Malaysia Berhad maintained its profitability for the nine months ended 31 December 2019 (FY2019), recording profit before zakat and taxation (PBZT) of RM140.3 million from RM241.2 million recorded in the previous 12-month financial year period ended 31 March 2019 (FY18/19). The Bank's shorter reporting period followed the change in our financial year-end to 31 December from 31 March previously, to align with that of our parent company, DRB-HICOM Berhad, which made a similar change to its financial year-end.

During the year, we also improved our asset quality and enhanced the risk and compliance culture across the Bank, solidifying our fundamentals and putting us in good stead for long-term growth.

SOUND AND SOLID FUNDAMENTALS

Our efforts to strengthen our asset quality have enabled us to improve our gross impaired financing ratio to 1.31% in FY2019. This is the best on record and has improved from 1.43% as at the end of March 2019.

Our capital position also remains sound and well above regulatory requirements, as reflected by the Bank's Common Equity Tier 1 ratio of 16% and Total Capital Ratio of 18.65%. The Bank's healthy fundamentals provide assurance on its sustainability.

We had recorded a 140% increase in capital gains as we sold selected financial assets at Fair Value through Other Comprehensive Income (FVOCI) to take advantage of market conditions. However, this was offset by a higher net allowance of impairment on financial assets totalling RM23.4 million (against a net writeback of RM2.3 million as at the end of March 2019).

Our total deposits stood at RM18.94 billion for FY2019, contributed by a 10% growth in overall Current Accounts and Savings Accounts (CASA) to stand at RM5.90 billion. Total financing assets rose 3.5% to RM15.96 billion, with our total asset base amounting to RM22.8 billion for the year.

RENEWED STRATEGIC FOCUS

We have previously put in place a 2017-2021 business plan consisting of five pillars, namely:
Harnessing digital technologies; Becoming the preferred investment solution provider; Positioning Bank Muamalat as the banker of choice for local communities; Being recognised as a socially responsible bank; and Delivering customer service excellence at all touchpoints. We continued to increase our touchpoints with a new branch opened in Kemaman during the year.

However, over the past year, we have witnessed rapid changes in our operating landscape. The Bank is adapting to changes such as tighter risk management and regulatory requirements, continuous introduction of new government policies, advancement in technologies that are leading to digital disruptions and increasing competition from both banks and non-banks. In view of the shifting landscape, we believe we needed to further review our long term strategy in order to ensure our sustainability moving forward.

With the intention to transform the business to become more competitive whilst espousing sustainable values, we introduced our new five-year business plan, #RISE24 for the year 2020 to 2024.

#R Strong **Risk** Culture

#I **ICT** Driven Business

#S **Shariah** Innovation

#E **Earnings** Oriented

Enhancing infrastructure to ensure efficient service delivery

Continuously improving our processes and products to provide more competitive offerings

Talent management to support business growth

Chief Executive Officer's Statement

The new business plan comprises seven strategic focus areas which set out our strategy to build sustainable growth and aggressively drive profitability. This will be undertaken in two phases, from 2020-2021 (sustainable growth) and 2022-2024 (profitability).

The initiatives we are focusing on thus far include resetting our target markets; commencing cost-savings exercises across departments; effective balance sheet management; strengthening our data analytics and capabilities; enhancing cyber security to protect customer data and heighten payment security; enabling online account opening; strengthening our talent capabilities towards Industrial Revolution 4.0; and expanding waqf collection through QR Payment.

For more details on our #RISE24 targets and initiatives, please refer to Our Strategy on pages 40 to 43 of this Annual Report.

DRIVING VALUE-BASED INTERMEDIATION (VBI)

As a Shariah compliant bank, we hold firm to Maqasid Shariah as our guiding principle in all aspects of life. The ultimate objective of Maqasid Shariah is to promote the benefits of society and avert social harm to the public.

Maqasid Shariah also serves as our main guidance in our commitment to Bank Negara Malaysia's (BNM) Value based Intermediation (VBI) agenda. This aims to realign Islamic finance business models towards realising the objectives of Shariah that generate positive and sustainable impact to the economy, community and environment through practices, processes, offerings and conduct.

We also see a substantial need for a strong adaptation of Maqasid Shariah in strengthening Islamic finance covering the development of new products, the screening and approval process in financing businesses and channelling investment.

Hence, we have developed a Framework for Maqasid Shariah whilst aligning our VBI principles to this framework to ensure our commitment to VBI does not contradict with Maqasid Shariah. The development of the framework is also embedded in our corporate KPI to ensure our relentless commitment to both VBI and Maqasid Shariah.

Some of our commitments to the VBI initiatives are our ongoing efforts to help the B40 communities. During the year we collaborated with Syarikat Jaminan Kredit Perumahan (SJKP) and Skim Rumah Pertamaku (SRP) to provide home financing to low income earners, self-employed individuals and operators of small business entities. Under these schemes, first-time homebuyers are offered mortgages for houses priced up to RM300,000 for SJKP and RM500,000 for SRP. The schemes also offer attractive features such as margin of financing of up to 110% and waiver of ancillary costs. As at 31 December 2019, total outstanding financing under the SRP scheme was RM33.5 million.

We also conduct due diligence on applicants to ensure the nature of their business does not go against our principles as a Shariah compliant Islamic bank as well as a financial institution that is committed to VBI. To this end, RM6 billion of our financing portfolio has been recognised as having a direct positive impact on the environment and society.

Placing further emphasis on our commitment to VBI, we have reviewed our risk policies and introduced our Risk Appetite Statement which outlines a total asset composition in Real Economy and Triple Bottom Line (TBL) intermediation activities of no less than 40% and 10%, respectively. We have also added criteria for Credit Assessments for future on-boarding customers to be based on respective sectors' risk level as highlighted in the BNM VBI Financing and Impact Assessment Framework.

In working with BNM to actively promote VBI principles, the Bank is part of an industry working committee on energy efficiency. The committee will develop a sectorial guide on energy efficiency to appropriately evaluate companies that are promoting energy efficiency projects or activities. Bank Muamalat was appointed to lead the development of the sectorial guide, which is expected to be published in 2020, with BNM, other banks and industrial players forming part of the working committee.

DIGITAL DRIVE AND DATA MANAGEMENT

The digital era has created tremendous opportunities for us to enhance customer engagement, automation, data management and diversify our offerings. We value the role of digitalisation in providing convenience as well as to raise our competitiveness. To help us achieve this, we are targeting to digitalise 70% of our active customer base by offering a seamless banking experience through online solutions and tapping into new segments through collaborations providing new opportunities.

During the year in review, we designed our three-year Data Management Roadmap to develop an effective data management platform. The Roadmap focuses on governance, infrastructure and awareness and training to address data management within our organisation. Its initiatives comprise establishing a Data Management Committee as well as conducting training and creating awareness on data governance, visualisation and quality.

As part of our digital initiatives, throughout the year, we continued to enhance our payment channel capabilities through partnerships with the likes of Wahed Investment for new banking services which will elevate our digital presence. This included the introduction of our QR Payment Platform for merchants who cannot process debit card payments, which is also in line with BNM's Virtual Banking Framework to reduce the use of physical cash. More than 2,000 new merchants have subscribed to the QR payment platform.

Our continuous efforts to improve our mobile app and internet banking services have received a positive response from our customers. Our retail internet banking user base has risen 48.3% for FY2019 against 43.3% in FY18/19, with almost half of all our customers now using our retail internet banking platform. As at the end of December 2019, new subscribers to our mobile app rose by 54% compared to 34% recorded in FY18/19. We have also integrated digital solutions such as online account opening and online gold transfer for gold accounts.

Collectively, our digital drive is aimed not only at elevating our services to meet customer expectations, but also towards our establishment of a digital bank as set out in our #RISE24 business plan.

SUPPORTING SMEs

Small and Medium-sized Enterprises (SMEs) remain one of our key markets due to their community multipliers and integral role in driving Malaysia's economy. In line with this, we have already established collaborations with partners such as SIRIM Berhad and PETRONAS for vendor financing programmes to support SMEs.

We have also organised roadshows and engagement programmes with our partners to reach the small-business community, providing insights and sharing on funding facilities that SMEs may require. To further enhance our SME services, we intend to offer a conducive business ecosystem to enable this segment to flourish.

In response to the COVID-19 crisis, BNM has allocated funding under its SME Fund to support businesses in sustaining their operations, safeguarding jobs and encouraging domestic investments. Following this, we participated in the Special Relief Programme to provide collateral-free financing of up to RM1.0 million. This is targeted to ease the burden of our SME customers during this challenging period.

CARING FOR OUR PEOPLE

We continue to focus on the development of our people to support the achievement of our ambitions. During the year, we made changes to our organisation chart to revitalise our manpower composition and the capabilities of our workforce. This included appointing a new Chief Compliance Officer. We also established new critical positions and functions to drive sales.

Furthermore, we continue to focus on employee development and continuous learning through training across skills and functions, as well as promoting high standards of transparency, accountability, ethics and integrity at the workplace. All our 1,904 staff participated in a total of 117,902 training hours during the year. Our training programmes focused on four categories which are regulatory, functional, business and personal mastery with the number of training programmes increasing 22% in FY2019. Average participation for all categories of programmes has also risen by 162% for the same period.

Additionally, we have taken various initiatives to reinforce our workplace culture and provide a conducive working environment. This included launching the Muamalat Child Care and Kindergarten (MCCK) at our headquarters in Menara Bumiputra in October 2019. The facility bears testimony to our commitment to provide a supportive infrastructure and work environment to our employees, aligned to VBI.

To ensure the health and safety of our employees at all times, we also provided the Influenza A vaccination to a total of 595 employees during the flu season at the end of the year. Despite the scarcity of vaccine supplies, we were able to secure the vaccine for approximately 30% of our workforce.

For more information on our people development, I invite you to read our Sustainability Statement on pages 69 to 87 of this Annual Report.

MANAGING OUR RISK

The fast-paced and challenging business environment requires us to be vigilant and agile to respond to any emerging threat that could potentially derail our business strategies or, act upon opportunities that may surface from such market volatility. Hence, we have to continue to strengthen our risk management capability to ensure our long-term sustainability and value creation goals are met.

In 2019, we embarked on the implementation of Enterprise Risk Management (ERM) to enable us to approach and manage risks in a robust and integrated manner while striving to cultivate a consistent and cohesive risk culture throughout the organisation.

Our risk management framework is built on the Three Lines of Defence model, which is facilitated under a formal oversight structure led by the Board and ably supported by the Board Risk

Chief Executive Officer's Statement

Management Committee (BRMC), which maintains the ultimate responsibility for overall risk governance and management and sets the tone for the Bank's overall risk culture and risk-taking behaviour.

In line with the initiatives under #RISE24, we have placed emphasis on risk and compliance along with the set business performance targets. Thus, business decisions are made with robust assessment of risk and adequately supported with clear mitigation plans.

We strongly believe that risk and strategic business decisions should be formulated under a fully informed environment driven by accurate and timely data and methodologies. Thus, refinement to our risk management framework will remain a priority as we continue to elevate our risk infrastructure in line with the industry's best practices. We will continue to invest heavily in technology and human capital to give us the requisite edge amid these intensely competitive conditions.

The unprecedented COVID-19 pandemic has also forced banks to change the way they operate. The new threat has necessitated us to initiate "remote working" or "work from home" as part of our business continuity plan, an approach which is highly dependent on information and technology.

This has intensified the need for higher resilience against cyber threats following widespread reports of cyber-attacks across the globe during the crisis. We have thus taken steps to fortify our cyber security with enhanced controls and protective measures to manage potential threats and endpoint security monitoring to strengthen firewalls and combat untrusted networks and malware. We have also embarked on a comprehensive information and technology risk management framework in line with the expectations outlined in the latest BNM's Risk Management in Technology (RMiT) policy document.

We see the COVID-19 crisis and prolonged US-China trade tensions as our dominant credit and market risks over the medium-term. These events have stymied global economic activities with far-reaching effects on business confidence and consumer sentiment. To address this, we continuously and proactively analyse economic trends and outlooks to ensure swift and appropriate management of our risks.

ENHANCING OUR CUSTOMER EXPERIENCE

Our customers remain our top priority and we continuously aim to meet their rising expectations, particularly in this increasingly digital era where customers seek convenient, secure and speedy service. In fulfilling our purpose to provide the best to our customers, we continue to leverage on our Customer Satisfaction Survey to measure their sentiments and inform us on areas for improvement.

This has led us to enhance our service levels at our frontline, customer-facing touchpoints, such as by shortening waiting time, including automating our queue management system which produces reports that enable branches to manage and monitor their services waiting and serving time promptly. We have also enhanced our digital capabilities to increase customers' convenience and provide an alternative to branch visits.

At the same time, we have implemented structured training programmes to enhance the team's customer service capabilities and effectively assist customers. This included training our Guest Experience Officers to identify customer needs and redirecting them to our Self-Service Terminals (SSTs) where appropriate, thus reducing customer waiting time.

We have also taken proactive measures to evaluate our customers' experience and assess our progress in meeting their expectations. We measured the number of calls and complaints received and resolved, as well as the time taken to resolve them. In an effort to exceed industry standards of resolving cases within 14 days, we have targeted to resolve cases within two working days. At our counters, we also provide customers with a Customer Feedback Terminal which allows customers to provide interactive feedback on their banking experience.

As a result of our efforts, our customer satisfaction rating improved significantly to 82% in FY2019, surpassing the industry average of 81%. We scored more than 80% for all touchpoints except Internet Banking where customers recommended that we improve its functionality and user-friendliness.

OUR WAQF COMMITMENT

In 2012, we introduced Wakaf Muamalat to jointly manage waqf funds with State religious councils. Beginning with our first collaboration with Perbadanan Wakaf Selangor, in FY2019 we entered into our fourth collaboration, with Majlis Agama Islam Negeri Kedah. The collaborations are aimed at facilitating the collection and management of waqf funds from the public, where the bank also helps to further expand the value of the funds via investment activities.

During the year, more than RM29 million in waqf funds were collected, of which some RM15 million has been disbursed under waqf projects for various sectors, mainly healthcare, education and investment. We also expanded our waqf offerings to our digital platform, enabling collection through QR codes, with each collaborating state having its own QR code.

Our Waqf Mobile Clinic also continues to provide quality healthcare to the public, especially the underprivileged. With four active mobile clinics nationwide, we have served more than 10,000 patients since its pilot operation in the Klang Valley in 2015.

COMBATING CLIMATE CHANGE

We are firmly committed to playing our part in preserving the environment and are proud to be the only Islamic banking member of the Global Alliance for Banking on Values (GABV). The GABV is an independent network of banks and banking cooperatives with a shared mission to use finance to deliver sustainable economic, social and environmental development.

In line with our GABV membership, we aim to take on climate action by pledging to align our carbon footprint with the Paris Agreement. Among initiatives to this effect include the signing of a Memorandum of Understanding (MoU) between the Partnership for Carbon Accounting Financials (PCAF) and CIBAFI (General Council for Islamic Banks and Financial Institutions) to roll out carbon accounting across the Islamic banking sector. The MoU will enable Islamic banks to measure and disclose the greenhouse emissions financed by financing and investments.

PCAF and CIBAFI will work together to develop the carbon accounting method, with methodology to be prepared by CIBAFI. In line with our membership to the GABV, we have expressed our interest to subscribe to the PCAF initiative.

CONFRONTING COVID-19

The COVID-19 crisis has transformed every aspect of our lives and our business. In addition to ensuring strict adherence to Standard Operating Procedures (SOPs) in line with new norms, as well as managing the risks raised by the pandemic discussed in the Managing Our Risk section of this Statement, we have strived to exceed best practices in safeguarding the wellbeing of our employees, our business and our customers.

Among measures taken to protect our employees beyond the SOPs and work-from-home norms, we provided COVID-19 screening for employees with symptoms. We also monitored employees and eligible dependents under long-term medication by channelling them to eFarma, which enabled them to order their medications online to ensure uninterrupted supply of medication while removing the need to visit the clinic.

To ensure the sustainability of our business and support our customers during this trying time, following the implementation of the six-month financing payment moratorium from April to September 2020, we have since conducted customer financial health checks to identify potential defaults. Where necessary, we have already identified accounts for restructuring and rescheduling to assist affected customers.

In line with the growing utilisation of online and digital banking, we have increased support for our SSTs, online/mobile banking and our Customer Care Call Centre to handle a higher volume of traffic. We also encourage our customers to use our digital banking services by logging into our website at https://www.i-muamalat.com.my or downloading our Mobile Application, i-Muamalat. Furthermore, we have encouraged online payment usage through links to our debit card as well as leveraged on our strategic collaboration with an e-commerce player to enable online card payments.

OUTLOOK

With the global economy expected to plunge into an unprecedented recession following the COVID-19 crisis, we remain committed to our aspiration of becoming the preferred Islamic financial services provider.

While we expect to see some negative impact on our financing portfolio as well as margin compression due to the low interest/profit rate environment, we have already activated our Business Continuity Plan to ensure our operations remain uninterrupted. We have also set up our Emergency Management Team to prepare for any shortcomings and maintain our resilience against challenges.

In the year ahead, we will continue to strengthen our fundamentals and implement our #RISE24 plans.

APPRECIATION

Over the years, the Bank has received tremendous support from all our stakeholders and customers. I would like to express my gratitude to our customers, regulators and communities for their continued trust and support.

I am also grateful to our management team and all employees for their energy, dedication and commitment in ensuring continued progress for our Bank, and I would like to take this opportunity to express special thanks to our branch employees for continuing to serve our customers across different locations during the Movement Control Order (MCO) put in place to stem the spread of COVID-19.

My appreciation also goes to our Board of Directors for serving as our pillar of guidance and advising us on our journey. Finally, I extend our thanks to BNM and other regulatory bodies for their advice and support.

KHAIRUL KAMARUDIN
Chief Executive Officer

Chairman of Shariah Committee's Statement

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL
ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH

ALHAMDULILLAH, ALL PRAISE IS DUE TO ALLAH S.W.T. ALONE, THE SALUTATIONS AND GREETINGS TO OUR PROPHET MUHAMMAD S.A.W. AND HIS ENTIRE FAMILY AND COMPANIONS.

As the Shariah Committee of Bank Muamalat, we are entrusted to ensure that its banking and commercial activities are in line with Shariah principles and guidelines. As a commercial bank that offers Shariah-based products and services, Bank Muamalat provides a wide range of deposits, financing and various banking products and services to cater to the demands of the Malaysian market, irrespective of race or religion.

With regard to Shariah governance requirements, Bank Muamalat is primarily governed by the regulatory requirements from Bank Negara Malaysia (BNM) and Securities Commission. One of the main challenges faced by the Bank in financial year ended December 2019, was the compliance towards the existing Islamic Financial Services Act 2013, BNM Policy Documents for Shariah contracts and Shariah Governance Framework (SGF) of BNM 2010. In line with this, we made preparations towards conformance with BNM's new Policy Document on Shariah Governance (PDSG) issued on 20 September 2019, which will come into effect on 1 April 2020 and subsequently repeal the current SGF.

In preparing for the new PDSG, we have reviewed our operations, processes, documentation, standard operating procedures (SOPs) and implementation, among others. This exercise has included conducting a gap analysis between the PDSG, the existing SGF and our current practices. In view of this, we have started to update new clauses into our current policies, SOPs and documentation as well as formulating new policies, guidelines and mechanisms. We also participated in trainings, seminars and conferences on PDSG.

In tandem with these developments, we have also updated our Shariah Governance Policy where relevant to highlight BNM's new requirements.

We also endorsed several other products and services to serve all customer segments.

Aside from the products and services, we are also responsible for advising the Bank on the management, payment and distribution of business zakat. This is in ensuring Bank Muamalat complies with the established rulings in relation to

During the nine months to 31 December 2019, the Shariah Committee endorsed new products and services which include:

- Export Credit Refinancing-i;
- Unrestricted Investment Account – Current and Savings Account-i based on Mudharabah;
- Credit Card-i;
- Transition of Muamalat Hire Purchase-i (Al-Ijarah Thumma al-Bai') to Muamalat Vehicle Financing-i (Murabahah Purchase Orderer);
- Participation of the Bank into Skim Jaminan Kredit Perumahan (SJKP);
- Crowdfunding platform for social projects;
- Transition of the Muamalat Ar-Rahnu product from the Shariah concept of Qard to Tawarruq;
- Ez-Zakat Muamalat on Gold-i Account and the extension of Ez-Zakat Muamalat on CASA with six other State Islamic Religious Councils other than PPZ-MAIWP;
- Approach of Late Payment Charges;
- Adoption of new agreements for Treasury Capital Market as practiced by the market;
- Vendor financing programme;
- Wakalah Restricted Investment Account under Investment Account Platform; and
- Digital bail solution for the judiciary field.

One of the well known ahadith of the Prophet, Abdullah ibn Umar reported: the Messenger of Allah, PBUH said;
"Everyone of you is a caretaker, and every caretaker is responsible for what he is caretaker of".
Source: Sahih al-Bukhari 6719, Sahih Muslim 1829.

business zakat as the efficient and effective management and distribution of business zakat is important to the Bank.

For our customers, the bank provides auto calculation and deduction for zakat on savings/current accounts (CASA), known as Ez-Zakat Muamalat, introduced in the last financial year. This service provides a hassle-free solution to the Bank's entitled Muslim depositors to auto calculate and auto deduct the required zakat on savings from their existing CASA maintained with the Bank. The service is undertaken through the collaboration between the Bank and State Islamic Religious Councils (SIRCs).

As at December 2019, the Bank has collaborated with seven SIRCs which are Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan (PPZ-MAIWP), Lembaga Zakat Selangor (LZS), Zakat Melaka (ZM), Zakat Pulau Pinang (ZPP), Pusat Kutipan Zakat Pahang (PKZP), Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK), and Tabung Baitulmal Sarawak (TBS).

Continuing with our efforts in waqf development, this year the Bank collaborated with Majlis Agama Islam Kedah Darul Aman. Funds from this collaboration will be distributed to projects under education, health, and economic empowerment sectors. These projects include the development of a students' hostel in Kedah, which supports the Bank's strategy through Shariah innovation as well as contributing towards achieving Value-Based Intermediation objectives.

Being the advisor responsible for Shariah matters, we have given our utmost dedication to assure the quality of our services and demonstrated our commitment to ensure Shariah compliance in the Bank's products, processes, documentations, marketing, IT systems and other related matters. Moreover, since BNM has adopted the principle of Value-Based Intermediation (VBI), we have consistently advised the Bank according to the important legal principle of Maqasid Shariah where the Bank will better serve the ummah globally.

With the assistance of SGF organs within Bank Muamalat, i.e. Shariah Risk, Shariah Review, Shariah Audit and Shariah Department which play the role in Shariah advisory, secretariat and research, we believe that we have played our role to oversee Shariah matters related to Bank Muamalat's business operations and activities. Moving forward, our activities will include system enhancements to reduce human intervention and error and continue to ensure the Bank maintains robust processes and policies on Shariah compliance.

NOTE OF APPRECIATION

The Shariah Committee hereby acknowledges our sincere gratitude to YM Engku Ahmad Fadzil Engku Ali who has ended his tenure on 30 March 2020, for his fifteen years of immense contribution as our former member. Throughout his service to the Bank, YM Engku Ahmad Fadzil brought enormous credibility and shared his diverse expertise in Shariah advisory to this hallowed institution.

On this note, we would like to congratulate the Board of Directors and the Management for their genuine concern in ensuring not only the productivity and profitability of Bank Muamalat, but also in assuring the demands and dictates of Shariah are properly observed and adhered to. We are also very thankful to the staff for their cooperation in providing us adequate information in ensuring our deliberations on every issue are resolved accordingly.

As Imam as-Shafi'i reportedly said:
"Knowledge is that which benefits, not that which is memorised"

Insya-Allah, the goal for us today should be to forge greater understanding and acceptance. With an excellent banking system, we are able to channel da'wah and call out and attract the people into using Islamic banking and move towards the implementation of an entire Islamic system. Both excellent attitude and services to customers will make Bank Muamalat a leader in quality Islamic banking without undermining the never-ending quest for the ultimate goal of gaining Allah's blessing and pleasure.

Thank you and regards,

TN. HJ. AZIZI CHE SEMAN
Chairman, Shariah Committee

Industry and Market Overview

MACROECONOMIC REVIEW & OUTLOOK

GLOBAL

2019 Review

Global economic growth of 2.9% in 2019 was the weakest pace since the global financial crisis a decade ago, reflecting common influences across countries and country-specific factors. Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally. In some cases (advanced economies and China), these developments magnified cyclical and structural slowdowns.

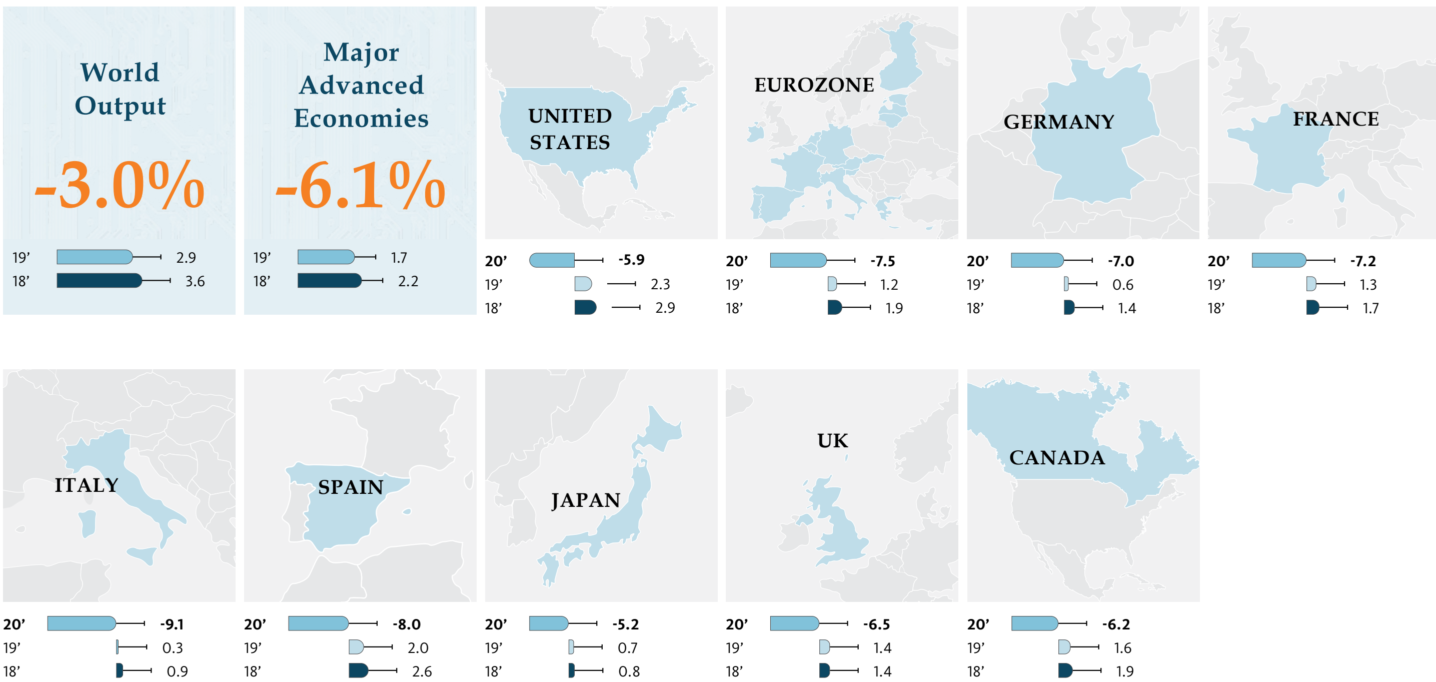
Further pressures came from country-specific weakness in large emerging market economies such as Brazil, India, Mexico, and Russia. Worsening macroeconomic stress related to tighter financial conditions (Argentina), geopolitical tensions (Iran), and social unrest (Venezuela, Libya, Yemen) rounded out the challenging business, financial and economic environment.

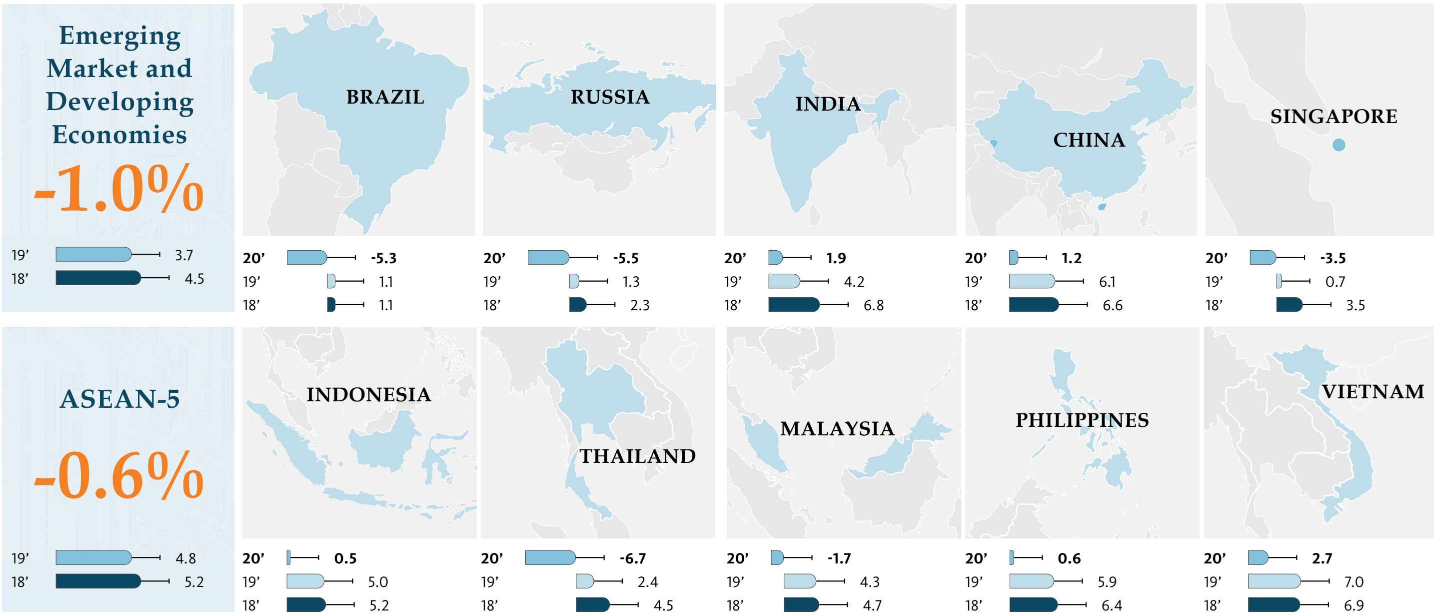
With the economic environment becoming more uncertain, firms turned cautious on long-range spending and as a result, global purchases of machinery and equipment decelerated. Meanwhile, household demand for durable goods also weakened, an uptick was seen in 2Q2019. This was particularly evident with automobiles, where regulatory changes, new emission standards, and possibly the shift to ride-shares weighed on sales in several countries.

Faced with sluggish demand for durable goods, firms scaled back industrial production. Global trade, which was intensive in durable final goods and the components used to produce them, slowed to a standstill.

Overall, central banks across the world reacted aggressively to the weaker activity. Over the course of the year, several, including the US Federal Reserve, the European Central Bank (ECB), and large emerging market central banks, cut policy interest/profit rates, while the ECB also restarted asset purchases. These policies averted a deeper slowdown. Lower interest/profit rates and supportive financial conditions also reinforced still-resilient purchases of non-durable goods and services, while encouraging job creation. Tight labour markets and gradually rising wages, in turn, supported consumer confidence and household spending.

GLOBAL REAL GDP (%, change)





Source: Overview of World Economic Outlook Projections by IMF

Outlook for 2020

The International Monetary Fund (IMF) predicted the global economy in 2020 will experience a recession as bad as the global financial crisis in 2008-2009, or worse. The COVID-19 pandemic which caused most countries to impose national lockdowns for considerable periods has led to expectations of a 3.0% contraction following supply chain disruptions and weakening global demand. In addition, the crude oil price war between Saudi Arabia, Russia and the US has resulted in volatility in energy and commodity prices. Moving towards 2H2020, the global economy may see another tension point from the US Presidential Election.

Suppressed global demand due to COVID-19 has seen the Purchasing Manager's Index (PMI) continuing to plunge. After seven straight months of expansion, manufacturing PMI of emerging economies declined to below 50 points, with China among the most adversely affected economies, as its manufacturing PMI dropped by almost 10 points to a 16-year low of 40.3.

Easing monetary policies and various stimulus packages adopted by most of the affected economies are mainly aimed at benefiting the domestic-oriented sectors in each economy. By 2H2020, a slight recovery in global demand is foreseen as COVID-19 is expected to subside, with most economic sectors reopening their operations and businesses. For example, China has resumed normal operations after almost two months of total lockdown.

MALAYSIA

2019 Review

Malaysia's gross domestic product (GDP) growth slowed sharply to 3.6% y-o-y in 4Q2019, resulting in growth of 4.3% for 2019. Nonetheless, domestic demand remained strong in 4Q2019, rising 4.9% y-o-y, underpinned by private demand, notably household spending. Meanwhile, exports fell amid weaker mining and agriculture production.

Ongoing weakness in the mining and agriculture sectors contributed to a 3.1% y-o-y contraction in overall export volumes in 4Q2019. Meanwhile, despite a continued contraction in imports, net exports subtracted 0.7 percentage points from 4Q2019 annual growth.

The country's household spending surged 8.1% y-o-y in 4Q2019. The resilience among households over recent quarters persisted despite moderate credit growth and softer labour market conditions over the past six months.

Meanwhile, private sector investment grew by a healthy 4.2% y-o-y in 4Q2019. However, public investment contracted once again, down 7.7%, although infrastructure construction was solid as the government continued to emphasise on public and private partnerships (PPPs).

Industry and Market Overview

MALAYSIA GDP BY DEMAND AND SECTORS (%, CHANGE)

	2018	2019	1Q2020
Real GDP	4.7	4.3	**4.5**
By Demand:			
Domestic Demand	5.5	4.3	**3.9**
Private Consumption Expenditure	7.9	7.6	**7.6**
Government Consumption Expenditure	3.2	2.0	**4.0**
Gross Fixed Capital Formation	1.3	(2.1)	**(3.2)**
External Demand:			
Exports of Goods and Services	2.2	(1.1)	**0.1**
Imports of Goods and Services	1.3	(2.3)	**(1.6)**
By Sectors:			
Agriculture, Forestry & Fishing	0.2	1.8	**1.0**
Mining & Quarrying	(2.6)	(1.5)	**(2.8)**
Manufacturing	5.0	3.8	**2.0**
Construction	4.3	0.0	**0.3**
Services	6.8	6.1	**4.2**

Sources: MIDF Research, RHB Research

Outlook for 2020

For 2020, the IMF forecasts that Malaysia's economy will contract by 1.7%, as the ASEAN-5 GDP growth is forecast to shrink by 0.6%. Malaysia's economy is expected to be in recession in 2Q2020 before recovery takes hold in 2H2020 as restrictions start to ease across the world. Against this backdrop and protracted domestic deflation, Bank Negara Malaysia (BNM) is expected to reduce the policy rate in the coming months. This, coupled with expansionary fiscal support, will aid a rebound in activity, with Malaysia's GDP forecast to rise by 6.4% (World Bank) to 9.0% (IMF) in 2021.

Monthly data for the start of 2Q2020 point to significant contraction in GDP. Industrial production plummeted 31.9% y-o-y in April 2020, while goods export volumes dropped 23%. Household spending has also been hit hard, with retail sales down 32% y-o-y. Encouragingly, a pick-up in mobility data since the easing of restrictions in May 2020 signal that domestic activity may have improved from the low point in April. However, mobility data are still well below levels of a year ago. Moreover, households are expected to remain cautious on spending amid income and employment concerns.

After reducing the overnight policy rate (OPR) to 2.0% in May 2020, BNM is expected to lower interest/profit rates over the coming months, as GDP is likely to record its largest-ever quarterly decline in 2Q2020, potentially worse than during the Asian financial crisis, while inflation is likely to remain negative for the rest of the year. The government announced a further RM35 billion of fiscal support at the start of June 2020, bringing the total fiscal package to around 20% of GDP. As the fiscal deficit is expected to be circa 7.4% of GDP in 2020, the government is highly likely to seek parliamentary approval to raise the government debt-to-GDP ratio above the 55% threshold.

BANKING SECTOR REVIEW & OUTLOOK

2019 Review

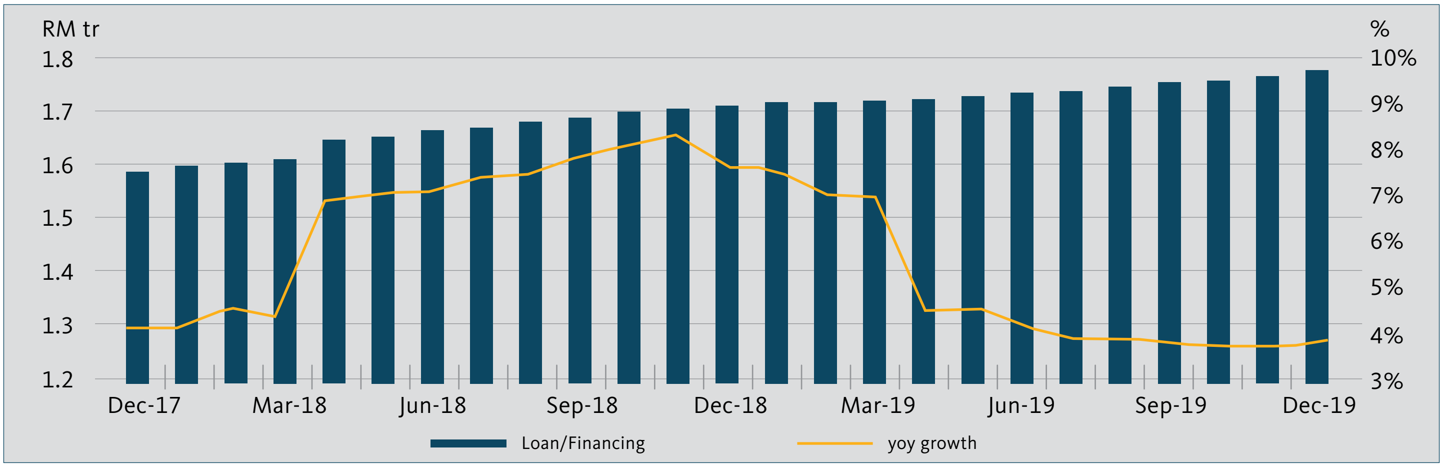
Malaysia's banking system industry loan/financing growth staged a strong recovery with a 0.7% m-o-m expansion in December 2019, the strongest in 2019. This pushed the y-o-y loan/financing growth up to 3.9% y-o-y at end-December 2019 (from 3.7% y-o-y at end-November 2019), although this trailed 2018's rate of 5.6%.

The improvement in December 2019 loan/financing growth primarily came from the business segment, which picked up from 2.4% y-o-y at end-November 2019 to 2.7% y-o-y at end-December 2019. Meanwhile, the household segment was stable at 4.7% y-o-y at end-November 2019 and end-December 2019.

The December 2019 statistics also showed an improvement in the gross impaired loan/financing (GIL/F) ratio from 1.6% at end-November 2019 to 1.51% at end-December 2019, partly due to the write-off of some GIL/Fs by banks and write-back of certain rescheduled and restructured loans/financing.

In terms of deposits, Current Account and Savings Account (CASA) deposits grew strongly at 2.9% m-o-m in December 2019, with system CASA ratio ending the year at 26.5%. Deposits from businesses (32% of system deposits) recovered 2.5% m-o-m, while growth in deposits from individuals (37% of total) also accelerated to 0.6% m-o-m.

Banking System Loan/Financing & Y-O-Y Growth



Outlook for 2020

Business sectors that are more directly affected by the slowdown generated by the COVID-19 pandemic include:
- Manufacturing
- Hotels & Restaurants
- Wholesale & Retail Trade
- Transport, Storage and Communications

Combined, these sectors account for around 16% of total loans/financing in the banking system. The weak underlying sentiments are expected to trickle down into the broader economy, which could result in slower than expected loan/financing growth in 1H2020. Generally, analysts are projecting modest loan/financing growth of 4.0% for 2020, a marginal increase from 3.9% in 2019.

Should the COVID-19 crisis continue for a longer period, a prolonged shutdown of manufacturing facilities and dwindling demand could lead to short-term financial constraints. As such, this could lead to rising asset quality risks stemming from both the household and business segments, in particular SMEs.

The three rate cuts by BNM to bring the OPR to 2.0% thus far could help cushion the potential slowdown from COVID-19, with BNM's intention to provide a more accommodative monetary environment to support the economy amid the viral outbreak. Given that these OPR adjustments took place early in the year to help buffer downside risks, analysts generally believe there could be room for further reduction in policy rates in the remaining part of the year. The reduction in rates would have a short-term negative impact on banks' earnings but the sector should see some uplift in margins by 2Q2020 and 3Q2020 as deposits are re-priced. In the medium to longer term, this reduction could help spur household spending and private investments.

Overall, 2020 will be a challenging year for the local banking sector, with more downside risks in earnings, as revenue growth remains affected by overall weak sentiments and rising macro uncertainties driven by risks of a protracted US-China trade war, the COVID-19 outbreak and domestic political uncertainty. Rising asset quality risks also present a challenge to be dealt with by the entire banking system.

Stakeholder Engagement

The following discloses our key stakeholders, the way we engage with them, their expectations, our responses and its link to our #RISE24 business plan:

STAKEHOLDER GROUP	ENGAGEMENT PLATFORM	STAKEHOLDER EXPECTATIONS
SHAREHOLDERS & INVESTORS	• Annual reports • Sustainability statements • Quarterly reports • Online communications (e-mail, corporate website, social media) • Meetings/discussions (upon request)	• Sustainable financial returns e.g. resilient revenue growth • Prudent cost management • Good asset quality and management of credit risk • Sound balance sheet management • Sustainable and long-term business strategy • Integration of VBI elements in business operations • Ethical and responsible business conduct • Strong and experienced management • Transparent reporting and disclosure
CUSTOMERS	• Digital touchpoints: internet banking, digital apps • Online communications (e-mails, corporate website, social media) • Customer service centres • Call centres • Customer networking events • Representatives at branches • Printed materials • Customer surveys	• Innovative financial solutions in products and services offered • Convenient access to banking services • Value-for-banking products and services that are both competitive and transparent • Secure and safe environment to conduct banking activities including strict customer data protection • Excellent customer service • Fast turnaround time
BUSINESS PARTNERS	• Online communications (e-mail, corporate website, social media) • Formal & informal engagements • e-Procurement system	• Convenient access to procurement systems • Fair and equal evaluation of vendors and their proposals • Communicate fair conditions that satisfy both suppliers' and the Bank's needs • Communicate new policies, guidelines or strategy to ensure optimal performance • Transparent reporting and disclosure to ensure smooth collaboration with potential partners • Effectiveness of business collaborations
REGULATORY AGENCIES & STATUTORY BODIES	• Regular updates and reporting to Regulators • Actively participate in regulatory forums, briefings, meetings, conferences and consultation papers	• Compliance with all legal and regulatory requirements • Good corporate governance • Transparent reporting and disclosures • Active participation and contribution to industry and regulatory working groups
LOCAL COMMUNITY	• Community engagement activities • Online communications (e-mails, corporate website, social media) • Digital touchpoints: mobile apps, internet banking, SMS blasts) • Live forums such as Forum Perdana • Printed materials	• Financial and VBI literacy awareness • Tackling common social, economic and environmental issues • Providing feasible and convenient access to advisory on suitable financial solutions • Building a resilient and thriving community
EMPLOYEES	• Bank Muamalat internal portal, e-mails • Employee dialogue sessions with CEO • Annual engagement survey • Social and recreational activities • Regular employee engagement events and programmes • Meetings and roadshows	• Fair remuneration, recognition and effective performance management • Balanced work-life environment • Various opportunities for career development and advancement • An empowering environment that embraces diversity and enables employees to deliver quality work output • A safe, healthy and conducive workplace

OUR RESPONSE TO THESE EXPECTATIONS	LINK TO STRATEGY
• Development of 5-year business strategic plan for long term sustainable growth • Transparency in corporate reporting and disclosure through multiple platforms • Timely responses related to concerns raised • Appointment of Board and senior management with vast experiences and knowledge • Establish a sustainability steering committee to advise on VBI-related business operations • Develop Business Continuity Plan • Robust risk and compliance framework • Strengthen Risk & Compliance culture	SFA 1: Resetting Target Markets SFA 2: Disciplined Balance Sheet Management SFA 6: Continuous Process Improvement & Shariah Innovation
• Innovate offerings including via digital platform to address customers' financial needs • Enhance touchpoints, physical or digital, to maximise customers' satisfaction • Improve processes to deliver operational excellence • Drive excellent service via skilful and trained customer services personnel • Enhance end-to-end cyber response and simulation plan to ensure cyber resilience and continuously enhance IT security • Continuous awareness via online communication and digital touchpoints to educate customers and employees on awareness of potential fraud, scams and others • Continuous process improvement	SFA 1: Resetting Target Markets SFA 3: Digital Transformation SFA 5: Infrastructure SFA 6: Continuous Process Improvement & Shariah Innovation
• Support local vendors • Conduct vendor site visits to understand vendors' working environment as well as to ensure responsible practices maintained • Conduct engagement sessions to ensure vendors' understanding on the procedure, processes, guidelines, expectations of deliverables and its quality • Conduct engagement session to ensure fair practices and vendor outsourcing is transparently done • Establishment of dedicated working committee for each partnership & collaboration to ensure the engagement reaches its objectives	SFA 6: Continuous Process Improvement & Shariah Innovation SFA 1: Resetting Target Markets
• Continuous updates on our system and processes to meet current and new compliance and risk requirements • Continuous implementation of compliance, risk management and governance to meet regulatory requirements • Integrate VBI elements into risk management practices • Timely and transparent reporting to regulatory agencies and statutory bodies • Continuous structured training and awareness programmes	SFA 6: Continuous Process Improvement & Shariah Innovation Strengthen Risk & Compliance Culture
• Collaboration with various state religious councils and continuous engagement with government agencies • Engage with communities by conducting community programmes catered to their level of needs • Promote access to advisory on suitable financial solutions via digitalisation • CSR & Waqf activities throughout the year	SFA 3: Digital Transformation SFA 6: Continuous Process Improvement & Shariah Innovation
• Enhance delegation of tasks and address needs to improve employees' performance • Strengthen our learning and career development programmes to equip employees with essential skills for them to be at par with their peers in the industry • Salary benchmarking exercise against market practice • Conduct employee engagement and employee satisfaction survey • Launched Muamalat Child Care and Kindergarten (MCCK) to provide staff with peace of mind about their children's welfare • Establishment of a talent council	SFA 7: Talent Management

For more details on each SFAs, please refer to our Strategic Direction on pages 40-43 of this Annual Report.

Our Material Matters

WE HAVE IDENTIFIED OUR MATERIAL MATTERS BY IDENTIFYING, EVALUATING AND PRIORITISING RELEVANT THEMES WHICH IMPACT OUR DELIVERY OF VALUE OVER THE SHORT, MEDIUM AND LONG TERM.

How We Determine Our Material Issues

We view the materiality determination process as a business tool that facilitates integrated thinking.

Identification:

In defining our material issues, we have reviewed previous material matters, engaged with our stakeholders on their expectations, concerns and needs, as well as assessed issues relevant to industry best practices such as the FTSE4Good Index and the Sustainability Accounting Standards Board.

Evaluation:

Our senior management has evaluated the identified material matters internally, guided by standards such as Bursa Malaysia Securities Berhad's Main Market Listing Requirements and the International Integrated Reporting Council (IIRC) framework, as well as externally by measuring the matters across its impact on our business and relevance to our stakeholders.

Prioritise:

We prioritised our material matters based on its importance to our business and our stakeholders.

The following provides information on our material matters, how we have responded to the matters, the relevant stakeholders impacted and the sections in this Report which disclose our response to the matters:

	WHAT IT MEANS TO US	OUR RESPONSE TO THE MATTER
ETHICS AND INTEGRITY	• Compliance with all applicable laws and regulations by the regulatory bodies • Compliance with the capital adequacy and liquidity guidelines as stipulated by Basel II • Value Based Banking practices that are aligned with VBI principles • Commitment of ethical conduct and behaviour enshrined throughout the organisation, from Directors to officers **RELEVANT STAKEHOLDERS GROUPS** Employees, Regulatory Bodies, Business Partners	• AR: Stakeholder Engagement • AR: Delivering our Strategy • SR: Procurement Practices • SR: Ethics & Integrity

	WHAT IT MEANS TO US	OUR RESPONSE TO THE MATTER
ECONOMIC PERFORMANCE	The Bank's strategic direction, operational activities and business and how they create direct economic value to the society, as well as aligning to Malaysia's Economic Plan **RELEVANT STAKEHOLDERS GROUPS** Local Community, Customers, Business Partners	• AR: Segmental Performance • AR: Business Model • SR: Responsible Financing • SR: Entrepreneur Development • SR: Economic Performance
ENTREPRENEUR DEVELOPMENT & RESPONSIBLE FINANCING	• Involves strategy, initiatives and efforts to help the underserved segments that drive the economy (i.e SMEs, MSMEs, Entrepreneurs) • Financing disbursed that satisfies the ESG criteria • Financing that do not support unethical activities **RELEVANT STAKEHOLDERS GROUPS** Local Community, Customers, Business Partners	• AR: Business Model • AR: Stakeholder Engagement • AR: Delivering our Strategy • AR: Segmental Performance • SR: Responsible Financing • SR: Entrepreneur Development • SR: Economic Performance
PROCUREMENT PRACTICES	• Covers the practice of buying goods and services. This will include processing of a demand, receipt and payment approval • This involves ensuring the Bank has stable, fair and sustained supply chain through its SOP, initiatives, evaluation criteria and its vendor onboarding process • This covers the Bank's effort to adopt social procurement to ensure future vendors/ bank's supply chain does not violate local and international human rights **RELEVANT STAKEHOLDERS GROUPS** Business Partners, Local Community	• AR: Stakeholder Engagement • SR: Procurement Practices • SR: Ethics & Integrity
DIGITAL BANKING	• Exploring digital transformation and building internal capability for greater customer experience, accessibility and efficiency • Technological development and digitisation of financial services to assist customers in their banking needs and expand our customer base, through various mediums of communication **RELEVANT STAKEHOLDERS GROUPS** Customers, Employees	• AR: Business Model • AR: Stakeholder Engagement • AR: Delivering our Strategy • SR: Digital Banking • SR: Customer Experience • SR: Financial Inclusion

Our Material Matters

	WHAT IT MEANS TO US	OUR RESPONSE TO THE MATTER
ENERGY CONSUMPTION & ENVIRONMENTAL IMPACT	• Energy consumed in various forms for the Bank's operations • This is to see if the Bank efficiently manages its natural resources and if the Bank has conducted any business or community engagement activities that can help to improve the environment **RELEVANT STAKEHOLDERS GROUPS** Customers, Employees, Local Community	• AR: Business Model • AR: Stakeholder Engagement • SR: Energy Consumption & Environmental Impact
COMMUNITY DEVELOPMENT	• Empowering communities through development programmes that create positive impact • Fostering multiple engagements to create loyalty and long-term relationship with customers **RELEVANT STAKEHOLDERS GROUPS** Local Community, Customers, Business Partners	• AR: Stakeholder Engagement • AR: Business Model • AR: Segmental Performance • SR: Community Development • SR: Responsible Financing • SR: Procurement Practices
CUSTOMER EXPERIENCE	• Customer service performance and initiatives taken by the organisation to improve service delivery whilst maintaining compliance with existing laws and regulations regarding customer confidentiality • Enjoyable, reliable and memorable customer journey whilst managing the right balance between digital and traditional approach **RELEVANT STAKEHOLDERS GROUPS** Customers, Regulatory bodies	• AR: Business Model • AR: Delivering our Strategy • AR: Stakeholder Engagement • SR: Digital Banking • SR: Customer Experience • SR: Financial Inclusion
DIVERSITY AND EQUAL OPPORTUNITY	• The level of diversity within the Bank provides significant benefits for both organisation and employees. The Bank gains access to a larger pool of potential candidates and these benefits can create equality and social stability which subsequently supports economic development • This describes the act to ensure employees are treated equally and given fair treatment based on individual merit. Discrimination can occur on the grounds of race, colour, sex, religion and political opinion. It also includes harassment defined as comments or actions that are unwelcome to the recipient **RELEVANT STAKEHOLDERS GROUPS** Employees	• AR: Business Model • AR: Stakeholder Engagement • SR: Employment • SR: Diversity & Equal Opportunity

	WHAT IT MEANS TO US	OUR RESPONSE TO THE MATTER
TRAINING & EDUCATION	An organised activity aimed at disseminating information to educate and enhance the employees' ability to perform by attaining a required level of knowledge or skill. Through training and education, human capital can be improved as it will help expand the knowledge base of employees which leads to enhanced organisational development. **RELEVANT STAKEHOLDERS GROUPS** Employees, Regulatory bodies	• AR: Delivering Our Strategy • SR: Employment • SR: Training & Education
EMPLOYMENT	This includes the Bank's approach to hiring, recruitment, retention and related practices. Also, it covers matters in relation to wellbeing of employees, and rewards and recognition based on merit and contribution to the Bank which can then influence its ability to attract and retain talent. **RELEVANT STAKEHOLDERS GROUPS** Employees	• AR: Business Model • SR: Employment • SR: Training & Education • SR: Diversity & Equal Opportunity
FINANCIAL INCLUSION	Touchpoints where the Bank can communicate with customers, potential customers and businesses have access to useful and affordable products. **RELEVANT STAKEHOLDERS GROUPS** Customers	• SR: Financial Inclusion • SR: Community Development

Note:
1. AR - Annual Report
2. SR - Sustainability Report

Risks and Its Impact

As an Islamic financial institution, we are responsible for our customers' assets and the delivery of value for all our stakeholders, and we view risk management as an integral component of our operations. We continuously review risks and opportunities which are presented to us in all our business decisions while developing and pursuing our strategic objectives. We adopt a structured approach in managing risk, i.e. focusing on the principal risks which will impact our business performance.

We place emphasis on risk management oversight and business decisions are undertaken after careful consideration of all risks have been taken across the Group. In tandem with continuous digitalisation and rapid changes in the business landscape, we see a need to constantly enhance our systems, processes and resources to ensure effective risk management. In view of this, our strategies are geared towards achieving synergies across our business lines and geographical presence with the aim of institutionalising a customer-centric risk culture and processes which are grounded on a balanced, predictable and sustainable business model.

Type of Risk	Description and Impact of the risk on Bank Muamalat	How we manage or mitigate the risk
Credit Risk	The risk of financial loss if a customer or counterparty fails to meet its obligations. It is the primary source of risk to the Bank. This risk may impact the Bank's profitability, liquidity, asset quality and reputation.	• Enhanced key risk indicators to monitor emerging credit risk and provide early warning signals • Ongoing review, enhancements and monitoring of risk appetite • Enhanced and tightened Risk Acceptance Criteria • Periodic review of credit ratings/scoring
Market Risk	The risk of losses in on and off-balance sheet positions resulting from movements in market rates, foreign exchange rates, equity and commodity prices, which may adversely impact earnings and capital positions. This risk may present an impact on the Bank's profitability and capital.	• Developing hedging strategies against adverse price movements • Enhanced monitoring in Market Risk limits • Enhanced Key Risk Indicators monitoring to track risk exposures and provide early warning signals
Rate of Return Risk	The risk of variability of assets and liabilities arising from volatility of market benchmark rates, impacting portfolios both in the trading and banking books. Such changes may adversely affect both earnings and economic value. The Bank's capital, liquidity and profitability may be impacted by this risk.	• Developing hedging strategies against adverse price movements • Enhanced monitoring of Market Risk limits • Enhanced Key Risk Indicators monitoring to track risk exposures and provide early warning signals
Liquidity Risk	The risk of inability to fund any obligation on time as they fall due, whether due to increase in assets or demand for funds from depositors. This ability has serious implications on the Bank's reputation and continued existence. This risk could impact the Bank's capital, liquidity, profitability and reputation.	• Optimised liquidity limits • Enhanced Key Risk Indicators monitoring to track risk exposures and provide early warning signals
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and system or from various external events. The effect may extend beyond financial losses and may result in legal and reputational risk impacts. This risk could also create an impact on the Bank's profitability and ability to meet regulatory requirements, as well as disrupt the Bank's business.	• Enhanced Key Risk Indicators monitoring to track risk exposures and provide early warning signals • Ongoing monitoring on risk ratings • Ongoing management of business continuity • Outsourcing mitigation strategy for review and validation • Periodic Stress Testing/Scenario Analysis exercises
Shariah Non-Compliance Risk	The risk that arises from failure to comply with the Shariah rules and principles as determined by the Shariah Committee (SC) of the Bank and relevant Shariah regulatory councils or committees. This risk creates regulatory, profitability and reputation impacts.	• Ongoing Shariah review • Continuous monitoring & reporting of Shariah non-compliances
Strategic Risk	The risk of unexpected adverse developments in the Bank's performance stemming from fundamental strategic and business decisions and their execution. This risk may present impacts to the Bank's profitability, capital and reputation.	• Ongoing review, enhancement and monitoring of the Business Strategy, Risk Appetite and Capital Planning Process
Reputational Risk	The risk of loss arising from negative perception of the Bank's image by conduct or business practice which adversely impact profitability, operations or shareholder value. The Bank's reputation and profitability may be impacted by this risk.	• Ongoing monitoring of the Bank's risk rating • Competitive analysis on Industry and Market Benchmark

Internal and external risks are managed through a robust risk management framework, which complies to regulatory requirements and incorporates latest industry best practices. The framework contains a clear governance and oversight structure for formulation and execution of risk strategies and is supported by a comprehensive set of policies, principles and practices to communicate and ensure effective implementation of risk management strategies on an enterprise-wide basis.

Managing our risks also allows us to enhance our internal controls, compliance procedures and business strategies. We currently monitor our risks according to the following eight key categories which we see as having the greatest impact on our business. These risks are also regularly reviewed and rigorously assessed by the Board with an eye on monitoring risks which have not yet emerged but may become material moving forward. The following also discloses our efforts to manage or mitigate the identified risks and its link to our material matters and strategies.

	Link to Material Matters and/or Strategy
• Ongoing monitoring on collaterals, guarantees & risk limits • Risk-based pricing in determining the financing rate that takes into consideration the credit risk level of a customer • Periodic stress testing/scenario analysis conducted • Diversify into new market segments for consumer financing • Streamlined and enhanced credit risk policies	ETHICS AND INTEGRITY; ECONOMIC PERFORMANCE; FINANCIAL INCLUSION; CUSTOMER EXPERIENCE; ENTREPRENEUR DEVELOPMENT & RESPONSIBLE FINANCING
• Diversification in pricing strategy • Periodic stress testing/scenario analysis exercises	ETHICS AND INTEGRITY; ECONOMIC PERFORMANCE
• Diversification in pricing strategy • Periodic stress testing/scenario analysis exercises • Enhanced monitoring in Asset & Liabilities Management strategy	ETHICS AND INTEGRITY; ECONOMIC PERFORMANCE
• Address Liquidity Contingency Funding Plan for handling liquidity crisis • Ongoing monitoring of liquidity crisis early warning signals • Diversification in pricing strategy • Periodic stress testing/scenario analysis exercises	ETHICS AND INTEGRITY; ECONOMIC PERFORMANCE
• Ongoing review and validation of operational risk tools i.e. Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRI) and Incident Management & Data Collection (IMDC) in managing operational risk bank-wide • Develop Cyber Resilience strategy in line with BNM's Risk Management in Technology (RMiT) policy	CUSTOMER EXPERIENCE; FINANCIAL INCLUSION; ECONOMIC PERFORMANCE; ETHICS AND INTEGRITY; DIGITAL BANKING
• Enhanced monitoring and tracking of Shariah non-compliance risk exposures via risk tools i.e. Key Risk Indicators, Risk Control Self-Assessment and IMDC • Periodic stress testing/scenario analysis exercises	ETHICS AND INTEGRITY; ECONOMIC PERFORMANCE; CUSTOMER EXPERIENCE; FINANCIAL INCLUSION
• Ongoing stress testing/scenario analysis requirement on half-yearly basis	ETHICS AND INTEGRITY; ECONOMIC PERFORMANCE; CUSTOMER EXPERIENCE; FINANCIAL INCLUSION
• Ongoing stress testing/scenario analysis requirement on half-yearly basis • Building Goodwill	ETHICS AND INTEGRITY; ECONOMIC PERFORMANCE; CUSTOMER EXPERIENCE; FINANCIAL INCLUSION; COMMUNITY DEVELOPMENT; EMPLOYMENT; TRAINING & EDUCATION; PROCUREMENT PRACTICES; DIVERSITY AND EQUAL OPPORTUNITY

Our Value Creation Model

We ensure the delivery of value to all our stakeholders through our robust use of the six capitals, resource allocation, the management of risk and strong corporate governance.

Financial capital is defined as the pool of funds available to Bank Muamalat.

- Shareholders' equity: RM2.47 billion
- Deposits from customers: RM18.94 billion

For Bank Muamalat, this capital includes how we manage our natural resource consumption and the impact of the consumption, which consists of managing the use of energy. This also includes financing of client activities that create less environmental impact.

Manufactured capital includes Bank Muamalat's infrastructure, i.e. physical branches, data centres and equipment and digital technology that facilitates the Bank's services to customers.

- 67 branches
- 67 Ar-Rahnu outlets
- 135 ATMs
- 69 Cash Recycle Machines (CRMs)
- 69 CDM/CDT/CoDM/MFM
- i-muamalat mobile app
- Retail and corporate internet banking
- QR Payment for merchants

For Bank Muamalat, this capital describes the brand and reputation management of the Bank. It also includes investment in technological platforms

- 4 strategic partnerships for Wakaf Muamalat
- Strategic partnerships with digital investment players

This capital covers the skills and experience of all Bank Muamalat employees which enables the Bank to deliver its strategy, products and services to create value for stakeholders.

- No. of employees: 1,904 (FY18/19: 1,869)
- RM3.44 million spent on learning and development initiatives

This capital describes the relationships built between communities, stakeholders and other relevant groups.

- More than 640,000 customers (FY18/19: 600,000 customers)
- Embracing value-based financing to meet the VBIs as well as EES practices

INITIATIVES/VALUE CREATION PROCESS

Financial Capital

- Boost deposits for various target markets especially, on low-cost or sticky deposits
- Sustained long term business growth and profitability, focusing on new strategic focus areas
- Continue to focus on financing growth, focusing on key areas targeted approach
- Improve asset quality with close monitoring of potential new impaired financing
- Drive productivity as well as efficiency through digital transformation and operational excellence

Trade-offs:
A clear trade-off for this capital can be seen through our commitment in our long-term investment to ensure the Bank's sustainable growth although this has been moderated by our cost optimisation, especially for our investments in digitalisation and process improvement.

Manufactured Capital

- Continuous improvement in mobile app and internet banking to increase customer experience while using our banking services
- Introduced Bank Muamalat QR Payment platform for merchants who do not have credit card terminals

Trade-offs:
Our investment in digital banking platform as well as physical services are essential to us as we believe building continuous relationship with the customers and easing their transactions will help us grow and sustain our business thus improving all our capitals in the long-term.

Human Capital

- Employee engagement programmes with various local communities
- Certification programmes to enhance employees' standard of excellence as well as business mastery to their enhance business acumen
- Continuous knowledge sharing, engagement, mentoring and talent development
- Revision of flexible working hours to ensure employee wellbeing

Trade-offs:
Investment in the form of Financial capital was expended on programmes and trainings for functional, social and leadership development.

Social and Relationship Capital

- Financial planning advisory for selected local communities
- Regularly engage with suppliers and vendors

Trade-offs:
Bank Muamalat supports the local community that it serves through financial, human and manufactured capital. The Bank views this as an essential trade-off as the resources used will lead to a wider reach of network, awareness of Bank Muamalat's brand and an opportunity to serve a diverse community.

Intellectual Capital

- Continuous strategic partnership with local Islamic state councils in managing Wakaf Muamalat
- Continuous engagement with digital platform players
- Continuous marketing on media social to ensure wider outreach

Trade-offs:
Essential amounts of investment have been expended on intellectual capital through our financial and human capital to drive productivity and efficiency.

Natural Capital

- Electricity saving measure via continuous improvement initiatives
- Participation in environmental preservation programme
- VBI consideration is included in credit decision-making, especially for the non-retail segment

Trade-offs:
As part of our effort to promote VBI compliant practices and optimise our resources to ensure marginal impact to the environment, investment in the form of financial capital has been expended to implement technology in our operations.

CREATING VALUES FOR OUR STAKEHOLDERS

Customers

- RM407.8 million profit paid to depositors
- RM830.4 million of new personal financing disbursed for the year
- RM254.8 million disbursed for first home financing for the year
- Mobile apps subscribers increased by 54%
- Retail internet banking subscribers growth – FY2019: 48.3% (FY18/19: 43.3%)
- Among top 5 in banking apps rating on Android platform
- Launch of Ez-zakat Muamalat
- Panel bank under imSME financing platform

Employees

- Male: 48.7% ; Female: 51.3%
- 60% staff of relevant departments has acquired certifications for certain skills
- Average training hours per employee : 62 hours
- RM178.3 million in salaries and benefits
- Launched Muamalat Child Care and Kindergarten for staff's children
- Employee satisfaction survey for FY2019: 3.63%
- Permanent staff attrition rate: 7.9%

Regulatory Agencies & Statutory Bodies

- Compliance with all regulatory requirements
- Relentless commitment to driving the Value-Based Intermediation initiatives
- Part of energy efficiency working community
- Lead in development of sectorial guide paper on Renewable Energy and Palm Oil
- Contribute to domestic banking and economic growth

Local Communities

- RM15.5 million has been disbursed on waqf projects
- Wakaf Muamalat collaboration with Majlis Agama Islam Negeri Kedah in October 2019
- Treated more than 10,000 patients through 4 waqf mobile clinics
- RM3.6 million fund distributed through Tabung Mawaddah for charitable activities
- RM5.96 billion of financing outstanding gives direct impact to the environment and society
- Involved in drying cabin project by BNM in Sabah which benefits 50 fishermen to increase their income from RM1.2k to RM3.4k

Business Partners

- MOU with Wahed Investment for digital investment channels
- Increase of more than 2,000 merchants in using QR payment for merchants
- Roadshows with Petronas for Vendor Financing programme

Shareholders and Investors

- Profit before tax: RM140.3 million
- Common Equity Tier I: 16.10%
- Return on Equity: 7.76%
- Return on Asset: 0.82%
- Lowest gross impairment ratio of 1.31%

Our Strategic Direction

OUR VALUE PROPOSITION

The Bank has consistently offered innovative products and services that cater to a broad market, including the underserved and unserved segments, while providing value-added services as a continuous effort to generate positive impacts to our stakeholders. As a champion of Value-Based Intermediation (VBI), we champion sustainable development throughout our operations.

We have positioned ourselves as the leading full-fledged Islamic bank offering a full suite of Shariah compliant products and services ranging from financing, deposit and wealth management products with a holistic 'cradle-to-grave' approach as an ethical Islamic Wealth Management platform.

#RISE24 Strategic Business Plan 2020-2024

Over the past year, rapid changes in our operating landscape, continued maturity of the Islamic finance industry and prevailing downward pressures on the economy have driven us to rethink our long-term strategy to ensure we achieve lasting value.

Anchored on driving growth through our traditional banking services and potential seamless banking transactions via digital offerings, we intend to transform our business to become more competitive and future-proof our organisation. While we continue to serve the traditional bank market through enhanced platforms, we will also focus on new technologies to diversify our digital offerings to cater to more sophisticated customers and millennials.

Our transformation will be guided by our Five-Year Strategic Business Plan 2020-2024, #RISE24, which replaces our previous 2017-2021 business plan. #RISE24 focuses on digitalisation to ensure we achieve firm and sustainable footing in terms of our financial performance and future business growth.

#RISE24 is defined as:

#R
Strong **Risk** Culture

#I
ICT Driven Business

#S
Shariah Innovation

#E
Earnings Oriented

Our strategic objectives under the new business plan will be driven in two phases:

Phase 1 (2020-2021)

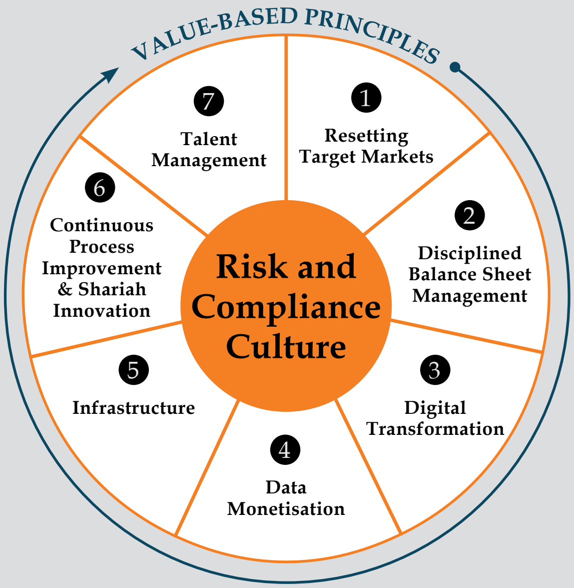
Build sustainable growth - Work towards strengthening the foundation to fuel long-term success of the Bank whilst embracing rapid change of digital technology i.e. widening range of products and services including digital offerings, increase business outreach through physical and digital platforms, explore establishment of digital bank, as well as continuous adoption of industry best practices in Value-based Intermediation (VBI).

Phase 2 (2022-2024)

Aggressively drive profitability - Drive continued growth through expansion of digital offerings and creation of digital bank ecosystem, capitalise on data monetisation to capture business opportunities and accomplish operational efficiency, and establish presence in other business i.e. retail unit trust segment and full-fledged entrepreneurship programmes.

#RISE24 is supported by seven Strategic Focus Areas ('SFA'), as follows:

Summary of Bank Muamalat's Strategic Business Plan 2020-2024 - #RISE24



1. **Resetting Target Markets**
   Determine new business areas and expansion of coverage to wider customer segment

2. **Disciplined Balance Sheet Management**
   - Optimise balance sheet expansion whilst maximising return
   - Intensive recovery plan to improve asset quality

3. **Digital Transformation**
   Journey towards establishing a digitalised bank

4. **Data Monetisation**
   Optimise data analytics for income generation and cost efficiency

5. **Infrastructure**
   Enhance infrastructure to ensure efficient service delivery and deliverables

6. **Continuous Process Improvement & Shariah Innovation**
   Improvement of processes and products for more competitive offerings

7. **Talent Management**
   Excellent talent management to support business growth

The seven SFAs are guided by the overarching principles of VBI to lead the Bank to deliver the intended outcomes of Shariah towards generating positive and sustainable impact to the 3Ps: People, Planet and Prosperity. Central to the SFAs is a risk and compliance culture to ensure that the Bank's offerings, conducts and practices adhere to all regulatory requirements.

The SFAs are supported by 24 strategies which include, among others, the Bank's expansion into better-rated customer segments, increasing the contribution of non-funded income, establishing a conducive SME business ecosystem, embarking on becoming a full digital bank, optimising on data analytics, improving asset quality, enhancing IT infrastructure, reengineering and automation of processes for better service delivery, penetrating new business opportunities through Shariah innovations and developing an agile workforce by transforming workplace culture.

Strategic Focus Areas	Objectives	KPIs	
SFA 1 - Resetting Target Market	Determine new business areas and expansion of coverage to wider customer segment	• Expand into new market segments/asset growth • Introduction of new products & services • Increase in revenue	• Increase in market share • Increase in financing for triple bottom line (TBL)
SFA 2 - Disciplined Balance Sheet Management	• Optimise balance sheet expansion whilst maximising return • Intensive recovery plan to improve asset quality	• Increase in low-cost deposit • Improvement in asset quality	• Increase in cost efficiency
SFA 3 - Digital Transformation	Journey towards establishing a digital bank	• New collaborations initiated • New automated processes	• Increase in digitalised customer base
SFA 4 - Data Monetisation	Optimise data analytics for income generation and cost efficiency	• Increase in cost efficiency • Increase in customers' product holding	• Increase in profit
SFA 5 - Infrastructure	Enhance infrastructure to ensure efficient service delivery and deliverables	• Improvement in customer satisfaction index • Reduction in customer complaints	• Expansion of business • Improvement in turnaround time
SFA 6 - Continuous Process Improvement & Shariah Innovation	Improvement of processes and products for more competitive offerings	• Increase in Shariah innovation offerings • Improve service delivery time	• High awareness and adoption of VBI principles
SFA 7 - Talent Management	Excellent talent management to support business growth	• Improve employee satisfaction index • Low employee attrition rate	• High retention of key and critical employees

Our Strategic Direction

The implementation of the Bank's strategies will require:
- Financial Capital with strong emphasis on growing retail deposits as the main source of low-cost funding while meeting liquidity requirements.
- Intellectual Capital such as software and licences, systems and procedures, including introducing Behavioural Analysis-based monitoring solutions.
- Human Capital covering our e-learning strategy leveraging on integrated Learning Management Systems (LMS), video conferencing and internally developed contents; digital economy-readiness by way of deploying e-learning content on the digital economy and role of bankers; professional and academic certification and accreditation; micro-learning; and talent pool-readiness.
- Manufactured Capital including enhancing our infrastructure for efficient service delivery and deliverables through the enhancement of customer touchpoints that cover expansion of service centres to cater to specific customer needs, as well as enhancement of our IT infrastructure.
- Social and Relationship Capital for the Bank in support of the communities we serve, with programmes giving benefits to SMEs and underserved communities leading us towards championing VBI.

Emerging Risk and How We Mitigate Them

Emerging Risk	Impact to the Bank	Strategy to Mitigate
Large-scale cyber attacks & breakdown of critical information infrastructure and networks Massive incidents of data fraud/theft & large-scale cyber attacks Adverse consequences of technological advances and large-scale cyber attacks	• Affect the Bank's growth plan especially when the Bank is moving towards digitalising 70% of its customer base • Impact the Bank's reputation • Loss of customer confidence • May affect the Bank's liquidity should customers decide to exit	• Enhance end-to-end cyber response plan and simulation plan • Increase IT security
High structural unemployment or underemployment & adverse consequences of technological advances High structural unemployment or underemployment & profound social instability	• Affect asset quality • Affect deposits which subsequently will affect liquidity	• Review credit underwriting – i.e. customer selection and selection of industry segments • Enhance collection strategy, embark on technology and customer collection scoring • Increase reliance on technology, as well as artificial intelligence (AI) for risk analytics
Failure of regional or global governance & inter-state conflict with regional consequences	• Affect capital and liquidity levels • Affect the volatility of currency and interest/profit rates resulting in margin pressure • Disappearance of markets	• Rigorous management of positions in currencies (short-term instead of long-term) • Close monitoring on financing for early warning triggers

Emerging Risk	Impact to the Bank	Strategy to Mitigate
Failure of a major financial mechanism or institution & asset bubbles in a major economy	• Drop in asset value resulting in higher capital requirements • Increase in credit defaults	• Review credit underwriting – i.e. customer selection, selection of industry • Enhance collection strategy, embark on technology, customer collection scorings • Increase reliance on technology, AI for risk analytics
Extreme weather events and failure of climate-change mitigation and adaptation	• Affect the entire supply chain of customers, especially those in agriculture • Affect operations of branches	• Provide special financing moratorium • Business continuity plans

ADOPTING CLIMATE ACTION

As the only Islamic Banking member of the Global Alliance for Banking on Values (GABV), Bank Muamalat is committed to combat climate change and has pledged to align its carbon footprint with the Paris Agreement. In line with this, we have committed to disclose the climate impact from our portfolio of financing and investments within the next three years.

During the GABV Annual Meeting 2020 in Switzerland, the Partnership for Carbon Accounting Financials (PCAF) and General Council for Islamic Banks and Financial Institutions (CIBAFI) signed an MoU to enable Islamic banks to measure and disclose the greenhouse emissions of financing and investment portfolios. PCAF and CIBAFI will collaborate in the development of bespoke carbon accounting methods, which Islamic banks can use to measure portfolio emissions. The methodology will be prepared by CIBAFI with support from its members in collaboration with PCAF. Bank Muamalat, being the only Islamic Bank GABV member, has expressed its support to be the pilot bank to subscribe to the PCAF initiative, whereby we commit to measure emissions of our financing and investment portfolios.

In line with our pledge to GBAV, we have introduced the following initiatives:

- Risk Appetite Statement: States that Bank must have a total asset composition in Real Economy and Triple Bottom Line (TBL) intermediation activities of no less than 40% and 10%, respectively.
- Additional Criteria for Credit Assessment: The Bank will review and construct a new Risk Assessment Framework for future on-boarding of customers based on the sectors' risk level as highlighted in the BNM VBI Financing and Impact Assessment Framework.

LONG-TERM VIEW

The Bank is determined to be more dynamic and build from its fundamentally strong pillars of its customers and people that reflect our focus and effectiveness in developing human capital with competitive, prudent and visionary leadership qualities. Thus, in line with our aspiration to strengthen the Bank's sustainability with fresh and innovative ideas, we will adopt a greater focus on driving higher revenues and new customer streams, with prudent management of cost saving initiatives.

We will further leverage on our long-term strategy to intensify penetration into new unique markets, ensure existing market segments, such as our traditional customers, are not left behind and address new market segments such the millennials, rebuild our SME products/programmes to expand market share and use digitalisation as an enabler for business diversification, including international trade and cross-border transactions.

Retail Banking

RM512.4 million

TOTAL REVENUE
year to date

5.0%
against 9-month period ending
31 December 2018

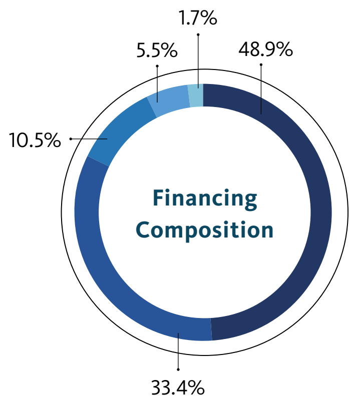
RM10.7 million

PROFIT BEFORE TAX
year to date

79.5%
against 9-month period ending
31 December 2018

Financing Portfolio by Product

	(RM Million)
Mortgage Financing	186.8
Personal Financing	219.3
Vehicle Financing	23.7
ASB Financing	35.3
Ar-Rahnu Financing	13.3



	Financing Outstanding (RM Million)	No. of Customers
Mortgage Financing	4,918.7	29,652
Personal Financing	3,357.0	71,830
Vehicle Financing	554.1	20,994
ASB Financing	1,052.1	12,188
Ar-Rahnu Financing	170.3	27,717

CONSUMER BANKING

The year 2019 remained challenging as the operating environment was affected by softer economic growth, heightened uncertainties and continued downside risks from both external and domestic factors. These, in turn, impacted business sentiments and the growth of the banking sector. Banks witnessed further downward pressure on their earnings following the 25 basis-point reduction of the Overnight Policy Rate (OPR) in May 2019.

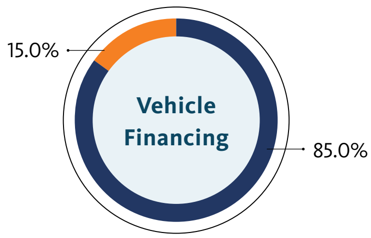
Despite the difficult operating conditions, our Consumer Banking segment continued to demonstrate its resilience and ability to navigate through challenging times. The segment drove stable financial performance for the nine-month period to 31 December 2019 (FY2019), with the segment registering revenue of RM512.4 million and a pre-tax profit of RM10.7 million.

The Consumer Banking segment also continued to lead in its asset quality, with its impaired financing ratio declining to 1.60%. This was achieved against the difficult operating conditions with rising household debt among Malaysians. In the face of challenges from multiple fronts during the year, the segment remained focused on growing its core business through mortgages, personal financing, auto financing, ASB financing, Ar-Rahnu, wealth management and deposits.

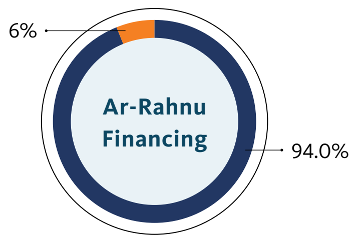
Consumer banking revenue accounted for 53.7% of the Bank's total revenue in FY2019, recording a negative growth of 22.1%. This was mainly attributable to slowing growth in financing and customer deposits, partially offset by the impact of the OPR reduction as well as the continuous competitive environment in the Bank's financing business. Financing income which dropped 23.1% to RM476.0 million accounted for 68.8% of the Bank's total financing income in FY2019. The decrease in financing income followed declines in financing volumes which aggravated the effects of a decline in our profit margin to 3.38% in 2019 from 3.41% in 2018. Fee and commission income decreased by 6.9% or RM2.7 million to RM36.4 million, with higher contribution from Ar-Rahnu and wealth management activities.

Financing by Segment

- **PPK** — **42.3%**
  - 1,418.6 mil
  - 35,529 (NOA)
- **3P** — **38.8%**
  - 1,302.0 mil
  - 27,121 (NOA)
- **3PS** — **16.8%**
  - 564.5 mil
  - 8,230 (NOA)
- **CASH-i** — **2.1%**
  - 71.8 mil
  - 950 (NOA)



- **National**
  - 472.2 mil
  - 18,441 (NOA)
- **Non-National**
  - 81.9 mil
  - 2,553 (NOA)



- **Ar-Rahnu Financing**
  - 159.8 mil
  - 26,193 (NOA)
- **Ar-Rahnu Gold-i**
  - 10.4 mil
  - 1,524 (NOA)

Property Type

Landed
87%
23,373 (NOA)
4,262.8 Million

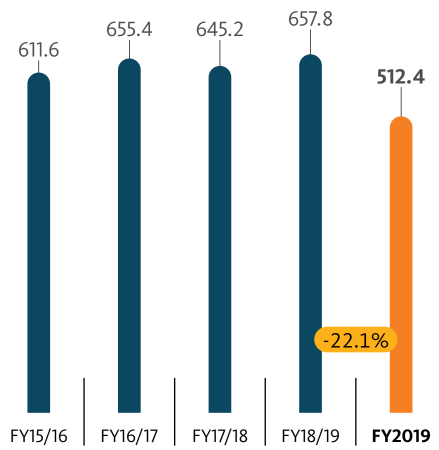
Non-Landed
13%
6,279 (NOA)
655.9 Million

Property Description

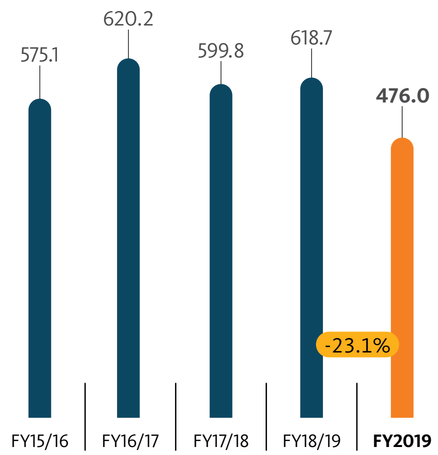
Residential
92%
28,346 (NOA)
4,536.0 Million

Commercial
8%
1,306 (NOA)
382.6 Million

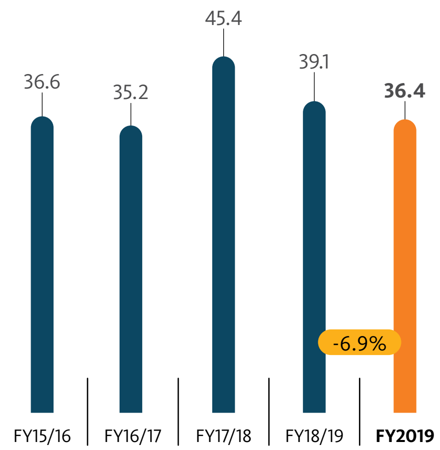
Revenue
(RM Million)



Financing Income
(RM Million)



Fee Income
(RM Million)



Retail Banking

CONSUMER FINANCING

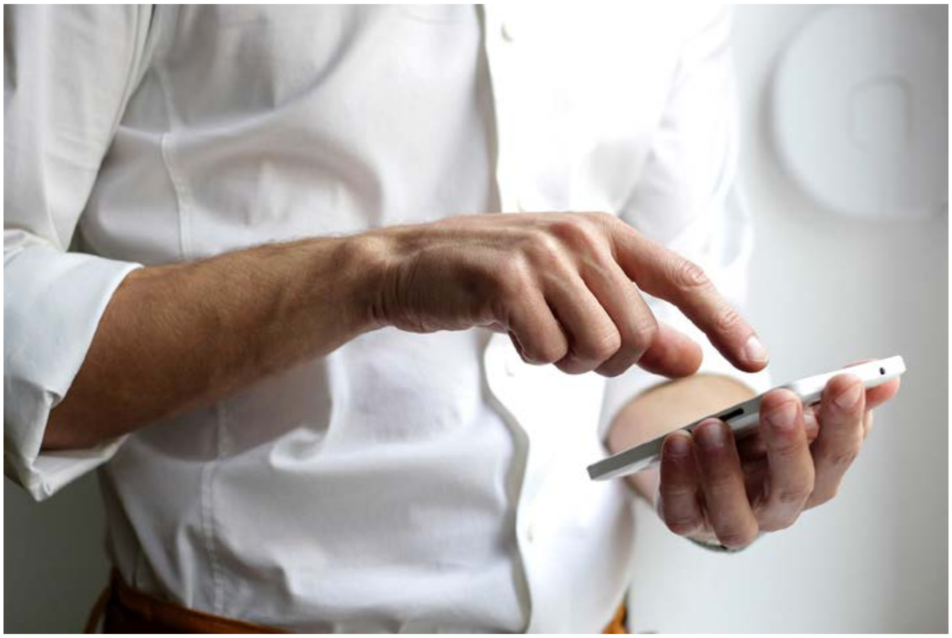
The Consumer Banking segment remained focused on pursuing its momentum in financing growth during the year. However, total outstanding financing grew at a slower pace of 2.3%, or RM225.1 million, to RM10.23 billion as at 31 December 2019, in line with moderate financing growth in the domestic banking industry following the more subdued market sentiment.

Our financing portfolios of Consumer Banking segment comprise:

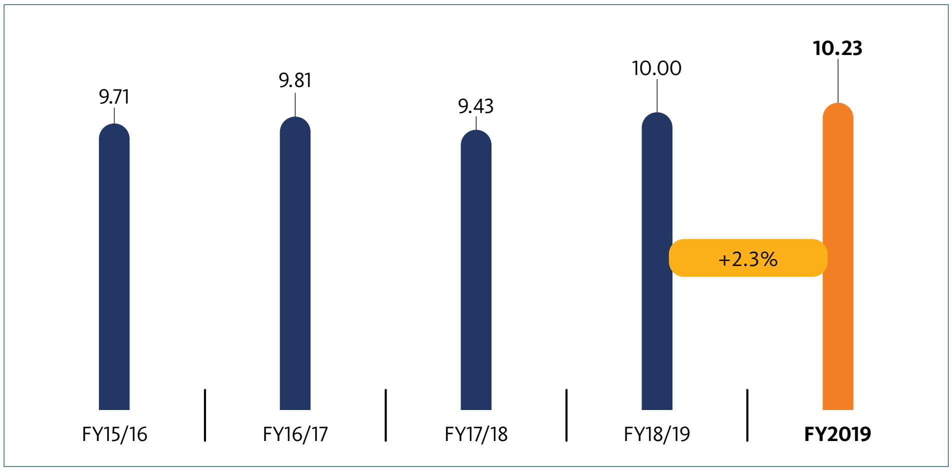
- Mortgage Financing
- Vehicle Financing
- Personal Financing
- ASB Financing
- Ar-Rahnu Financing

Our financing growth continued to be propelled by financing for purchases of ASB Shares. Other financing products such as residential properties, personal financing as well as auto financing recorded negative growth in FY2019.

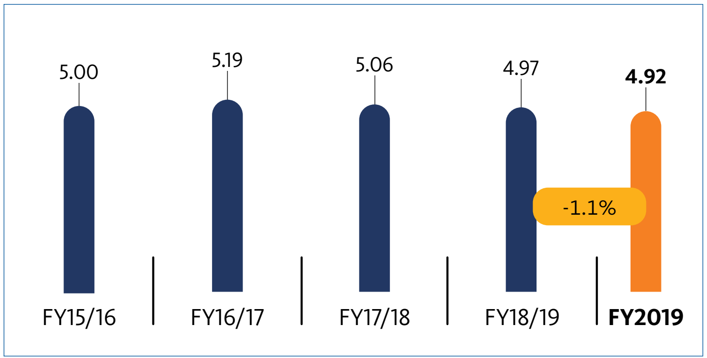
With total assets of RM10.23 billion, Consumer Banking remained the biggest contributor to the Bank's asset portfolio, at 63.9%. Mortgage financing continues to account for the largest share of our Consumer Banking financing assets, with 48.1%, followed by Personal Financing with a 32.8% share.



Financing Asset - Outstanding
(RM Billion)



Mortgage - Outstanding
(RM Billion)



Mortgage Financing

The property market remained soft in 2019 largely due to the property overhang in the country, mismatch of supply and demand as well as cautious consumer sentiments. In order to assist home buyers and stimulate the lacklustre residential property market, the Government launched the Home Ownership Campaign during the year, which offered incentives such as stamp duty exemption and discount on house purchase price.

Performance Review

In view of stiff competition, narrowing margins and stricter regulations, the Bank's consumer financing to the property sector recorded negative growth of 1.1%, or RM53.0 million lower, to RM4.92 billion as at December 2019. Consumer Banking remains focused on the mass market segment with the majority of its financing granted for properties priced between RM100,000 and RM500,000, where the focus remains on landed properties (87% of our portfolio) compared to non-landed properties (13%).

Product and Marketing Initiatives

The Bank's flagship mortgage products in the residential property segment are the SMART House scheme and SMART Solution package. These financing products accounted for more than 77% of all financing approved for property financing in 2019. As a strong supporter of Bank Negara Malaysia's (BNM) priority sector lending to provide financing for affordable homes, the Bank has extended financing amounting to RM3.4 million to this segment as at the end of 2019.

We have also successfully improved our position as the Islamic financing provider of residential properties in Malaysia through our new risk-based pricing structure and by offering better product features to provide more choices and benefits to the customers. This was achieved through close support and relationship with reputable property developers, solicitors, property valuers and real estate agents. To sustain its growth momentum, the Bank will continue to improve the productivity of our sales force and maintain efficient financing service delivery.

We will continue to pursue growth in the property financing segment by focusing on the broader-based mass market and home mortgages for owner occupation through our SMART House scheme and SMART Solution package. This is in line with 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 promotions with developers, residence associations and management corporations.

Personal Financing

The Bank's Personal Financing-i product is tailored for the staff of Government agencies, statutory bodies, Government-linked corporations and large corporations. To date, the Bank has established mutual arrangements with more than 50 entities. In recent years, BNM's continued close monitoring of the exposure of household debt among Malaysians and imposition of stringent policies on personal financing, which are designed to rein in household debt, have continued to impact the personal financing segment.

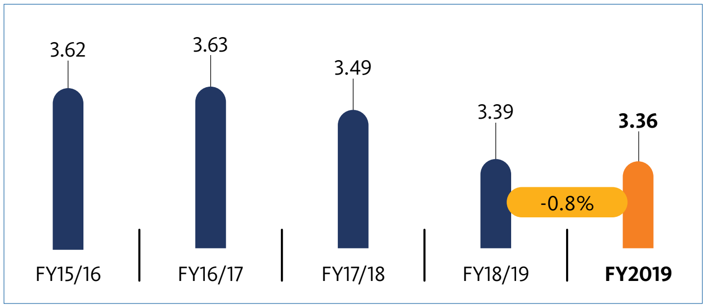
Performance Review

As at the end of 2019, total outstanding personal financing stood at RM3.36 billion, a 0.8% drop from 2018 in line with the Bank's adoption of more stringent financing criteria consistent with BNM's prudential measures. We have focused our personal financing portfolio on the financial planning product segment as follows:

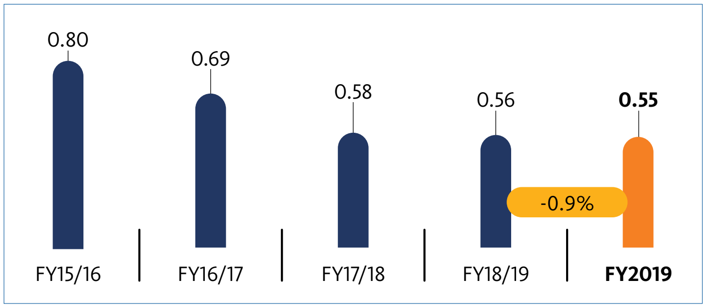
- Pembiayaan Pengurusan Kewangan (PPK) – RM1,418.6 million/ 42.3% (35,529 accounts)
- Pembiayaan Peribadi Pesara (3P) - RM1,302.0 million/ 38.8% (27,121 accounts)
- Pembiayaan Persediaan Persaraan (3PS) – RM564.5 million/ 16.8% (8,230 accounts)
- Pembiayaan Tunai (Cash-i) - RM71.8 million/ 2% (950 accounts)

Retail Banking

Personal Financing - Outstanding
(RM Billion)



Vehicle Financing - Outstanding
(RM Billion)



Product and Marketing Initiatives

As a responsible financier, the Bank supports the Government's and BNM's initiatives to promote sound and sustainable household debt repayment capabilities. In line with the adoption of more stringent financing criteria, the Bank continues to focus on financial planning and education programmes through collaboration with Government agencies and organisations in marketing the PPK, 3P and 3PS financial planning products. These financing products accounted for more than 90% of all financing approved for personal financing in 2019.

To further improve asset quality, the Bank has also introduced a new personal financing product which targets high income earners and better rated customer segments.

Vehicle Financing

The domestic automotive industry hit a number of speed bumps in 2019 on the back of volume decline due to weakened consumer sentiments amid a tepid economic environment caused by amongst others, fear of price hikes, job insecurity and rising cost of living. In general, consumers were cautious on big ticket item spending such as vehicles partly due to the weaker Ringgit and rising cost of living.

Performance Review

Vehicle financing accounts represent 6% of the Consumer Banking segment's total financing portfolio. In line with the contraction in the automotive industry, the Bank's vehicle financing decreased marginally by 0.8%, or RM0.55 million, to RM554.1 million as at the end of 2019. However, we continue to uphold our financing position in this business segment whilst maintaining a better-than-industry asset quality. The portfolio's gross impaired financing ratio improved to 0.37% as at the end of 2019, from 0.49% a year ago. This is a testament of our well-established prudent financing policies and credit practices.

Product and Marketing Initiatives

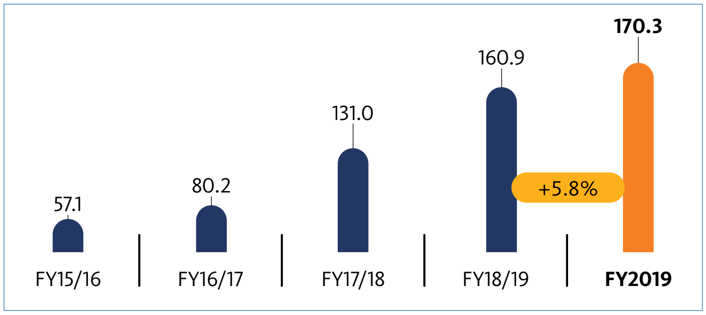
The Bank drives market share and business growth through close business collaboration with auto dealers and distributors nationwide, especially for our national Proton and Perodua cars. Together with these business partners, we have participated in more than 22 sales promotions, car sales carnivals and roadshows nationwide as well as initiated various tie-up programmes during the year.

To support efficient financing delivery and maintain close rapport with business associates and customers, we have also centralised our sales team into 11 Auto Centres nationwide. These touchpoints are strategically located to support efficient financing delivery and provide personalised customer service to customers and business associates.

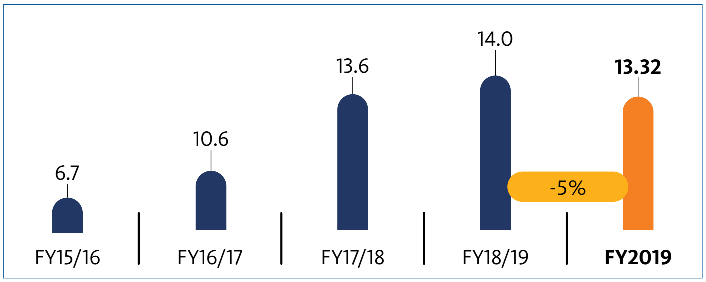
Ar-Rahnu - Islamic Pawn Broking

As an alternative to conventional pawnbroking, Ar-Rahnu - Islamic Pawn Broking provides instant and easy cash of up to RM1,000,000 based on Shariah principles. This has been one of our most successful products since its introduction in 2008. This Ar-Rahnu service is provided throughout all Bank Muamalat branches nationwide.

Ar-Rahnu Marhun - Outstanding
(RM Million)



Ar-Rahnu Income
(RM Million)



Performance Review

Through our 65 Ar-Rahnu outlets, this segment contributed 2.6%, or RM13.3 million, in total Consumer Banking income in FY2019 against the budget of RM20.0 million. The shortfall was attributable to challenges posed by stagnant gold prices and aggressive competition. In response to this, we introduced the Jom Pindah Ar-Rahnu & Menang 1kg Emas Campaign from October to December 2019 to boost sales.

Product and Marketing Initiatives

Gold products accepted under Ar-Rahnu - Islamic Pawn Broking are jewellery, gold bars, gold coins, and gold accounts. As one of our successful products, Ar-Rahnu has recorded significant growth and received outstanding demands from Muslims and non-Muslims alike. This provides growth potential for Ar-Rahnu to compete with conventional pawn shops which have a long history in this country. Ar-Rahnu services offer a transparent transaction and provide cheaper alternative channel to the public as compared to conventional pawnbroking which operates on interest-based profit.

To further strengthen our Ar-Rahnu position in the market and to provide a more convenient and fast service to customers, the Bank will upgrade the facilities of the existing 42 Ar-Rahnu counters to become Ar-Rahnu Centres (with minimum of two (2) dedicated tellers and two (2) officers). We will also diversify our market segment to individuals, gold traders, retailers and SMEs by providing short-term financial solutions.

Amanah Saham Bumiputra (ASB) Financing

We were appointed as an ASNB agent on 15 January 2018 and subsequently launched ASB Financing in March 2018. The product financing is a special arrangement between PNB, Ministry of Defence and Ministry of Home Affairs specific for Police and Armed Forces with the objective of educating and inculcating the saving habit and enhancing financial literacy levels amongst members, especially the lower income group.

Performance Review

In our second year of offering ASB financing, we recorded a disbursement of RM280.0 million, with total ASB financing outstanding as at FY2019 reaching RM1.05 billion. Although we expect a further squeeze on margins arising from intense competition and higher costs of compliance, we remain optimistic and expect to maintain decent growth from the positive momentum achieved in 2019.

Product and Marketing Initiatives

During the year, we focused on offering ASB financing to the Armed Forces due to the limited fund allocation from PNB. A number of briefings on financing planning and ASB investment were conducted at selected Army Camps. Through close collaboration with Armed Forces management, ASB Financing has received good response from the segment throughout Malaysia.

Anticipated Risks and Prospects

We see both risks and opportunities across our Consumer Banking segments, with challenges stemming from the weak economic environment. For our mortgage financing segment, we expect the property market to continue expanding at a moderate pace on account of the lacklustre economic environment. The incoming supply of new properties over the next two years will further dampen the weak consumer sentiment as buyers continue to adopt a wait-and-see approach in anticipation of lower selling prices. Meanwhile, banks will face further margin compression resulting from the lower benchmarked interest/profit rates, hence posing further downside pressure on earnings.

This backdrop has further been compounded by the onslaught of the COVID-19 pandemic, which has weakened economic and consumer sentiments further and is expected to cause even slower demand for home financing. Nevertheless, the various fiscal and monetary measures introduced by the Government, such as the OPR reductions, six-month loan/financing moratorium and the RM260.0 billion Prihatin Economic Stimulus Package aimed at supporting consumer spending and domestic demand, are expected to enable consumer segments to recover from the COVID-19 economic crisis.

Despite the challenging business environment in 2020, the Bank will strive to improve its financing position in the residential property financing market by focusing on the fixed income earner and middle to high income market segment, particularly home mortgages for owner-occupied under SMART House Scheme and SMART Solution Package.

Retail Banking

The Bank will also continue to promote financing of affordable housing backed by competitive pricing and flexible financing product packages under the Skim Jaminan Kredit Perumahan and Skim Rumah Pertamaku packages. The Bank will remain disciplined and prudent in its credit underwriting; continue to be vigilant and proactive in its recovery of impaired financing whilst pursuing growth opportunities.

In our personal financing segment, we will remain disciplined and prudent in our credit underwriting as well as continue to be vigilant and proactive in our recovery of impaired financing whilst pursuing growth opportunities in the portfolio by focusing on better rated customer and high income earner market segment.

We will strengthen our position and improve asset quality through collaboration with corporate employers to facilitate the financing payment via salary arrangement at source.

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 exerting pressure on price resulting in continued interest/profit margin squeeze.

The COVID-19 outbreak and the resulting economic impact will reduce consumer demand in the short-term, dampening vehicle sales and deferring spending on non-essential maintenance. The Malaysian Automotive Association has revised its total industry volume forecast for 2020 from 607,000 units in 2019 to 400,000 units due to the COVID-19 outbreak, which has resulted in temporary closure of car showrooms and production shutdowns taking effect from Movement Control Order announced by the Government in March 2020.

Collectively, these are expected to impact financing demand. Against this backdrop, we will strive to improve our vehicle financing segment by leveraging on our established market presence and close collaboration with business partners. We will also strive to enhance our penetration rate in target growth segments such as new passenger vehicles and selected popular model of big bike motorcycle segment.

Moving Forward

Banks headed into 2020 with the following key risks: weaker financing demand; net interest/profit margin (NIM) pressures from possibly more rate cuts; falling non-interest/non-profit income due to muted capital markets and digital disruptions; and elevated credit costs from pockets of asset quality stress.

The unexpected pandemic COVID-19 has inflicted significant economic disruption across the world as most countries, including Malaysia, have taken unprecedented but necessary control measures such as country lockdown and movement control to contain the spread of the outbreak. In view of this extremely challenging condition, the Malaysian Government and Bank Negara Malaysia have implemented substantial fiscal measures, as well as financial and monetary support to mitigate the downside pressure on the nation. The Bank has also joined collaborative efforts and played its part as a responsible corporate citizen by offering financing moratorium to customers and providing monetary contributions to provide relief to the community.

Our focus in 2020 is on striving for top-line growth and achieving bottom-line results, strengthening our financial foundation, prudent asset management and banking practices, sustaining growth and delivering a commendable financial performance, embarking on operational excellence and transforming into a high performance and agile organisation.

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 centralise some activities and services. Additionally, we will offer differentiated customer experiences for each segment.

We will also look at opportunities for digitisation across the consumer products which will include developing digital capabilities to improve the overall customer experience at all touchpoints. 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 financing practices and enhanced collection capabilities across all products. We are confident that we are well-placed to capitalise on opportunities and address challenges which may arise in 2020 from a position of strength.

WEALTH MANAGEMENT

Our Wealth Management Department provides a unique proposition to meet customers' personal and financial wellbeing. We maximise stakeholders' wealth through multiple channels of distribution and innovative product dynamics, which are in line with Maqasid Shariah. We have established trustworthy, professional and value-based advisory services that adhere to Shariah and risk and compliance parameters in leading our customers to improve their quality of life and preserve financial security for generations.

We also focus on offering inclusive non-financial products, which cover all stages of a person's lifetime.

INVESTMENT

PERTH MINT GOLD
- MG i Physical
- MG i Account

UNIT TRUST (UT) (*PNB/ Ifast/ AmInvest)
- UT Cash
- UT EPF
- Private Retirement Scheme (PRS)
- Muamalat Mutual-iPower Combo (MMI)

Note
* *Denotes third party products*

FAMILY TAKAFUL

Family Takaful (*Takaful Ikhlas Berhad)
- M Kasih Amal
  Rider
  - TPD Rider
  - TPD Waiver
  - CI Rider
  - CI Waiver
  - Medical Rider
- M Kasih Siswa
  Rider
  - Payor Savings
  - Term for Payor
  - Critical Illness
  - Hospital Income

GENERAL TAKAFUL

General Takaful (*Takaful Ikhlas Berhad)
- Ikhlas Motor Takaful
- Non-Motor Takaful Retail
  - Ikhlas Home Protect (Houseowner/ Householder)
- Non-Motor Takaful Commercial
  - IKHLAS Fire Takaful
  - IKHLAS Fire Plus Takaful
  - IKHLAS Fire Protect Takaful
  - IKHLAS Fire Consequential Loss
  - IKHLAS Contractor All Risk
  - IKHLAS Workmen Compensation
  - IKHLAS Comprehensive Perils Takaful
  - IKHLAS Comprehensive Equipment Takaful
  - IKHLAS Public Liability Takaful
  - IKHLAS Marine Cargo
  - IKHLAS Machinery Breakdown

DAILY BANKING

Estate Planning (*as-Salihin Trustee Berhad)
- Wasiat
- Pre-Hibah
- Harta Sepencarian
- Tabung Amanah
- Estate Administration
- Waqf

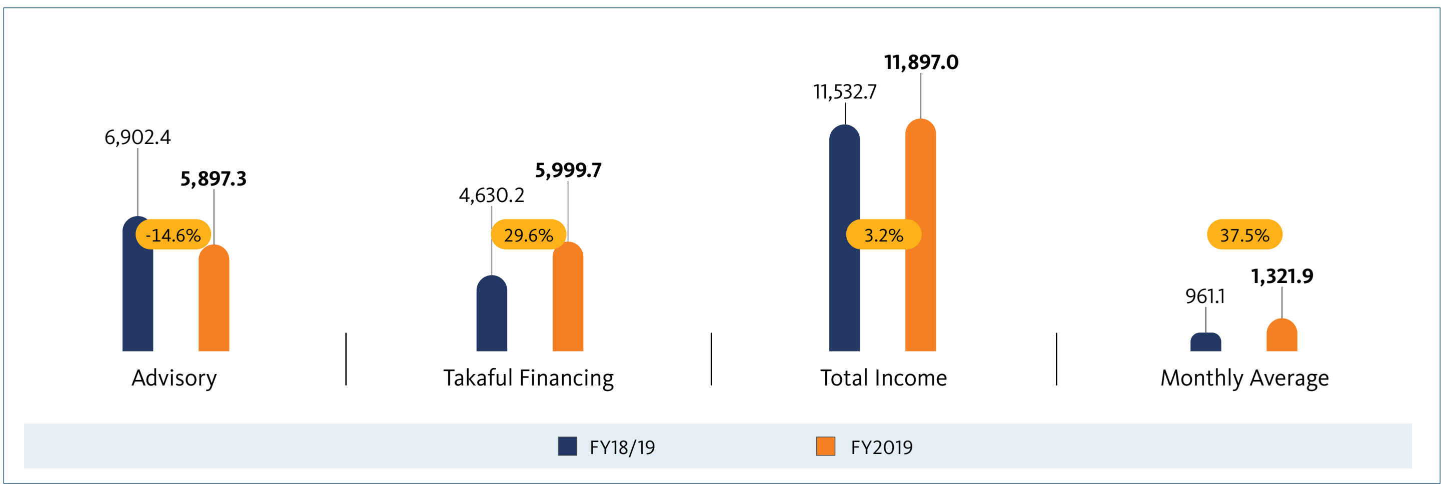
Estate Planning (*MyAngkasa Amanah Berhad)
- Wasiat
- Estate Administration

Estate Planning (*Amanah Raya Berhad)
- Wasiat
- Estate Administration

Non-Financial Product
- M Jannah Pengurusan Jenazah (*Bumijez)
- Kelas Mengaji Al Quran (*Beana Home Quran / *Al-Baghdadi)
- Travel Services / Halal Travel (*Tradewinds)
- Badal Hajj (*Tradewinds)

For FY2019, the wealth management business registered a total income of RM11.89 million, an increase of 3% from the 12-month period ended FY18/19, while average monthly income rose 37%.

Total Income
(RM'000)

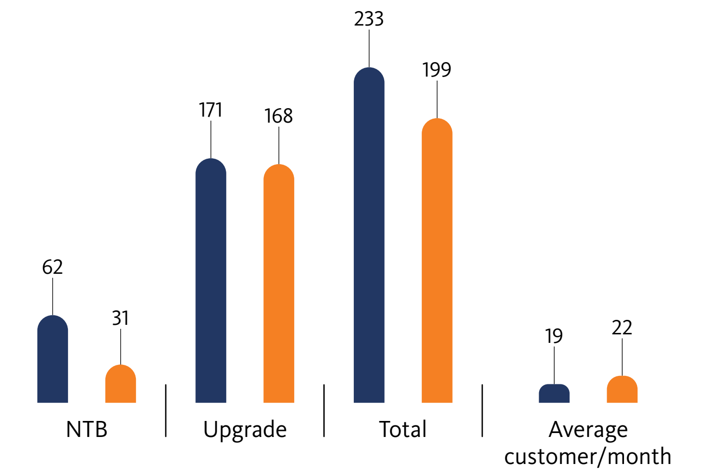


Retail Banking

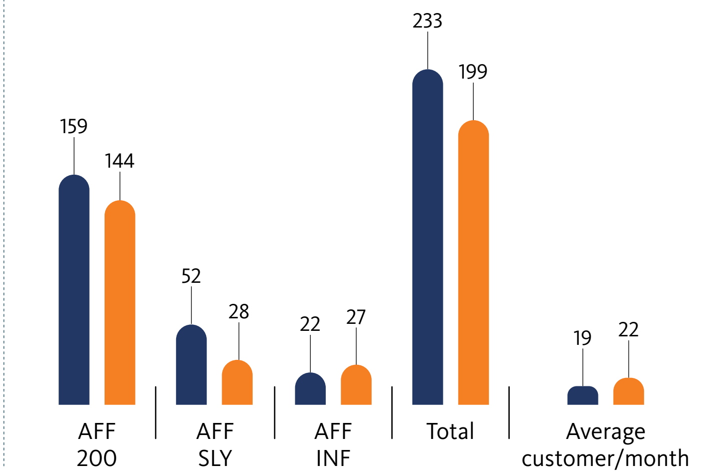
AFFLUENT BANKING

The average new customer acquisition per month for our Affluent Banking segment rose to 22 customers from 19 customers acquired in FY18/19, with total deposits grew by 133% to RM251.0 million. Average monthly deposits rose approximately three (3) times from RM8.99 million in FY18/19 to RM27.9 million in FY2019. In the affluent category, the distribution of deposits was almost equal among FTA, CA and SA.

No. of Affluent Customers

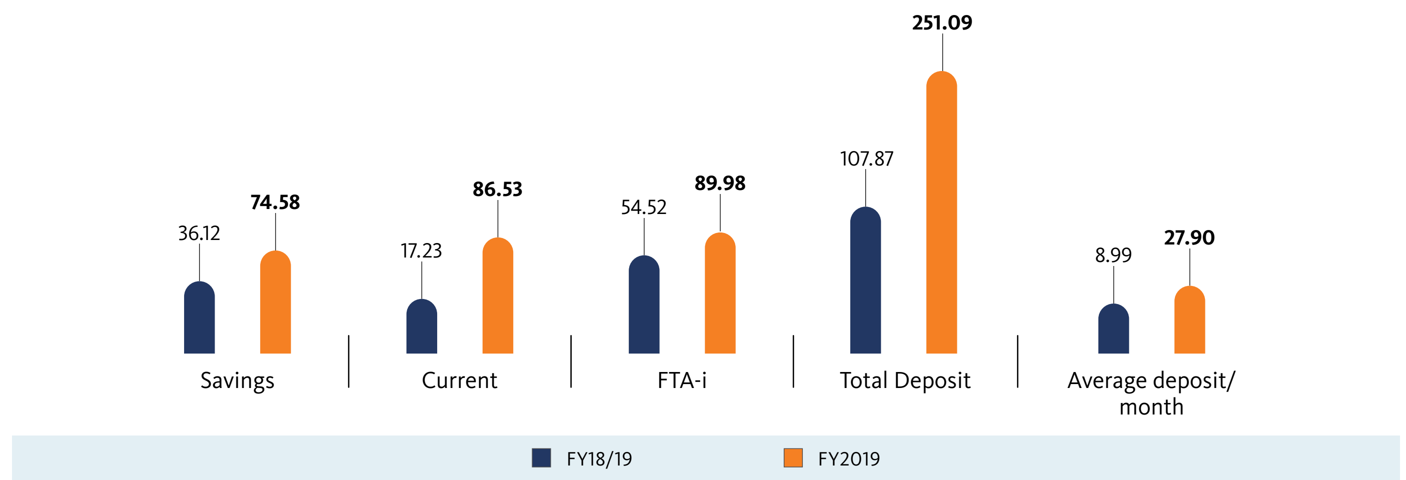


Affluent Customer by Category



AFF 200: Affluent customers membership based on RM200,000 CASA deposit
AFF SLY: Affluent customers membership based on Annual Income of RM300,000 p.a.
AFF INF: Affluent customers membership based on influential basis (e.g. top government/company position)

Deposits by Affluent Customers
(RM Million)

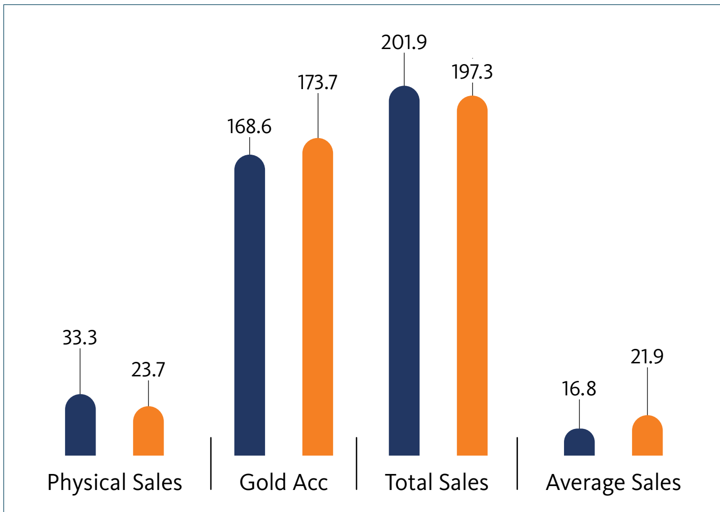


MUAMALAT GOLD-i ACCOUNT

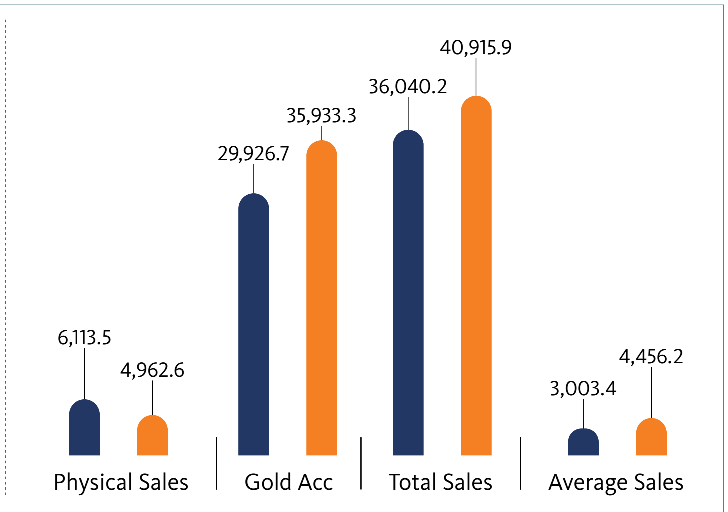
Our Muamalat Gold-i Account was introduced in 2017 and has made investment in gold accessible to the middle and lower-income group by providing the opportunity to invest affordably from a minimal investment of only RM10. Investment in the Gold Account has steadily become more popular as compared to physical gold purchases, as illustrated in the following graphs, which depicted that the average volume of physical gold and gold accounts purchased in FY2019 was 2.6kg (RM551,000) and 19.2kg (RM3.9 million), respectively.

For FY2019, this business recorded an average sales of 21.9kg per month as compared to 16.8kg sold monthly in FY18/19.

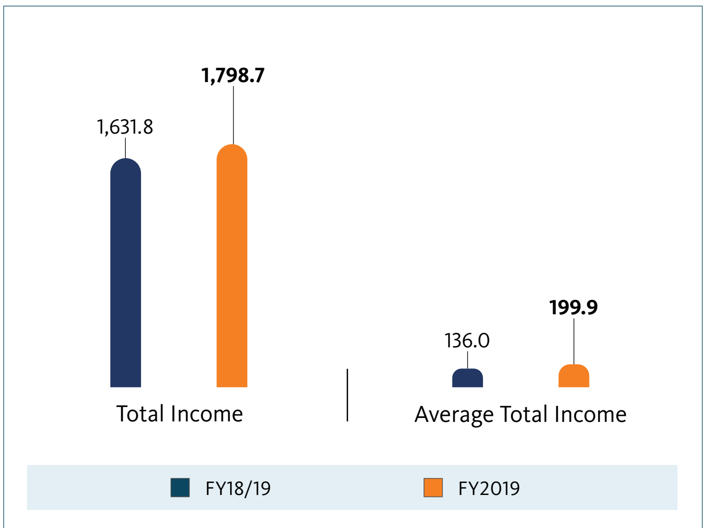
Total Gold Sales & Monthly Average
(kg)



Total Gold Sales & Monthly Average
(RM'000)



Total Gold Income & Monthly Average
(RM'000)



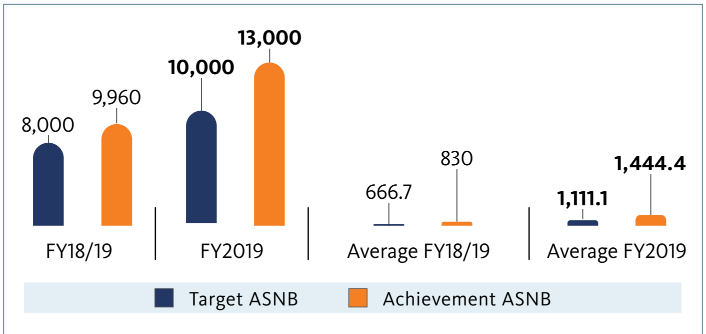
To promote Value-Based Intermediation (VBI) initiative by BNM towards achieving inclusive prosperity, the Retail Banking has rolled out gold purchasing through the Bank's retail internet banking platform and had enhanced the system to allow for 24-hour transactions to provide customers the convenience of buying gold from the comfort of their own homes. The minimum gold purchase has been maintained at RM10. We are also exploring the possibility of developing or enhancing the mobile application to enable customers to purchase gold via mobile apps and at minimal cost to the Bank.

Retail Banking

AMANAH SAHAM NASIONAL BERHAD (ASNB)

In our second year as an ASNB agent, we surpassed ASNB's target for sales of RM10.0 million to reach RM13.0 million. This also exceeded our sales of RM9.5 million registered in the previous year. The performance was supported by monthly average sales of RM1.4 million from RM830,000, representing an average increase of nearly 70%.

ASNB Sales
(RM'000)

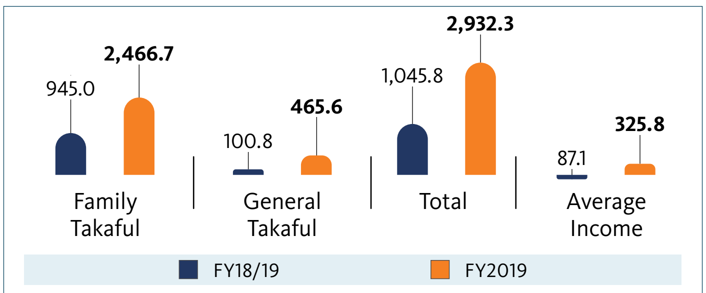


WEALTH PROTECTION

We are currently providing Family and General Takaful products under our Wealth Protection portfolio. During the year, income from Family Takaful improved more than 160% due to strong campaigning and uptake of our key Family Takaful product namely, M-Tiara Invest Shield, which contributed over RM600,000, or almost 25%, towards total income. Our average income from Family Takaful has risen nearly three (3) times from FY18/19.

Commission from General Takaful rose over 360% from FY18/19, mainly contributed by increased in Fire Houseowner policies take-up, which account for more than 90% of total income. The increase in Fire Houseowner policies take-up was in line with the increase in home financing.

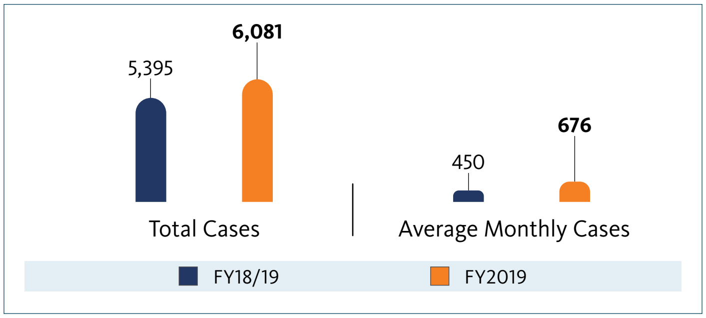
Takaful Income
(RM'000)



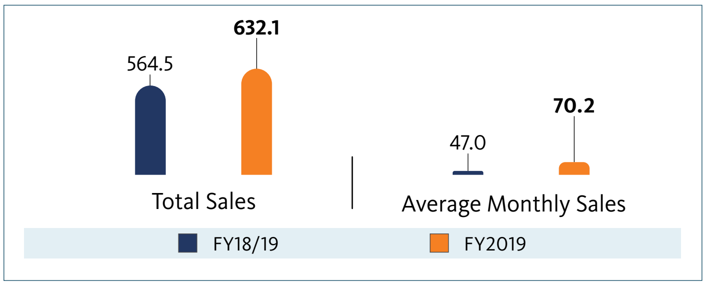
NON-FINANCIAL PRODUCTS

M-Jannah is one of our non-financial products that provide aid in funeral management services, which aims to provide peace of mind to bereaved families when death befalls on a family member. We registered an average monthly of 676 new registrants in FY2019, reflecting a 50% increased from FY18/19, while average monthly sales performance grew almost 50%, registering RM70,234 as compared to average monthly sales of RM47,044 in FY18/19.

Total Cases of M-Jannah



Total Sales of M-Jannah
(RM'000)



Product and Marketing Initiatives

Our Gold Cashback Campaign was held from 17 June to 16 September 2019, offering customers RM5 cashback for monthly minimum gold purchases of RM200 in their Muamalat Gold-i Account in single or multiple purchases. The campaign recorded RM9.1 million in sales of gold amounting to 44kg, bringing in close to RM400,000 in fee income.

We also introduced our Zam Zam Alakazam Gold Campaign from 1 October to 31 December 2019 for new existing customers of our Muamalat Gold-i Account and Physical Gold. The campaign offered cashback of RM1 per gram for every gold purchase of 50g and above. It surpassed the Bank's target by over 40%, registering revenue of RM24.8 million and more than RM1.0 million in fee income.

Anticipated Risks and Prospects

We anticipate a new business landscape emerging amid the current global economic uncertainties weighing on customer behaviour and needs. In view of this, we will continue to develop innovative Islamic Wealth products which meet customers' needs while delivering on our value proposition. A further challenge we face is in our system-readiness and the cost-effectiveness of providing efficient digital-based platforms to enhance the customer experience.

In response to growing competition from non-bank players, we will undertake branding awareness to reach a potential new base of customers.

Moving Forward

We intend to maintain our focus and further develop gold as our flagship wealth product, leveraging on its characteristic as a safe haven from the volatile equity markets. We will also explore collaborations with other gold vendors and suppliers to enhance our product offering and expand our digital platform at minimum cost.

To support our product offerings, we will collaborate with a trust company that provides Islamic trust services such as wasiat/will writing and allows customers to amend their comprehensive wasiat/will online.

We will further leverage on the internet and digital banking to provide easier and faster access to our Islamic Wealth Management products. This will also enable us to reach a broader customer base, particularly the younger generation. In line with this, we will work closely with our Marketing and Branding team to heavily promote our products on social media platforms and continuously hold innovative campaigns to spur interest among the public for wealth products.

Retail Banking

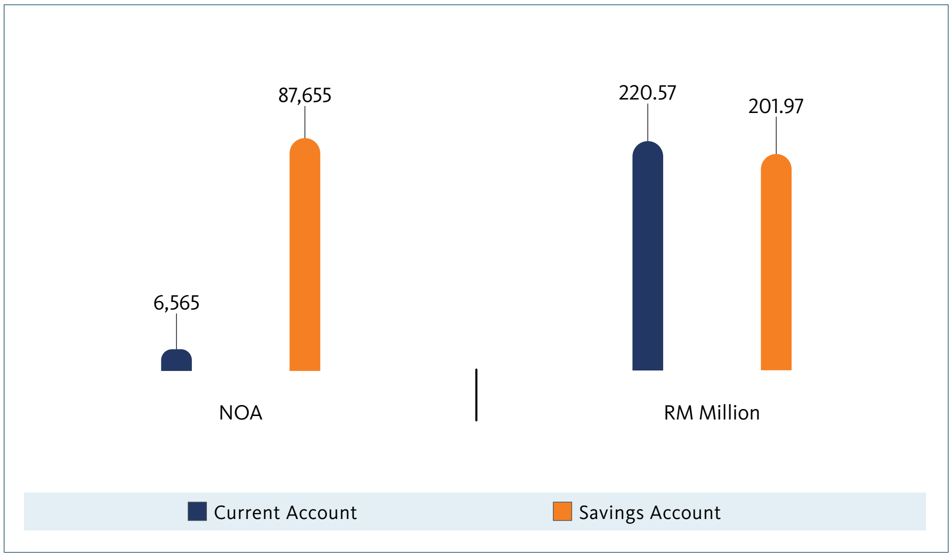
DEPOSITS AND MARKETING

The Deposit and Marketing Department continues to focus on Current Account/ Savings Account (CASA) growth to spur the cheaper cost of funds as well as managing our liquidity requirements. We offer unique propositions to further acquire deposits from retail, government and corporate segments. The initiatives have successfully contributed to the growth of our overall deposit base for Current Account and Savings Account by 12% and 5% respectively.

Increasing the Bank's deposits by acquiring new-to-bank (NTB)/fresh fund by end of FY2019 as well as retaining existing depositors were the strategies embarked.

For the year in review, the recorded total NTB funds are as follows:

NTB Funds



CASA

Our Current Account balance stood at RM4.44 billion as at end of December 2019 from RM3.96 billion registered in March 2019, contributed mainly from the Federal and local Government segments, corporates and GLCs. Savings Account also registered growth from RM1.39 billion to RM1.46 billion during the same period. This was achieved through aggressive marketing campaigns and promotions especially for Muamalat Salary Scheme (MuSS), Kaw Kaw Campaign, Wang Jaminan Mahkamah (WJM), and ASB Deposit Account (ADA) products.

FIXED-TERM ACCOUNT

We are encouraging existing FTA to convert to CASA by offering attractive prizes through campaigns. Therefore, fixed-term account recorded negative growth from RM10.55 billion to RM9.77 billion. Our Fixed Term Account registered a reducing trend by -7.39%, against last FY target. Nevertheless, the total number of FTA account holders still remain unchanged.

Product and Marketing Initiatives

During the year in review, we launched our Save & Win Kaw Kaw Campaign to promote CASA, eligible for new and existing customers aged 18 years and above, as well as associations, clubs, societies, schools, sole proprietorships and partnerships. To encourage customers to cultivate the habit of saving money, the Kaw Kaw campaign was run from 7 August 2019 until 30 April 2020. This campaign offers incredibly attractive rewards including monthly, quarterly, and yearly prizes when customers make deposits in their current or savings accounts. The winners of the campaign stand a chance to win the following prizes :-

Draw Category
Grand Prize
RM1,000,000.00
1 winner

Draw Category
Quarterly
3 x Proton X70
3 winners

Draw Category
Monthly
9 x Umrah Holiday Vouchers worth
RM10,000.00 (per voucher)
9 winners

Draw Category
Regional
450 x RM1,500.00
450 winners*

The Save & Win Kaw Kaw Campaign successfully surpassed target by achieving RM292.0 million against the RM250.0 million target.

"The Save & Win Kaw Kaw Campaign successfully surpassed target by achieving RM292.0 million against the RM250.0 million target. "

In 2019, the number of Malaysians aged 65 years and above is estimated to be 6.7 percent of the population. Malaysia is currently facing the prospect of an ageing population, and the latest statistical data predicted this to be happening soon, latest by 2030. With this in mind, Bank Muamalat launched the Elite Savings Account product for individuals aged 45 years and above, targeting retirees and those who are planning to retire at an early age. The account offers profit rates as high as 2.88% per annum and other benefits, which are more attractive than other types of savings accounts.

For the 1st quarter of FY2019, the Ez-Zakat Muamalat was launched to facilitate Muslim depositors in fulfilling their obligation. Zakat will be deducted automatically when they have enough haul (duration of one hijrah year) and nisab (the market value of 85g of gold). Available in Kelantan, Pahang, Sarawak, Pulau Pinang, Wilayah Persekutuan, Selangor and Melaka, the product facilitates zakat deduction for existing individual CASA depositors. Zakat deductions made through Ez-Zakat Muamalat would entitle depositors to be accorded income tax relief under Section 6A(3) of the Income Tax Act, 1967.

In striving to offer innovative products, we have introduced eJamin for Wang Jaminan Mahkamah payment, providing an enhancement from the manual bailor process which requires bailors to walk to the nearest bank to open Wang Jaminan Mahkamah accounts to make bail for arrested persons. With eJamin, it is no longer necessary to open physical accounts and bail payments can be made instantaneously via FPX online banking.

The adoption of digital and self-service channels in this new era shows that financial institutions are focusing on tailoring services to meet the demands of tech-savvy consumers.

Further to this, we have introduced our first online account opening for Savings Account and FTA for existing customers, with plans to develop online account opening for NTB accounts. To empower and accelerate our digital banking platform, we also provide digital solutions for corporate banking services through JomPay, FPX, ePos terminal and QR Pay. This creates more convenient payment channels for our corporate and Government sector customers.

Anticipated Risks and Prospects

We expect to face stiff competition for cheaper deposits towards end of the year as most banks vie for a larger customer base to achieve their year-end targets. Maintaining retail deposits will also become more challenging as most of the retail depositors will withdraw their deposits for holiday, school spending, and others. The Bank also faces a difficult time to maintain corporate and Government segment depositors during year end as most of the settlement of bills and other regularisation activities will be done during this period.

The financial year continues to be challenging in the face of intense competition in retail deposits, resulting in an aggressive price war. CASA growth remains the main focus for cheaper cost of funds as well as managing liquidity requirements.

The Bank also sees the need for a higher composition of funding to maintain the minimum net stable funding ratio (NSFR) of 100% as per BNM's requirements.

In an effort to address these challenges, we will cross-sell our deposit products with other services as well as extend campaigns such as the Save & Win Kaw Kaw Campaign and CA Booster Campaign, to attract selective market segments, especially retail customers. We will also strengthen our customer relationships through various marketing programmes and tap on digital platforms to provide customers with an effortless experience.

Retail Banking

Moving Forward

The weaker domestic environment is expected to impact growth in the banking industry. Consumers may prioritise savings and shore up cash and liquidity for protection, while more potential cuts in the OPR will lower rates further.

Additionally, we expect continuous pressure on margins and intensifying competition for cheaper sources of funding, as banks become more aggressive on funding costs to maximise margins. This will make growing the deposit base tougher, especially in the retail segment, as banks compete to provide the best rates.

We will therefore focus on relationship banking with marketing efforts to encourage customers to utilise our other banking services. We will also continue to closely monitor market conditions to take advantage of business opportunities which may arise.

We will also undertake more research and optimise data analytics to anticipate customers' financial needs. Furthermore, we will expand into market segments, introduce campaigns or deposit products and tailor-made products according to specific segments, as well as offer product bundling with our other services.

We will also introduce specific campaigns for identified segments, enabling e-Know Your Customer (e-KYC) for onboarding of online account opening for NTB customers, introduce more e-banking solutions which promote CASA and FTA under the Tawarruq concept and launch our SURIA Investment Account under the Mudharabah concept.

Moving forward, the Deposit and Marketing Department will continue to mobilise our existing resources by establishing dedicated teams to focus on sales and marketing activities and customer relationship management.

Wholesale Banking

BUSINESS BANKING

Our Business Banking division manages the Bank's Corporate, Commercial and SME financing customers to meet their financing needs. In line with the Bank's requirements, we place emphasis on good quality assets with good payment capability in order to maintain Non-Performing Assets while growing the division's profit.

In FY2019, the division registered revenue of RM229.0 million (RM305.0 million annualised) and pre-tax profit of RM69.8 million (RM93.0 million annualised). For the past three (3) years, the division has recorded an average growth of 6.1%, anchored on its Corporate segment which accounted for 96% of its total assets of RM5.0 billion and 93% of revenue. During the year, the division also managed the Investment Banking and Musyarakah Property & Investment department's financial performance until November 2019.

Revenue for the year was contributed by financing income of RM216.0 million and fee income, which rose from 3.6%, or RM9.7 million, in 2016 to 6.1%, or RM13.9 million. 74.6%, or RM10.4 million, of fee income was derived from trade financing facilities and services.

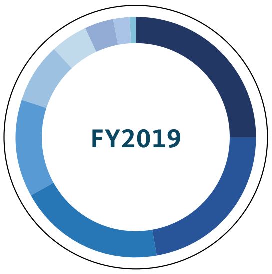
Portfolio
(RM Million)

Wholesale Banking

Performance Review

The divison's assets grew in FY2019 mainly driven by an increase in Trade Facilities which rose to RM1.11 billion from RM1.04 billion as well as a 20.9% growth in our Muamalat Revolving Financing (MRF) to reach RM1.61 billion. The division comprises Corporate, Commercial and SME segments which accounted for 95.97%, 3.34% and 0.69%, of the portfolio, respectively.

Corporate



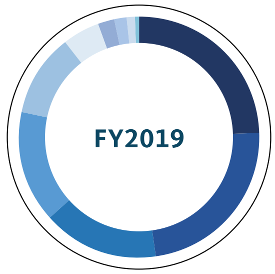
Category	%
Finance, Takaful and Business Service	25.1%
Real Estate Activities	22.4%
Wholesale, Retail and Restaurant	19.5%
Manufacturing	13.0%
Construction	8.2%
Agriculture	4.9%
Community, Social and Personal Service	4.1%
Electricity, Gas and Water	2.1%
Transport, Storage and Communication	0.7%

The Corporate segment expanded 7.2% to RM5.50 billion for FY2019, driven mainly by Trade and MRF products offered exclusively to our Corporate clients. The division focused on attracting customers to maximise utilisation of their financing line by strengthening the Trade sales team, which resulted in 6.5% growth in Trade assets.

The top three (3) sectors financed under our Corporate portfolio comprised Finance, Takaful & Business Services (25.1%), Real Estate (22.4%) and Wholesale, Retail & Restaurant (19.5%).

During the year, we continued to focus on retaining our good customer portfolio while strategically growing targeted customers to ensure we maintain asset quality. The growth is guided by the Bank's preferred sectors as per our risk appetite statement and sectors as endorsed by the Bank. We also focused on penetrating new target markets, especially mid-tier corporate customers.

Commercial

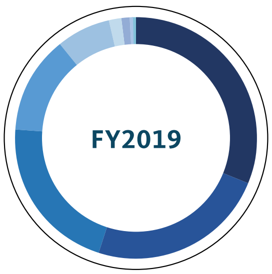


Category	%
Real Estate Activities	24.6%
Wholesale, Retail and Restaurant	23.3%
Transport, Storage and Communication	15.6%
Manufacturing	15.0%
Construction	11.2%
Finance, Takaful and Business Service	5.0%
Mining and Quarrying	2.0%
Community, Social and Personal Service	1.8%
Agriculture	1.0%
Electricity, Gas and Water	0.5%

Our Commercial segment recorded a decline in asset growth from RM259.4 million in FY18/19 to RM191.7 million in FY2019 as we continued to preserve our asset quality as part of our efforts to mitigate the risk of these accounts turning into non-performing accounts, which is crucial in the current challenging banking environment.

We believe in offering tailored products for customers based on their segments, with the filtration of customers based on our risk appetite statement. We also enhanced customers' asset quality by partly securing the financing with guaranteed schemes.

Commercial



Category	%
Wholesale, Retail and Restaurant	31.3%
Construction	23.7%
Finance, Takaful and Business Service	21.2%
Community, Social and Personal Service	13.0%
Manufacturing	7.2%
Transport, Storage and Communication	1.9%
Real Estate Activities	1.1%
Agriculture	0.3%
Electricity, Gas and Water	0.3%

Our SME segment may contribute less than 1% to our overall Business Banking portfolio, with financing assets decreasing to RM39.4 million from RM46.5 million in FY18/19 mainly due to normal pare down of existing exposure. However, moving forward, we are looking to further expand this segment as we foresee its potential in the business landscape as well as to be in line with Malaysia's plan to empower SMEs. As part of our further expansion in this segment, we have embarked on structured or programme-based financing, where we recently launched vendor financing programmes via collaborations with Petronas and PERNISMA.

Product and Marketing Initiatives

We continue to adopt a consultative approach with our customers to understand their specific needs and tailor our products competitively to adapt to their business requirements. We have also tapped into vendors or buyers of our existing Corporate clients to penetrate into new markets.

We believe that through continuous communication and personalisation, we can build long-term relationships with our customers who will also help to promote our products and services through word-of-mouth.

During the year, our Trade Sales team initiated the set up of trade windows to handle all trade finance customers in the Northern Region. The exercise also marked part of our efforts to decentralise our business and ensure efficient processes.

We also plan to further expand into new Commercial market segments such as cooperatives, local Government and state agencies, including cooperatives which have good credit quality to offer our Shariah compliant products. We are also in the midst of establishing a dedicated team to market financing and non-financing products to cooperatives to ensure continued growth momentum.

To serve our SME segment, we have participated as a panel bank on PETRONAS's Vendor Financing Programme, offering financing to the company's oil and gas service equipment (OGSE) and SME vendors. PETRONAS's OGSE Vendor Financing Programme was established in May 2018 to assist Malaysian OGSE vendors impacted by the oil crisis in securing working capital and improving their businesses' cash flows. Financing products offered in the programme allow vendors to opt for financing of up to RM5.0 million per application from the panel banks.

In July 2019, we also executed an MoU with PERNISMA (Persatuan Rakan Niaga Strategik Malaysia – an association of Tenaga Nasional Berhad's (TNB) approved Bumiputra contractors directly involved in TNB's scope of work) for joint marketing efforts on our financing programmes to PERNISMA's members.

In another milestone, we signed on as a panel bank under the imSME financing platform, Malaysia's first SME financing/loan referral platform introduced by Credit Guarantee Corporation Malaysia Berhad (CGC) and supported by BNM, launched in February 2018. The free platform matches SME financing needs to suitable financing or loans offered by participating banks. Our participation on the platform, which currently includes 25 financial institutions, represents part of our plan to continuously empower Malaysian SMEs.

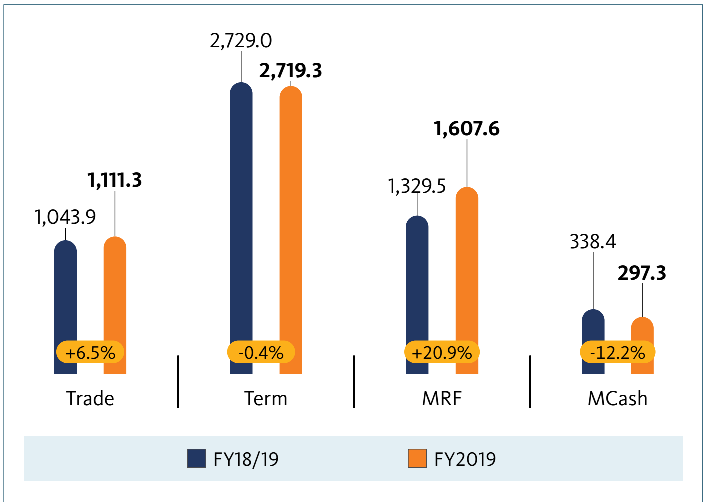
In offering our financing products, we observed intense competition among other banks in securing working capital facilities for customers' year-end utilisation, especially as the Bank changed its financial year-end to 31 December from 31 March previously. To overcome this, we undertook aggressive marketing, including daily tracking of our Trade, MRF and MCash facilities, for utilisation backed with competitive pricing to secure utilisation from customers.

While increasing our Commercial segment asset base, we were also faced with ensuring the preservation of asset quality. We pooled our manpower to secure approval for disbursement in the 2020 calendar year and worked closely with our Early Care and Remedial team to curb any deterioration in asset quality.

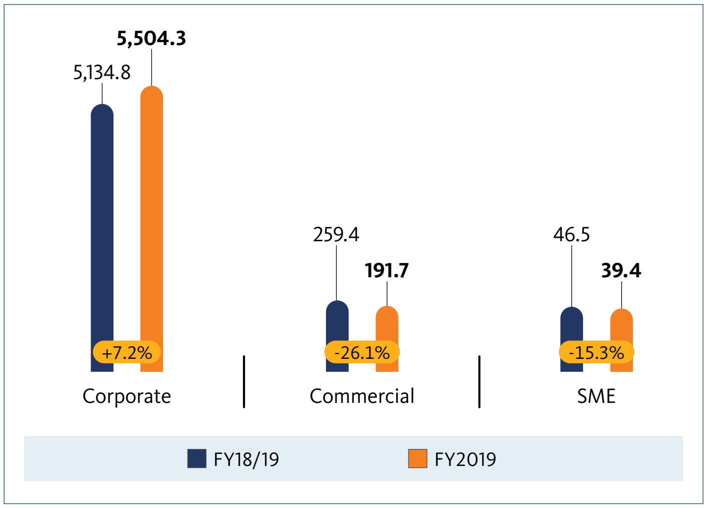
The collaboration with PETRONAS and PERNISMA also aided in speeding up the implementation of financing programmes and providing additional experience in SME financing to our newly-formed SME team. We also conducted a three-month external capacity-building course for our SME team staff.

Wholesale Banking

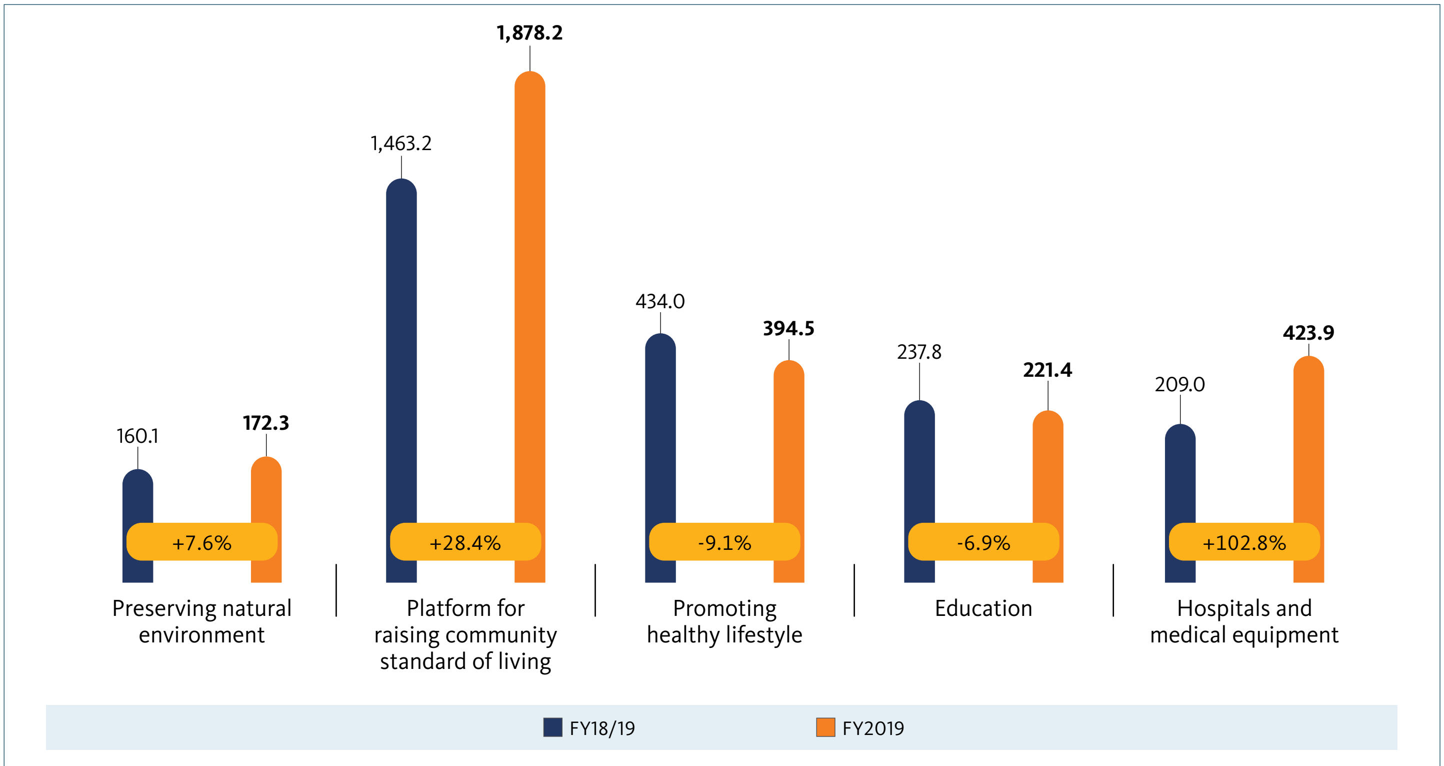
Assets - Product
(RM Million)



Assets - Segment
(RM Million)



Triple Bottom Line Impact (TBL)
(RM Million)



Anticipated Risks and Prospects

We expect to see manpower pressures as our division faces a shortage of staff, with a scarcity of skilled and experienced credit staff in the labour market pushing up labour costs. While we redeploy employees from various departments within the Bank, staff with SME experience are limited.

In an effort to address this and build our SME capacity, we plan to undertake timely recruitment and sourcing of talent, offer an improved remuneration package to retain identified performing staff and provide a coaching programme as a module endorsed by our division and the Human Capital Division.

For 2020, the Bank will focus on continuously building a long-standing relationship and overcome competition from other financial institutions in terms of rates, product offerings and services. We will also improve our turnaround time to provide timely approval, especially on special packages.

On the macroeconomic front, we expect political conditions to impede our pursuit of the local and municipal government target markets, while fintech-based companies are also creating stiff competition for banking services, having penetrated the financing market through crowdfunding as well as the deposits market through e-wallets.

Arising from these conditions, we will balance growth between our corporate and commercial segments and continue improving impaired financing ratios for our commercial and SME banking segments. We will also put in place a structured growth plan for SME banking.

Moving Forward

We will grow the Business Banking division through focused marketing activities, building on the carving out of the Musyarakah Property & Investment and Investment Banking departments from our Divisions. We will also expand further to include mid-tier companies, cooperatives, local Government or councils as well as selective associations and clubs.

We will also undertake disciplined balance sheet management to grow low-cost deposits and manage yield on a portfolio basis, including cross-selling the Bank's products and services. Additionally, we will improve the impairment ratio by including more secured financing transactions for the SME segment.

In continuously enhancing our internal processes, we will re-engineer the end-to-end process, from origination to collection, for our SME customers. To better serve this segment, we also intend to establish SME hubs and trade windows in selected regions. Furthermore, we will undertake system enhancements on trade, corporate internet banking and cash management, including automation of customers' profitability calculation for marketing consideration.

Treasury and Capital Markets

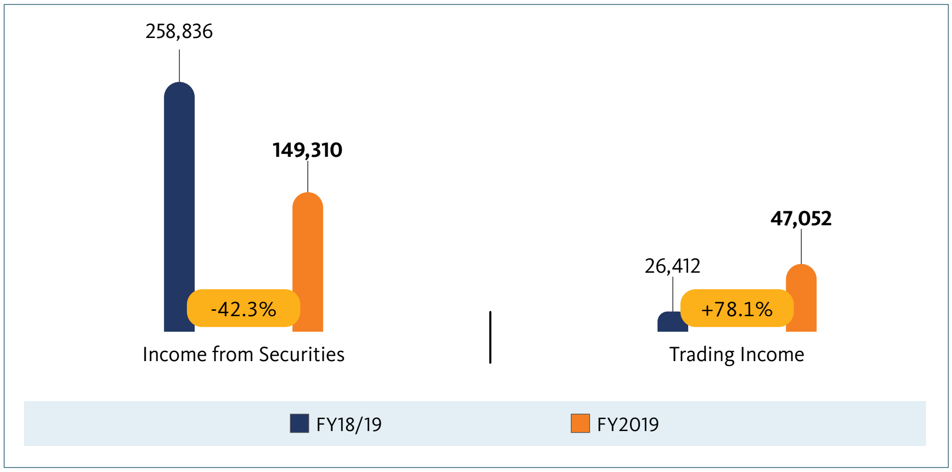
TREASURY AND CAPITAL MARKETS

Our Treasury and Capital Markets (TCM) division plays a key role in balancing the Bank's assets and liabilities in line with the Bank's mission and vision to ensure we have sufficient liquidity to meet our obligations. Its functions also cover the entire financial requirement from capital structure and long-term investments to liquidity and working capital management. In performing its functions, the division manages the daily cash flow and liquidity of funds within the Bank, handles the Bank's investments in securities in the form of the banking book, as well as manages the Bank's foreign exchange exposure, interest/profit rate risk, derivatives and hedging strategies.

At the end of 2019, the local bond market and yield play were again the main movers on the interest/profit rate front. Yields on the local Government bonds were significantly lower with Malaysian Government Securities (MGS) taking the lead over Government Investment Issues (GII). The decline in yields was mainly driven by easing monetary policies adopted by global central banks against the backdrop of the sluggish global economic outlook. From the US Federal Reserve to central banks in the Asian region, interest/profit rates were lowered, fuelling the global bond market rally. BNM also slashed both the OPR and Statutory Reserve Requirement Ratio to 3.00% in 2019 (2018: 3.25%, 3.50%).

In FY2019, TCM recorded an income of RM149.31 million from securities income against RM258.84 million in the previous corresponding period. This is due to lack of supply in the primary market and tightening of the credit curve in the secondary market, coupled with flattening of the yield curve around 120 bps, leading to lower reinvestment rates. Trading income rose to RM47.05 million in FY2019 from RM26.41 million previously as BNM's 25 bps OPR and 50 bps SRR reductions released RM7.20 billion of liquidity into the market. This left banks flushed with liquidity, which forced them to invest in assets, resulting in the flattening of the yield curve by 90 to 120 bps.

Portfolio
(RM'000)



From the foreign exchange side, sales desk recorded RM5.23 million profit on the back of RM3.32 billion volume. Competition in the foreign exchange flow heightened due to narrowing spread following more aggressive pricing and liquidity in the FX currency market. The loosening of the US interest/profit rate provided arbitraging opportunities. Commercial flows generally was in the increase with both exporters and importers taking advantage of the better FX spread.

Anticipated Risks and Prospects

Following the effects of the COVID-19 pandemic on global economies, growth for the second half of 2020 will be largely determined by the central bank's long-term monetary tools and fiscal policy after a 125 bps rate cut. We expect Government bond yields to remain at current supportive levels, taking cues from Malaysia's financial market, inflation growth and the Ringgit level. The possibility of FTSE Russell excluding Malaysian bonds from the World Government Bond Index (WGBI) watchlist in its review in September 2020, as well as continuing US-China trade tensions, we foresee a contraction in the second half of 2020. Shifting to a competitive approach towards attaining higher quality investment is key in getting a more attractive ROI.

Moving Forward

In line with the Bank's mission to become the preferred Islamic financial services provider, moving forward, TCM will focus on improving our business franchise as well as increasing our market share in foreign exchange and fixed income via sales initiatives and expansion strategy.

INVESTMENT BANKING

Our Investment Banking focuses on fundraising through the Islamic Debt Markets and Investment Account Platforms (IAP), as well as managing the Bank's private equity investments through our private equity arm, Muamalat Venture Sdn Bhd (MVSB).

For the year under review, we registered RM1.47 million in fee income. This comprises arranger fees, Wakalah fees, agency fees and management fees derived from our Investment Banking activities. Fee income for FY2019 was lower as the period under review was for 9 months and deals closing was achieved in the first quarter of 2020.

We also registered RM1.0 million in dividend income from MVSB in FY2019. Our ROI is derived from annual returns from private equity investments managed by Investment Banking. In FY2019, MVSB registered an ROI of 9.40% on an annualised basis.

VALUE-BASED INITIATIVES

MVSB continued its partnership with Permodalan Kelantan Berhad (PKB) to operate Ar-Rahnu 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 while offering local communities with quick and convenient access to cash.

RETAIL INVESTORS

As part of our initiatives to promote retail investor participation in Musyarakah-type investments, we raised another investment fund of RM40.0 million under our Project Ar Rahn series via IAP. IAP is a centralised multi-bank platform initiated by six (6) Malaysian Islamic banking institutions to market investment account products.

The Project Ar Rahn series comprises investments in a share of capital contribution from MVSB under its Musyarakah venture with PKB for the operation of Ar-Rahnu activities.

Since the inception of IAP in 2016, we have raised RM110.0 million in funds which have received an overwhelming response from retail investors, with all funds raised under the Project Ar Rahn series oversubscribed.

DEAL ORIGINATION

Capital Markets deal flows were restrained with limited opportunities due to the subdued economic and business environment. In response to this, we adopted a prudent approach by selectively pursuing deals and focusing on managing our existing investments.

Anticipated Risks And Prospects

With the slowing domestic and global economies, we expect to face intense competiton due to the scarcity of Capital Market deals. To address these risks, we will focus on our key corporate relationships to establish deal flow. The persistent market volatility and uncertainty may also lead to volatility in our income.

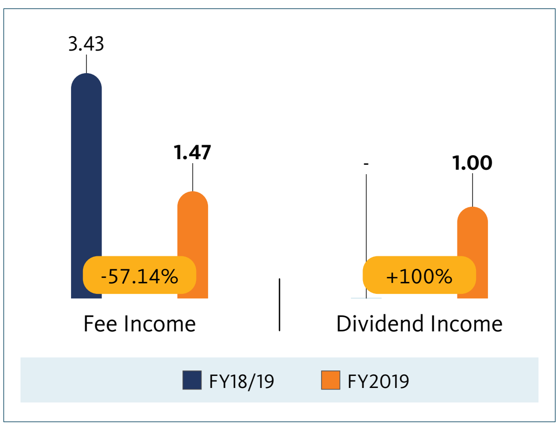
Despite the difficult environment, we see opportunities in investments which can generate stable recurring income, for which we will focus on less volatile investments. We also see continued opportunities to collaborate with other banks for larger capital market deals, as these banks seek to share balance sheet exposure to minimise risk.

Moving Forward

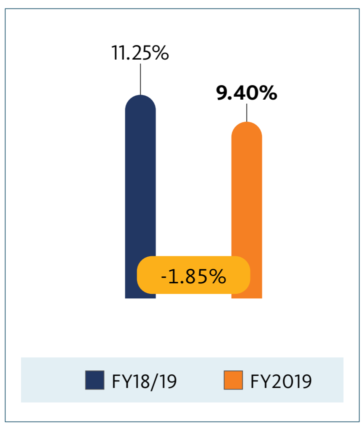
We expect business and economic activities to remain soft given continuing external headwinds and uncertainties from the COVID-19 pandemic.

With recovery only expected from the end of 2020, we will exercise greater prudence and remain vigilant in the face of uncertainties and downside risks. We will continue to focus on our key corporate relationships for deal flows in the Debt and Equity Capital Markets, while keeping an eye out for viable, potential investments and opportunities to build our private equity portfolio.

Income
(RM Million)



MVSB's Return on Investment
(%)



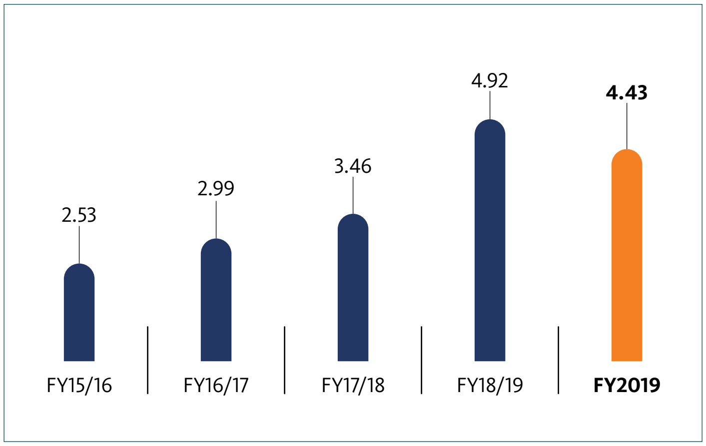
Subsidiaries

MUAMALAT INVEST SDN BHD (MISB)

Muamalat Invest Sdn Bhd is our Islamic Fund Management arm established in 2006. Licenced in 2010, MISB focuses on institutional and high net worth investors for its capital market products and has been providing full Shariah-compliant investment management services which include management of discretionary and non-discretionary mandates for asset classes, covering equity and sukuk; and provision of wholesale fund products for investments in various asset classes i.e. Islamic money market instruments, equities and sukuk.

As an important milestone, MISB successfully secured the Capital Market Services Licence (CMSL) for dealing in securities (restricted to unit trust) in March 2019. This enables MISB to develop, sell and manage retail unit trust funds. As at the end of FY2019, MISB recorded RM4.43 billion in Assets Under Management (AUM).

Assets Under Management
(RM Billion)



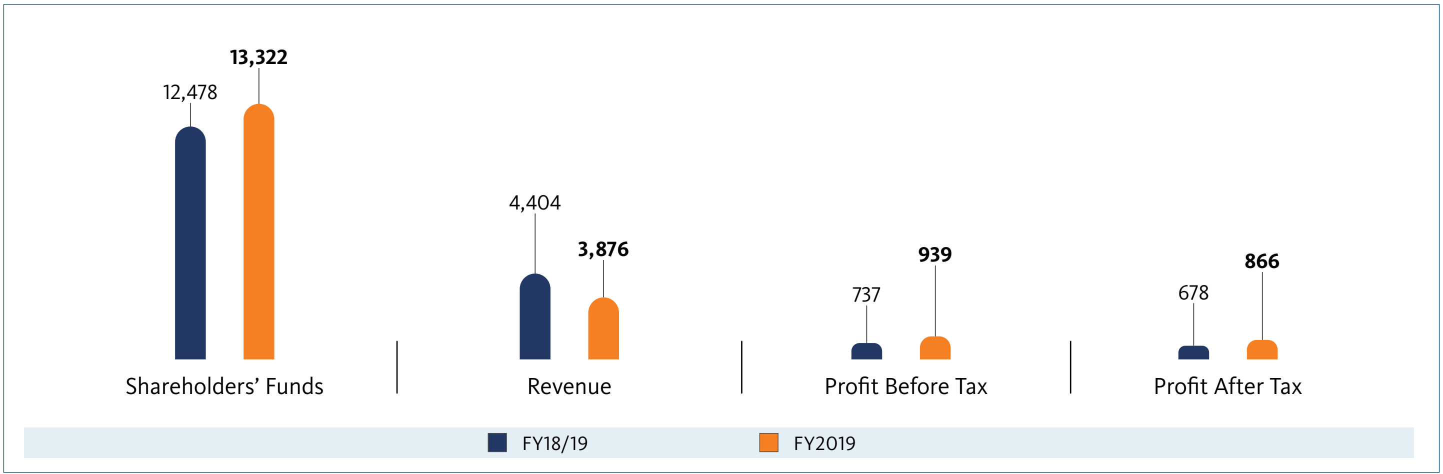
MISB recorded revenue of RM3.88 million and profit after tax of RM866,327 in FY2019. Shareholders' funds of MISB improved by 7%, contributed by profit after tax which rose 28%. Its profitability was driven by higher performance fees earned from Sukuk mandates, as the unit generated higher-than-benchmark returns for its clients.

Product and Marketing Initiatives

Against the backdrop of geopolitical tensions, US Federal Open Market Committee's decisions, the inversion of the yield curve of US Treasuries, slowing global growth, the lack of domestic growth drivers, and the policies used by Malaysia's new government, equity markets remained volatile in FY2019. We also witnessed continuous fee margin compression.

In response to this, we focused on maximising our exposures to Sukuk, cautiously trading for capital gains as and when the opportunity arose. We also took opportunities in the Equity Market when the timing was right in an effort to generate dividend income and capital gains, in addition to pursuing higher fee margin mandates.

MISB Performance
(RM'000)



Anticipated Risks and Prospects

The Equity Market may present opportunities for the purchase of oversold securities in stages, with caution in mind due to the possibility of a new wave of COVID-19 infections. Defensive counters such as consumer products and healthcare may take a bigger portion of exposures as sectors such as banking and construction take a back seat. However, as the tide turns, sector rotations can then be taken.

Due to the inverse relation between interest/profit rates and Sukuk prices, we expect more investors will want to invest in Sukuk as it will be a safe haven instrument to protect their investment principal and to enjoy capital gain for the portfolio.

Weakening global growth, the economic impact of COVID-19, uncertainty on policies and the political landscape, challenging corporate earnings and continuous fee margin compression represent risk areas.

While the aforementioned issues will impact MISB's performance, the market volatility supported by ongoing sentiments will create pockets of trading opportunities for the mandates managed by MISB. We will continue to focus on generating income for ROI, coupled with exiting when appropriate for capital gain, to trim our position or minimise losses. The proceeds from these exercises are expected to be re-invested in Sukuk to form underlying base for ROI. MISB will focus more on sukuk products and also Environmental, Social & Governance (ESG) and Value Based Intermediation (VBI) based products, as investor preference for ESG-focused funds has accelerated during the COVID-19 crisis and investors are favouring sustainable portfolios as compared to the more traditional assets. The pandemic has brought to light that ESG or sustainability investing provides the only efficient way to allocate resources in a world facing disease, natural disasters and climate change.

Moving Forward

The Equity Market is expected to remain challenging in light of the fallout from COVID-19. While most sectors have re-started, market jitters linger on the possibility of a second wave of infections, with GDP growth and corporate earnings expected to be subdued.

The Sukuk Market is projected to see issuances of around RM110.0 billion to RM120.0 billion, as investors seek a safe haven instrument to protect their investment principal and unleash capital gains, with Sukuk prices and interest/profit rates inversely related.

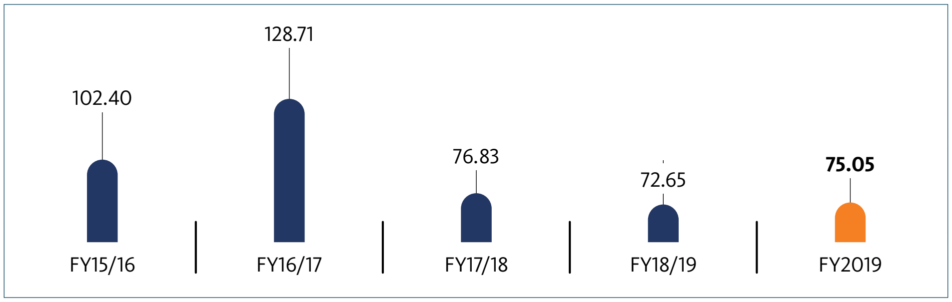
MUAMALAT VENTURE SDN BHD (MVSB)

Muamalat Venture Sdn Bhd is an Islamic venture capital management company which invests in high-growth companies, mezzanine and pre-IPO companies.

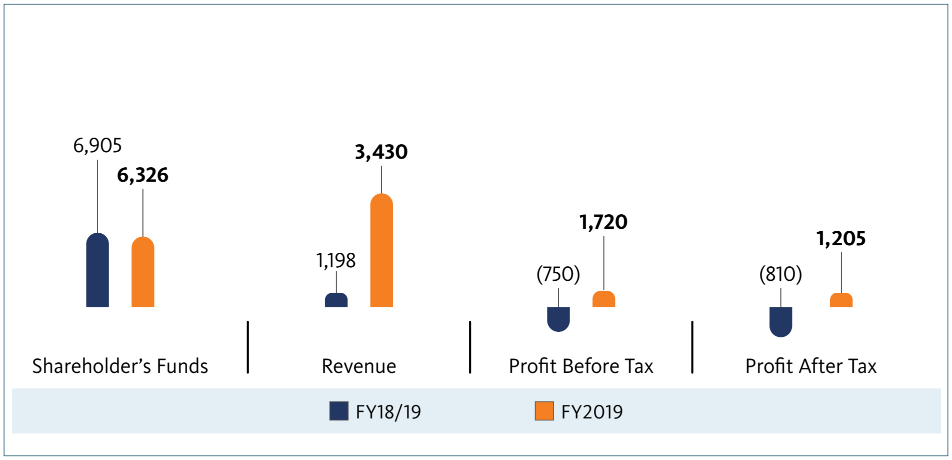
Performance Review

MVSB is currently mainly focused on a Musyarakah venture with Permodalan Kelantan Berhad (PKB Musyarakah Investment), which accounts for more than 90% of its Assets Under Management (AUM) of RM75.05 million as at 31 December 2019. Since 2018, MVSB's AUM has decreased due to its divestment of investments in listed securities.

MVSB - Asset Under Management
(RM Million)



MVSB Performance
(RM'000)



Subsidiaries

MVSB returned to profitability during the year in review, registering a net profit of RM1.21 million from a net loss of RM809,613 in the previous financial year, on the back of RM3.43 million in revenue against RM1.20 million. The higher revenue was contributed by an increase in profit from its PKB Musyarakah Investment, which has generated an annual return on investment of 9%-10%.

Product and Marketing Initiatives

In line with VBI concept, MVSB continued to serve underserved communities through its investment partnership with PKB in operating Ar-Rahnu branches in Kelantan and Sabah. The venture generates sustainable returns to MVSB and allows us to promote fair and transparent products and services to underserved communities.

The year 2019 was however challenging due to the global and domestic economic conditions, with restrained private equity deal flow and limited opportunities. In view of this, MVSB took a prudent approach by remaining selective in deals and focusing on managing our existing investments.

Anticipated Risks and Prospects

The slowing domestic and global economies is expected to have a negative impact on performance of companies across various sectors. This in turn will affect investors' return on investment which will add to the volatility of investment performance. To address these risks, we will focus on constant engagement with our investee companies and to manage negative impacts of an economic slowdown. Despite the difficult environment, we see opportunities in our investment which can generate stable recurring income while mitigating the inherent risk.

Moving Forward

We expect business and economic activities to remain soft given continuing external headwinds and uncertainties from the COVID-19 pandemic, in addition to volatility in commodity prices.

With recovery only expected from the end of 2020, we will exercise greater prudence and remain vigilant in the face of uncertainties and downside risks. We will continue to focus on our existing portfolio, while keeping an eye out for viable, potential investments and opportunities to build our private equity portfolio.

Driving Sustainability

OUR SUSTAINABILITY APPROACH

Our approach to sustainability is guided by our mission to ethically deliver best value to stakeholders, society and the environment. With this Mission, we have integrated sustainable practices across our operations, ensuring we strive to deliver value with a positive impact as well as minimise negative impacts on all our stakeholders and the planet.

As a financial institution regulated by Bank Negara Malaysia (BNM), we are also committed to the central bank's adoption of Value-Based Intermediation (VBI) and its membership of the Global Alliance for Banking on Values (GABV).

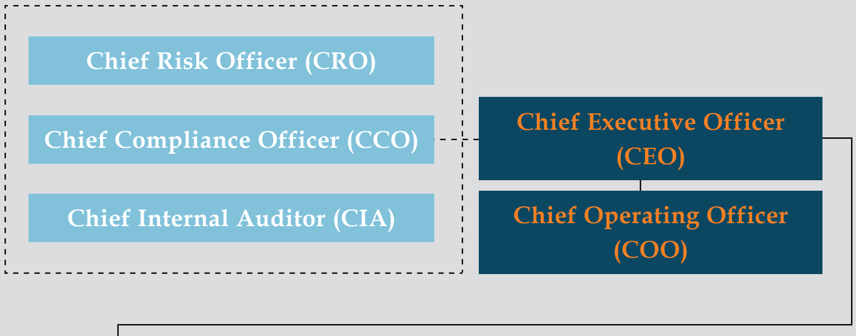
Based on our Mission and role as a responsible financial institution, we have categorised our sustainability activities according to the Economic, Environmental and Social (EES) domains. These activities are further elaborated and reflected by our Material Matters as identified through our materiality assessment and stakeholder engagement.

For further information on our materiality assessment and stakeholder engagement, please refer to pages 30 to 35 of this Annual Report.

SUSTAINABILITY GOVERNANCE

Our sustainability practices are overseen by our Value-Based Committee, which are accountable for ensuring the Bank adopts a sustainable business strategy. This is then crystallised through our leadership team and translated into Value-Based Initiatives, which our respective Heads of Department are responsible for implementing.

SUSTAINABILITY GOVERNANCE STRUCTURE



HEAD OF DEPARTMENT	RESPONSIBILITY
Head of Business Units	Executes all value-based operations and activities
Head of Human Capital Division	Executes all value-based operations and activities
Head of Corporate Planning & Analytics Division	Deliberates, oversees and acts as custodian to all value-based initiatives
Head of Shariah Department	Reviews value-based initiatives from Shariah perspectives
Head of Customer Service Department	Engagement with customers to ensure value-based initiatives materialise
Head of Corporate Communications Department	Internal and external communication on value-based initiatives and its importance
Head of Dakwah Waqf and Zakat Department	Strategise and materialise value of Tabung Mawaddah and Waqf fund to ensure the usage of fund is diversified

For more details on our material matters, please refer to pages 32 to 35 of this Annual Report.

Our sustainability activities were developed to address our material issues as identified through our materiality assessment. These sustainability activities related to our material issues have further been categorised under the Economic, Environment and Social pillars. This ensures we are guided to undertake initiatives that deliver the most impact to our stakeholders.

Economic

OUR SUSTAINABILITY INITIATIVES HOUSED UNDER THE ECONOMIC PILLAR RELATE TO OUR ACTIVITIES IN DELIVERING ECONOMIC VALUE INTERNALLY AS WELL AS TO OUR EXTERNAL STAKEHOLDERS.

These are anchored in our core business activities, which we conduct with a view of contributing to the betterment of our communities.

ECONOMIC PERFORMANCE

In undertaking our day-to-day business, we actively seek partnerships with other organisations to help expand our reach to underserved communities. To this end, we have partnered with SIRIM and Majlis Perbandaran Kota Bharu (MPKB) to increase our presence in the SME community and Fourth Industrial Revolution (Industry 4.0). This is also aligned with the Government's agenda to boost the SME economy, with Budget 2020 targeting for SMEs to contribute 50% to GDP by 2030 from 38% currently.

Through the collaboration with MPKB, we see opportunities to penetrate communities of MSME and SMEs that are registered within MPKB's jurisdiction. This could benefit companies, especially those in the manufacturing industry, to expand their business and moving towards industry 4.0.

Meanwhile, the potential collaboration with SIRIM creates prospects for us to reach underserved entrepreneurs and businesses registered with the quality certification agency, enabling these entrepreneurs and businesses to be able to get access to fund for future growth.

As part of our core activity of providing business financing to Corporate, Commercial and Retail businesses, we intend to focus more on SME financing which can create positive economic multipliers within local communities. This, in turn, may deliver indirect benefits such as improving public amenities and raising the standard of living in the communities.

Bank Muamalat has seen an initial 0.7% increase in SME financing in FY2019 as the Bank is building up infrastructure to boost the asset and provided this trend continues, SME financing could grow by 12.9% for the year 2020.

These efforts are also tied to our Entrepreneur Development initiatives, which are discussed in the following section of this Sustainability Statement.

ENTREPRENEUR DEVELOPMENT

Entrepreneur development is a cause close to our hearts, given the role of SMEs in driving Malaysia's economy. During the year, we continued to support BNM and the Association of Islamic Banking and Financial Institutions Malaysia's (AIBIM) activities on entrepreneur education. These include eight (8) entrepreneur education activities held by BNM/AIBIM which reached out to more than 1,000 company representatives. We also participated in three (3) roadshows with PETRONAS in November and December 2019 to promote our Vendor Financing Programme.

As a result of our participation in these events, we approved RM10.6 million of financing to entrepreneurs.

RESPONSIBLE FINANCING

Value-Based Intermediation

In line with our commitment to VBI, we look positively on requests for financing which could result in positive EES outcomes, such as companies that are developing green technologies or that act to enhance our environment; social enterprises that seek to empower marginalised communities; and any organisation that has proven to operate at a high level of governance for the betterment of society. During the year, our total exposure to financing aligned with VBI has increased by 7.3% to RM3.09 billion from RM2.88 billion, accounting for 53.8% of total non-retail financing. As at 31 December 2019, this portfolio consists of the following sectors:

Preserving Natural Environment (RM172.3 million)

Platform for Raising Community Standard of Living (RM1,878.2 million)

Promoting Healthy Lifestyle (RM394.5 million)

Education (RM221.4 million)

Hospitals & Medical Providers (RM423.9 million)

As a member of the GABV, we are committed to value-based practices to ensure we deliver a sustainable and positive impact on people, the planet and prosperity. We participate in GABV's Leadership Academy each year, sending two (2) representatives from our management executives to enhance their leadership skills and build capacity to support the Bank in addressing value-based practices.

In line with our practice of responsible financing, we frequently review our policies to ensure we implement any policy changes from our regulators. This promotes prudent, responsible and transparent banking practices. We also ensure all our employees are aware of any policy changes by issuing circulars upon release of new guidelines from regulators, and conducting training on the amendments when necessary.

Providing Financing to Underserved Sectors

We value our role in improving communities' quality of life by promoting financial inclusion. This is also aligned with the national agenda of easing access to financial services for every segment of the society to enhance their financial capability and enable inclusive national development.

Among our efforts in this area include our support to BNM's policy of lending/financing to priority sectors, under which we have achieved our financing target for the purchase of affordable homes for the lower-to-middle income segment amounting to RM250,000 in Peninsular Malaysia and RM300,000 in Sabah/Sarawak. Apart from home ownership, our affordable and easily accessed financial products and services also provide funding to enable customers to achieve other life goals such as purchasing motor vehicles or improving their cashflow.

In further support of BNM's initiatives for first-time house buyers, we have introduced our new SMART Mortgage Solution and SMART Home Package home financing products. We also collaborated with Syarikat Jaminan Kredit Perumahan (SJKP) and Skim Rumah Pertamaku (SRP) to provide home financing to low income earners, self-employed individuals and operators of small business entities. The new scheme offers first time buyers of houses priced up to RM300,000 mortgages with attractive key features such as margin of financing of up to 110% and waiver of ancillary costs.

As testament to our activities, RM2.88 billion, or 28.1%, of our total outstanding consumer financing, is made up of outstanding financing facilities which are recognised to deliver a direct impact to the environment and society. Our financial inclusion initiatives also deliver social impacts, which are discussed in the Social section of this Sustainability Statement.

Economic

Employee Support

Through our annual Fit & Proper declaration exercise for our staff, we have identified several cases of employees with negative credit reports (adverse CTOS and CCRIS records). We assist these employees through exemptions to close their default financing accounts, consolidating their debts and getting their financials back on track to avoid bankruptcy.

Among services we offer for these employees include Staff Sundry Financing (SSF) and Staff Structured Personal Financing (SSPF). We also refer them to Agensi Kaunseling & Pengurusan Kredit (AKPK). As at 31 May 2020, we have disbursed SSF to 562 accounts and SSPF to 270 accounts.

Our SSF and SSPF solutions are also open to staff who do not have adverse CCRIS and CTOS records, as we provide the facilities to assist our employees to consolidate their debts and generate positive cashflow for their living expenses.

PROCUREMENT PRACTICES

Our procurement function is an integral aspect of our operations as it supports the Bank's business needs and ability to deliver our services at reasonable cost. In embracing the spirit of sustainability, depending on the type of engagement, we strive to prioritise vendors who practice sustainability aspects. These include vendors that empower communities such as people with disabilities and single mothers, local vendors who may have operations in rural areas and vendors who either contribute positively or do not contribute negatively to the environment, who are prioritised or given extra points during the engagement process.

We also engage with our vendors regularly to exchange ideas for improvement and the use of new technology and products, as well as to discuss and address any issues. In the interest of vendor relations, we have improved our turnaround time for invoice processing as well as being transparent in the evaluation of awards.

Prior to their appointment, we undertake a thorough evaluation of prospective vendors as well as conduct an annual vendor performance review for all vendors. We also visit vendors to better understand their businesses and encourage them to open Corporate deposit accounts with our Bank.

Existing and future vendors are informed that the Bank supports and aims to generate positive sustainable impacts to the economy, community and environment through banking practices, conduct and offerings. Vendors are encouraged to agree to support the Bank to achieve the above aspirations by aligning their business activities with sustainable values. To ensure support, vendors are requested to sign a letter of declaration that their business activities are aligned with sustainable values.

During a recent tender for office cleaning services, we included weightages for vendors that employ people with disabilities, undertake community development and green initiatives.

To ensure our sustainable policies are adopted within the procurement process, employees are trained to meticulously evaluate the vendors to ensure their business practices are aligned with our values, depending on the type of business engagement.

CUSTOMER EXPERIENCE

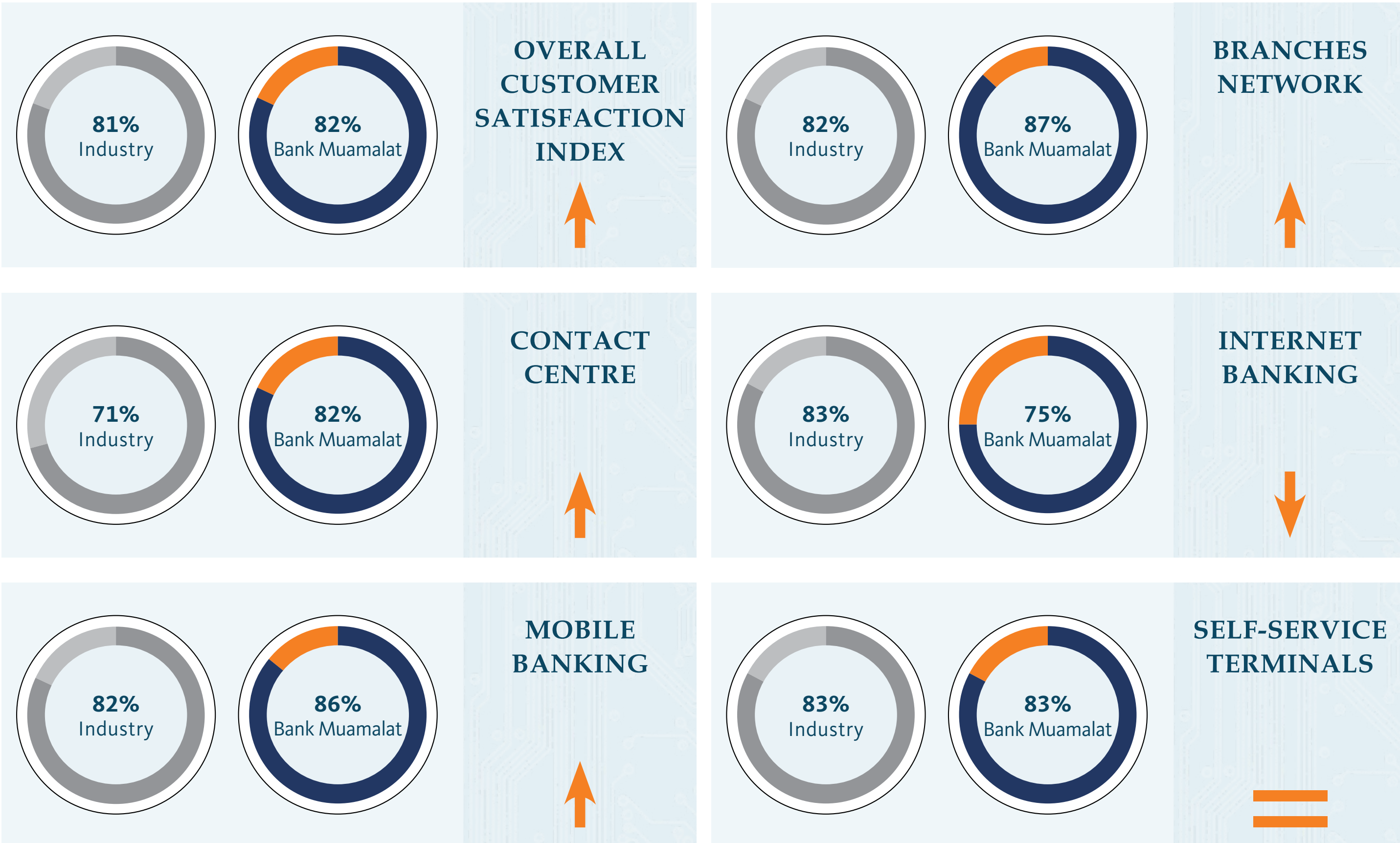
Our annual Customer Satisfaction Survey serves as a vital way for us to engage with our customers and measure their satisfaction with our services. This enables us to identify areas of improvement in order to deliver the best services to our customers.

Together with twenty (20) other industry players, we have developed a survey with targeted/specific questionnaires, method and metrics of calculation to gauge our performance in meeting customers' needs.

In the survey, we asked our customers about their satisfaction level of our products and recommendations to improve our service delivery. Our Management takes customers' feedback and suggestion very seriously. Customer satisfaction of our service is reported regularly to the Management for review and deliberation on the effectiveness of our feedback handling process.

In FY2019, our rating surpassed the industry average of 81% despite a decrease of 3% from 85% to 82%. We scored more than 80% for all touchpoints except Internet Banking where customers recommended that we improve its functionality and user-friendliness.

Customer Experience - Survey Result

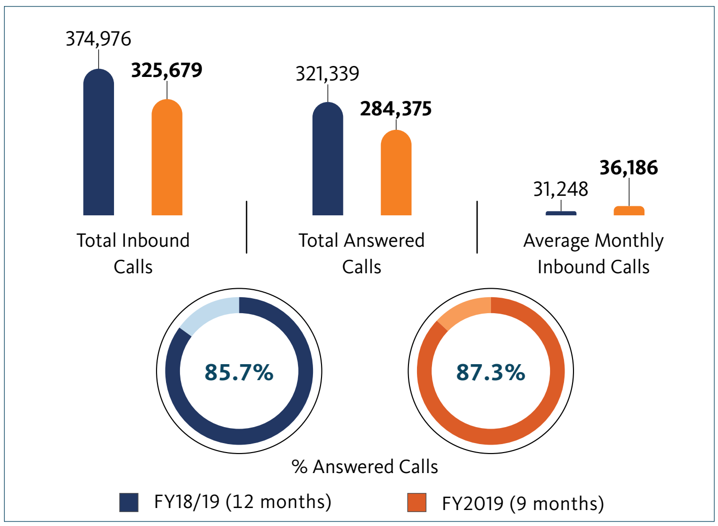


To evaluate our customers' experience, we also measured the number of calls and complaints received and resolved, as well as the time taken to resolve them. In an effort to exceed industry standards of resolving cases within fourteen (14) days, we have targeted to resolve cases within two (2) working days.

Based on the average monthly calls received at our Contact Centre, we recorded an increase of 15.8% in FY2019 as compared to the previous year, with our total answered calls at 87.3% which was better than the industry standard of 86%. Since the last financial year, we have improved our call abandonment rate by 1.6% from 14.3% in FY18/19 to 12.7% in FY2019.

The high volume of calls was due to issues relating to the enhancement of our online banking and debit card systems as well as an increase in number of internet banking users. The top three (3) types of calls in queue were Internet Banking (51%), Product & General (16%) and Account Balances & Activities (14%).

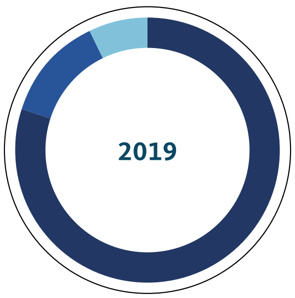
Number of Calls
(RM'000)



Economic

During the year in review, we recorded a 163.9% increase in complaints received as compared to FY18/19. 80% of complaints received were resolved within two (2) working days. The Bank received a total of 1,710 complaints during FY2019.

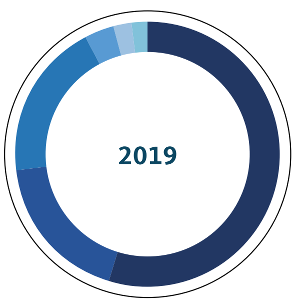
No. of Complaints Resolved



Category		%
0 – 2 Working Days	1,361	79.6%
3 – 5 Working Days	228	13.3%
5 Working Days	121	7.1%

Internet banking-related issues accounted for 54.80% of the complaints, while other top complaints were as follows:

No. of Complaints
(%)



Category		%
Internet Banking-Related	937	54.8%
Fraud	316	18.4%
Others	329	19.2%
Unauthorised Debit Card transactions / withdrawals	60	3.6%
Delay in Preparing Home Financing Statement for EPF Withdrawal	36	2.1%
Branch Service	32	1.9%

Each year, we find ways to improve our metrics and method of inquiring information from customers to ensure we fully understand our customers' dissatisfaction and needs. This enables us to improve our weaknesses.

As our branches still serve as our main customer touchpoint, we also continue to improve waiting time at our branches while strengthening our digital presence to reduce the need for our customers to visit the branch. For FY2019, total customer walk-ins at branches decreased by 37%.

Customer waiting time is measured by the Queue Management System (QMS), with a standard target where 80% of customers are to be served within 10 minutes. In 2019, our waiting time met 68% out of the industry standard as compared to 74% achieved in FY18/19.

We have planned the following initiatives to improve the waiting time and data gathering on our QMS:

- **Automation of QMS Reports** – to provide enhanced reports to enable branches to manage and monitor their services waiting and serving time promptly.
- **One Stop Centre** – Guest Experience Officer (GEO) to provide a one-stop servicing platform to meet customers needs and enquiries.
- **QMS Mobile App** – Offers great convenience and time saving to customers by allowing them to view the number of customers waiting at branch, to request ticket number remotely and to notify them when their turns are approaching.

Where possible, our trained GEOs also redirect customers to Self Service Terminals (SST). In addition, we are planning to establish dedicated Ar-Rahnu centres to provide a better experience to customers performing Ar-Rahnu transactions and reduce the waiting time for other customers.

ETHICS AND INTEGRITY

We are committed to promoting and maintaining a high standard of transparency, accountability, ethics and integrity at the workplace. As an accountable and transparent workplace, we provide mechanisms for employees to voice genuine concerns or irregularities in a responsible and appropriate manner.

In line with this commitment, the Bank has put in place our Whistle Blowing Policy to provide a proper and secure avenue for notification by employees or external stakeholders who have knowledge of suspected malpractice, unethical or circumventing act committed by any of our employees against the Bank's interest that may adversely impact our reputation.

We have enhanced our Whistle Blowing Policy based on the latest laws and regulations governing Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) and Whistleblower Protection Act, 2010. To date, we have found our Whistle Blowing Policy sufficient in addressing integrity issues/incidences.

The Whistle Blowing Policy has undergone various reviews and authoritative approvals within the Bank before it was formalised. This is to ensure the content is appropriate and up-to-date in line with the latest laws and regulations.

We have also put in place the Muamalat Ethics Line, managed by a third party, that enables the Bank's employees, customers, vendors and public to raise their concerns in confidence and without fear of retaliation or discrimination.

All disclosures received via the Muamalat Ethics Line are only disclosed to the Chief Internal Auditor (CIA) and Chairman of the Board Audit Committee. Whistleblowing concerns are investigated thoroughly and independently by the dedicated Forensic Audit team which reports to the CIA. All whistleblowing initiatives/activities are reported to the Bank's Board Audit Committee.

We also practice zero tolerance for corruption and continue to uphold our Gift & Entertainment Policy and Anti-Bribery & Corruption Policy. We encourage staff to report any suspected fraud or fraud incident to eliminate fraud cases at our Bank. Additionally, all staff are briefed and coached on anti-bribery and corruption through e-mails, the display of stickers, and "Baju Lokap SPRM" at entrances as well as desktop alerts. We believe these initiatives can create an effective awareness experience to the employees.

In November and December 2019, we conducted four (4) sessions of Integrity Talk which was attended by almost 200 employees, per session.

On 25 February 2020, our Board Risk Management Committee approved our enhanced Code of Conduct (COC). The enhancement of the COC ensures our alignment and compliance with the evolution of the Islamic Financial Services industry in the last decade. The document is now undergoing publishing process and will serve as a guide to all employees in conducting themselves whilst serving the Bank.

The COC includes and enhances related Articles on:

- Equitable Treatment and Prevention Against Bribery and Corruption - Introduced in the absence of specific Article on prevention of bribery and corruption in the Bank's current COC; and to highlight and communicate our commitment in ensuring, promoting and practising the highest level of integrity and ethics and complying with the applicable laws and regulatory requirements on anti-bribery and corruption.
- Reporting and/or Whistle Blower Provision and Avoiding Conflicts of Interest - Enhanced and added to assist the Bank in building its defence against potential Corporate Liability as per the "Guidelines on Adequate Procedure" issued by the Prime Minister's Department pursuant to Amendment to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Act, 2009 ("MACC Act, 2009") that comes into force effective 1 June 2020.
- Social Media Usage, Computer Crimes and Harassment and Violence - Introduced to provide the necessary preventive measures from potential adverse risks resulting from these factors.

Adherence to the COC is compulsory and expected of all employees.

For further information on our initiatives on ethics and integrity, please refer to our Corporate Governance Overview Statement on pages 100-107 of this Annual Report.

Economic

"Bank Muamalat constantly seeks innovative solutions for the benefit of its customers through collaborations and improving our digital capabilities."

DIGITAL BANKING

Digital Banking Solutions

In line with this, during the year, we entered into a collaboration with Wahed Invest to provide Malaysia's first digital investment platform that allows investors to access Shariah-compliant portfolios that are transparent and impartial. This initiative aims to empower Malaysians at large to take charge of their financial wellbeing according to their own risk appetite. The platform allows investments in Shariah-compliant portfolios from as low as RM100.

We are also in the midst of collaborating with Alibaba Cloud to provide comprehensive solutions that local businesses can adapt to and learn from. Through this collaboration, we can use predictive analysis powered by Big Data and AI technologies to better understand our customer segmentations and preferences, leveraging on Alibaba Cloud's capabilities as one of the largest networks in the Asia Pacific region and taking advantage of Malaysia's recent embracing of digital economy transformation.

To further improve our customer experience, we will continue to enhance our services such as e-KYC through our Muamalat Application Platform to ensure customers can fully benefit from the technological advancement. The acceptance of technology among the community too has increased recently coupled with the growing demand for transactions to be instant and easily accessible.

In addressing this, we have increased our payment channel capabilities through partnerships of new banking services which will elevate our presence in the digital space. This includes introducing the QR Payment platform which offers ease of payment to merchants and diversified mode of payment capabilities for their customers.

This mode of payment is an alternative to traditional payment schemes such as Visa and Mastercard, which impose higher fees on MSME/SMEs, while providing customers with a seamless experience. QR Payment is also aligned with BNM's Virtual Banking Framework which aims to reduce the use of physical cash. As of reporting date, 21% of our merchant customers have signed up for QR Payment.

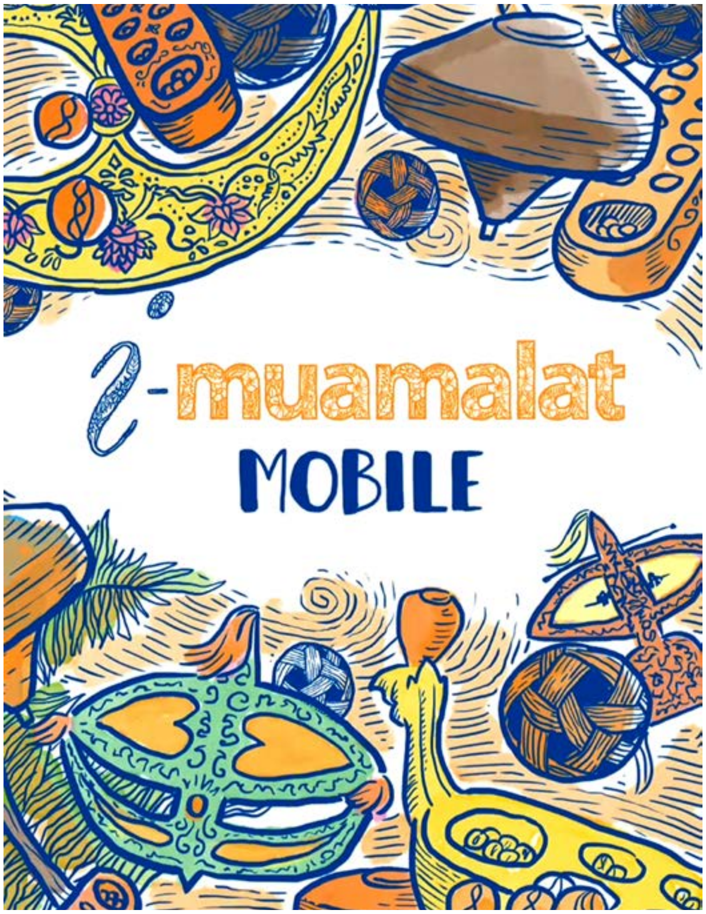
Data Governance & Security

In view of our digital banking drive, we are cognisant of the role of data governance to ensure data inconsistencies in different systems across our organisation are resolved accordingly. This will facilitate data integration efforts and avoid data integrity issues that affect the accuracy of business intelligence, enterprise reporting and analytics applications. In addition, data errors might not be identified and fixed, further affecting business intelligence and analytics accuracy. Poor data governance can also hamper regulatory compliance initiatives, which could cause problems for companies that need to comply with new data privacy and protection laws, such as the European Union's General Data Protection Regulation (GDPR). An enterprise data governance programme typically results in the development of common data definitions and standard data formats that are applied in all business systems, boosting data consistency for both business and compliance uses.

In view of this, we have designed a three-year Data Management Roadmap for the development of an effective data management platform, covering a data governance framework and infrastructure, as well as capacity building on data analytics for the Bank.

The Roadmap focuses on three (3) areas: Governance, Infrastructure, and Awareness & Training to address issues related to data management within the organisation.

To date, the Bank has developed and established the following:
- Data Governance Structure such as the establishment of a Data Management Committee
- Policies on Data Governance and Data Quality
- Data Warehouse (i.e. development of Data Lake and Data Warehouse and visualisation dashboards)
- Awareness & Training related to Data Governance, Data Visualisation, Data Warehouse and Data Quality



We have also initiated a Bank-wide Centralised Repository Platform, which includes Data Lake, representing our foundation for big data, Quality tools, an Enterprise Data Warehouse (EDW), and Business Intelligent tools solution to ensure a single source of information. By integrating customer data sources into a single, centralised platform, we will be able to gain actionable, data-driven insights faster and more accurately.

Through these initiatives, our employees' turnaround time will be sped up through faster access to data and customer profiles from the integrated system. This, in turn, will help us improve customer retention through greater trust and enhanced perception. We will also be able to increase the quantity and frequency of data submission to regulators for their big data initiatives. This presents an opportunity for regulators to enhance their understanding of both the institutions they regulate and the credit exposures of individual obligors across institutions.

Environment

WE REMAIN COGNISANT OF OUR IMPACT ON THE ENVIRONMENT AND CONTINUOUSLY STRIVE TO REDUCE OUR CARBON FOOTPRINT.

We undertake this through energy and resource management initiatives which aim to affect positive behavioural change towards our natural environment across our Bank. We also strive to organise or participate in environmental conservation activities for a positive impact on the climate.

ENERGY CONSUMPTION & ENVIRONMENTAL IMPACT

Energy and Resource Management

We conduct programmes with our employees to encourage savings on natural resources as well as promote "green" behaviour.

The objectives of the activities are aimed at instilling the following behaviour among staff:

- To not be wasteful by switching off electrical devices and appliances when not in use
- To conserve water and turn off taps
- To encourage paperless office and reduce printing

In June 2019, we conducted the 'Go Green Project', a series of activities to promote behavioural change such as reducing the use of single-use plastic bags. The 'No Single Use Plastics' campaign addressed the large amount of waste generated at our HQ cafeteria. To support the campaign, we distributed reusable food containers to all employees. More employees have been seen using their food containers when dining at the cafe located at Menara Bumiputra.

The following data discloses our energy and paper consumption as well as waste generated in FY2019:

Total electricity (branches):	Total electricity (HQ):	Total paper used (HQ):	Total wastage (HQ):	Total petrol usage:
3,359,456 kWh	**3,403,860 kWh**	**4,070 reams**	**3,187.5kg**	**278,726 litres (L)/ 218.8 L per person**
	FY18/19: 4,506,560 kWh		FY18/19: 3,040.5kg	(FY18/19: 344,299 L/ 253.7 L per person)

During the year, our electricity usage rose at a slower pace of 0.9% as compared to a growth of 3.5% last year, as we replaced the lights at our premises with LED bulbs to reduce electricity wastage.

We also included the measurement of all wastes (food and others) for FY2019, as compared to only measuring food waste in FY18/19, which resulted in a higher amount of waste recorded for this year. Nonetheless, the data for FY2019 shows that we had reduced food waste, demonstrating the results of our "No Single-Use Plastics" campaign.

Among other initiatives that the Bank has undertaken to reduce its carbon footprint is reusing the toner cartridge for photocopy machines and ensuring the A4 papers used are certified by Programme for the Endorsement of Forest Certification (PEFC).

ENVIRONMENTAL CONSERVATION

We held our Muamalat Merdeka Coral Conservation Dive for the third consecutive year in FY2019, serving as a corporate social responsibility (CSR) activity. Following our first event in Selakan, Sabah, we subsequently held the activity at Pulau Perhentian, Terengganu in our second year and in FY2019 undertook the dive at Pulau Tenggol, Terengganu. The event involves planting artificial reefs by divers and saw the participation of 22 participants including non-divers (FY18/19: 18 participants).

In addition to building awareness on environmental conservation, the programme also aims to build stronger bonds ('Ukhwah') among our employees. We hope to continue this programme each year to ensure improvement at the reef. Preservation of the coral reef will also attract more tourists to the area, contributing to economic activity for the community there.

In conjunction with the dive, participants also undertook beach cleaning, removing items such as plastic bags, paper waste, cans, polystyrene containers and rubbish that were discarded on the beach or into the sea.

During the year, we introduced our Green Café Lunch at our HQ, representing our first step at a Bank-wide effort to promote a culture of environmental sustainability among our employees. In tandem with our 'No Single-Use Plastics' campaign, each employee was given a food container to reduce single-use plastic usage as well as food wastage.

Social

> OUR SOCIAL SUSTAINABILITY INITIATIVES ARE FOCUSED ON OUR EMPLOYEES, CUSTOMERS AND LOCAL COMMUNITIES.

Our staff strength grew to 1,904 from 1,869 over this financial year (due to business expansion, and sales and marketing initiatives), and we have put in place various measures throughout the employee life-cycle to achieve a diverse, high-performing and empowered workforce.

We have also put in place a rigorous customer satisfaction system and monitoring to ensure we continuously meet their needs and expectations.

For our communities, we undertake various community development and engagement activities to ensure we contribute meaningful impacts, especially to underserved markets. In this regard, our financial inclusion activities also deliver important outcomes to uplift the financial wellbeing of our communities.

COMPENSATION AND BENEFITS

Our compensation and benefits are competitive to the industry. We align ourselves with industry peers, formally by participating in market benchmarking through an annual remuneration survey and informally through our banking network. This ensures our remuneration and benefits package remains competitive based on industry best practices to allow us to attract and retain the best talent.

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation, includes:-

	Group Term Takaful[1]	Healthcare[2]	Disability and invalidity coverage[3]	Parental Leave[4]	Retirement provision[5]	Stock ownership	Compassionate Leave[6]	Other Types of Leave[7]	Flexible Work Arrangement[8]	Other Allowances[9]	Membership with Professional Bodies[10]	Staff Financing[11]
Senior Management	√	√	√	√	√	n/a	√	√	√	√	√	√
Managerial	√	√	√	√	√	n/a	√	√	√	√	√	√
Executive	√	√	√	√	√	n/a	√	√	√	√	n/a	√
Non-Executive	√	√	√	√	√	n/a	√	√	√	√	n/a	√

1. *Includes Group Term Takaful and Critical Illness (only applicable to Senior Management and managerial employees)*
2. *Includes Medical benefits, Dental benefits, Optical benefits, Executive Health Screening and Child Delivery charges*
3. *Includes Group Personal Accident, SOCSO, Employee Insurance Scheme (EIS)*
4. *Includes Maternity Leave and Paternity Leave*
5. *Includes EPF Top Up Plan, early retirement and Pre-retirement Leave (only applicable to executives and non-executives)*
6. *Includes death of family members, natural disaster and immediate family being hospitalised*
7. *Includes Annual Leave, Sick Leave, Hospitalisation Leave, Prolonged Illness Leave, Marriage Leave, Hajj Leave and Examination Leave*
8. *Includes Staggered Work Hours and Reduced Work Hours*
9. *Includes Warm Clothing Allowance for travelling to temperate countries, Acting/Relief Allowance, Regional Allowance (only applicable to East Malaysia), Outstation Duty Allowance*
10. *Includes professional membership (only applicable to Senior Management and managerial employees)*
11. *Includes Staff Sundry Financing, Staff Structured Personal Financing, Staff Bicycle Financing, Staff Vehicle Financing, Muamalat Car Scheme (VP and above) and Staff House Financing*

EMPLOYEE WELLBEING

We have also put in place support systems to safeguard the wellbeing of our employees and their families. These include the establishment of our Muamalat Child Care & Kindergarten (MCCK) facility for the employees' children aged between two months and six years.

Launched on 17 October 2019, the MCCK located at Level 1, Menara Bumiputra has been in full operation since 2 January 2020. With a built-up area of 5,500 sq. ft. (excluding the gym), the facility has the capacity for 81 children. The facility bears testimony to our commitment to provide a supportive infrastructure and work environment to our employees, aligned with the VBI.

Beyond providing daycare, MCCK offers a range of services for young children to enhance their holistic development and ensure that they are cared for and protected. The facility also provides peace of mind to our employees on the children's wellbeing during the workday. Additionally, we have found that parents who send their children to MCCK reported 40% lower Sick Leave taken year-on-year.

Social

34 parents have enrolled 43 children at the facility, with each parent enrolling between one and three children. These parents also benefited from a total subsidy of RM7,000 per month, equivalent to RM84,000 per annum, with the subsidy ranging from RM100 to RM400 per employee or up to two (2) children per employee.

To ensure the health and safety of our employees at all times as well as to protect their welfare and wellbeing, we have provided several healthcare initiatives. During flu season in FY2019, we provided Influenza A vaccinations to a total of 595 employees. Despite the scarcity of vaccine during the period, we were able to secure the vaccine for approximately 30% of our employees.

We also monitor our employees and eligible dependents taking long-term medication by channelling them to eFarma, where they can get their monthly supply of medication online without having to go to the clinic on a monthly basis. The medications are delivered directly to their house or office. A total of 170 employees and eligible dependents have been enrolled in eFarma, benefiting from a total savings of RM84,957.65.

Following the emergence of the COVID-19 pandemic and the subsequent Movement Control Order (MCO) in Malaysia, we introduced a slew of measures to support our employees. Extending the eFarma programme, we introduced PMCare eFarma Online, enabling employees to obtain their prescriptions online to subscribe to eFarma. This allowed employees to minimise their exposure in public places, including clinics/hospitals to obtain their medication.

During the MCO, we gave priority to employees with special needs to work from home. These include employees in high-risk groups, which cover but is not limited to those with pre-existing medical conditions (acute heart disease, cancer, and acute respiratory illness, among others) and high-risk pregnancies. Employees who are taking care of family members with acute health conditions and children due to the closure of childcare and/or schools, as well as those who are unfit to work are also allowed to work from home. Additionally, we provide COVID-19 screening to employees with symptoms.

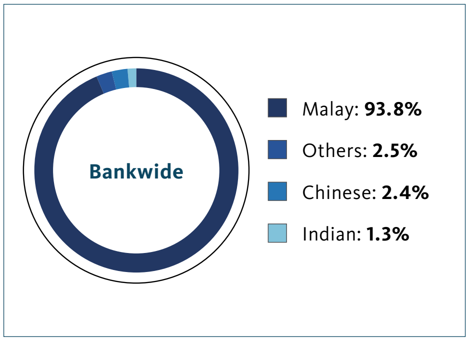
DIVERSITY AND EQUAL OPPORTUNITY

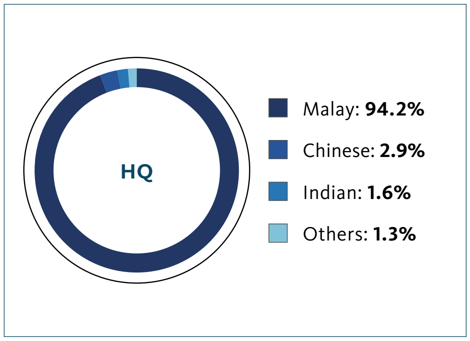
We strive to develop and promote a culture of diversity and equality throughout our organisation. We continue to ensure no single employee is treated differently to one another by providing them with equal opportunities to fulfil their potential.

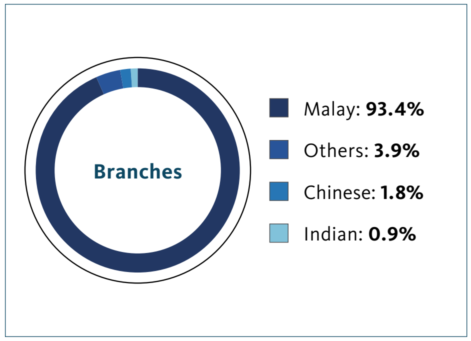
For FY2019, the breakdown of our employees by minority group according to working location and employee category was as follows:

Total Number of Bankwide Employees:	Total Number of HQ Employees:	Total Number of Branches Employees:
1,904	984	920

Employees by Minority Group
(%)



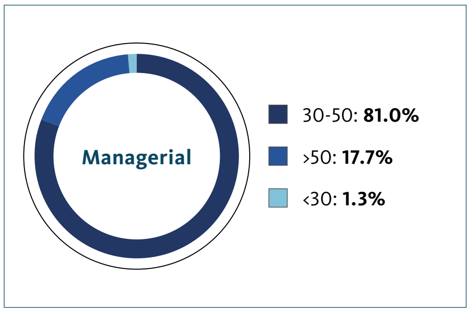


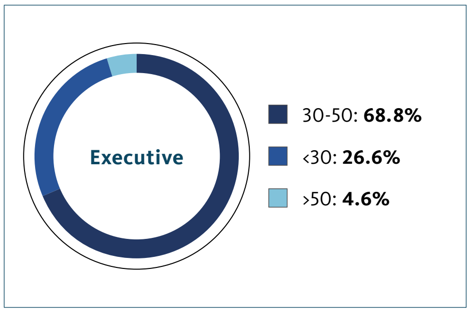


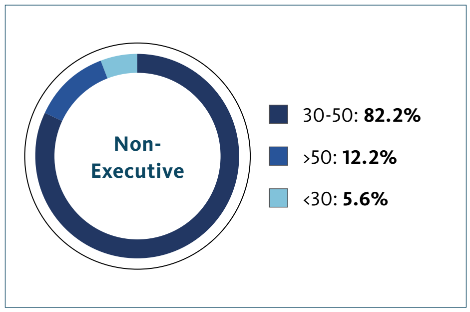
In terms of employee category, we recorded the following by age and minority group:

Total Number of Managerial Level Employees:	Total Number of Executive Level Employees:	Total Number of Non-Executive Level Employees:
707	1,107	90

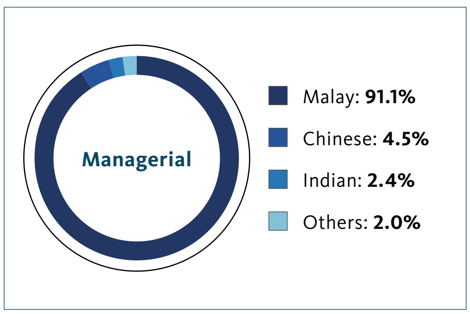
Employee Category by Age Group
(%)

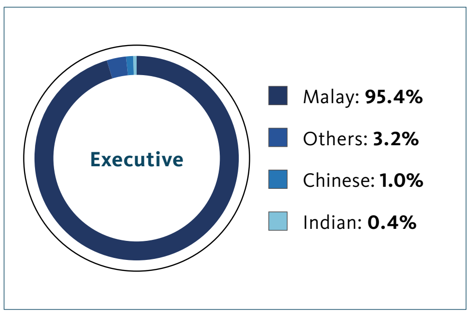


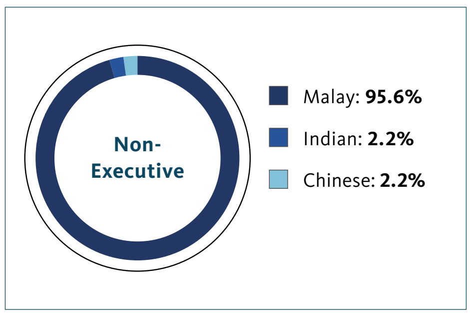




Employees by Minority Group
(%)







Social

TRAINING AND EDUCATION

We provide ample opportunities for our employees to upskill or reskill themselves to achieve career development, as well as to support our culture of a high performing organisation. Most of our workforce capability training emphasises on:

i. Regulatory compliance programmes to support the Bank's compliance culture;
ii. Certification programmes to enhance staff's standard of excellence; and
iii. Technical/management programmes to upskill/reskill staff competencies.

All our 1,904 staff participated in a total of 117,902 training hours during the year. On average, there was a 22% increase of training programmes in FY2019 from FY18/19, with the average percentage of participation for all categories of programmes rising by 162%. Of the training, regulatory compliance training increased by 61% in tandem with our initiatives on strengthening the Bank's compliance culture. During the year, 60% of staff from relevant departments also acquired certifications.

The focus of training programmes is divided into four (4) categories:

Regulatory Mastery:
Governance, Risk, Compliance and Shariah-related programmes

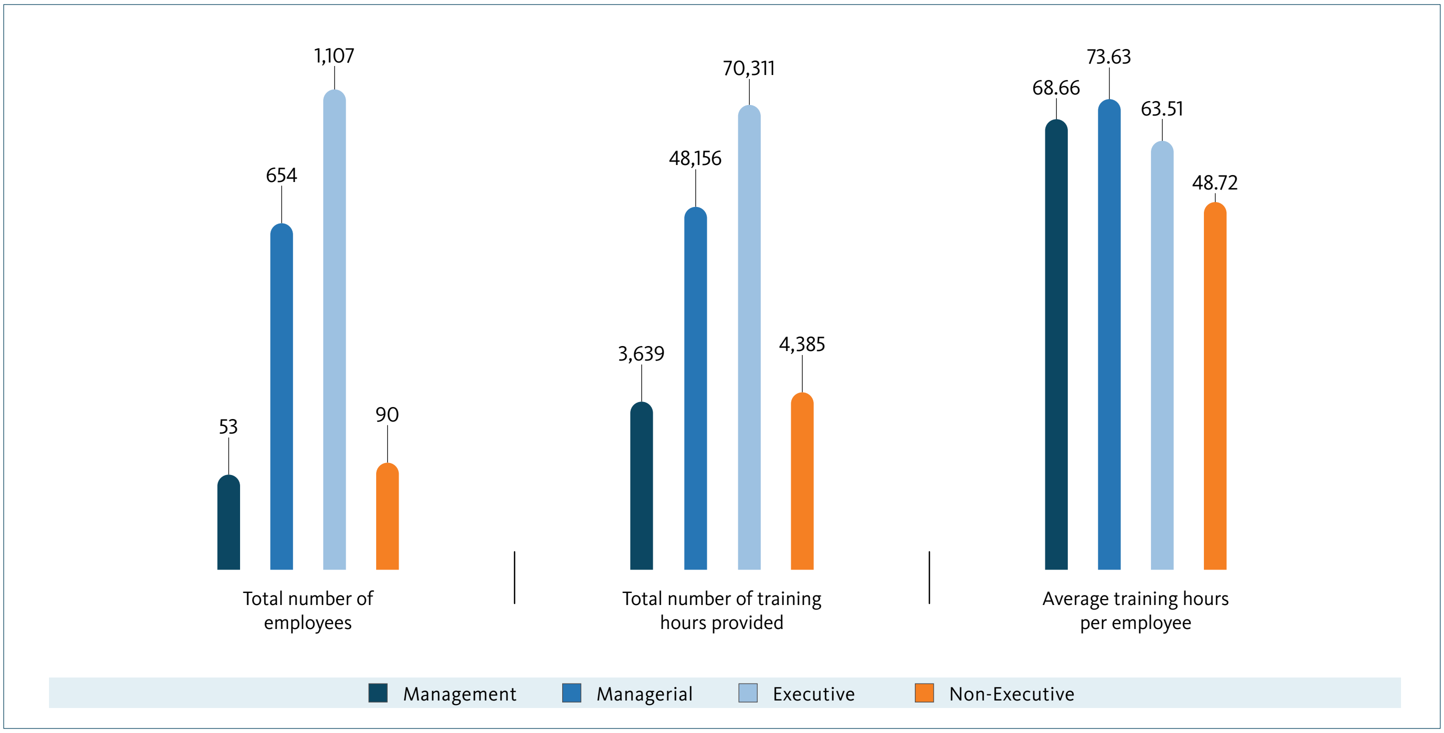
Functional Mastery:
Specific training related to the job function that employees require to perform their daily tasks effectively

Business Mastery:
Programmes related to business strategy, economics, management and industry trends that will enhance employees' business acumen

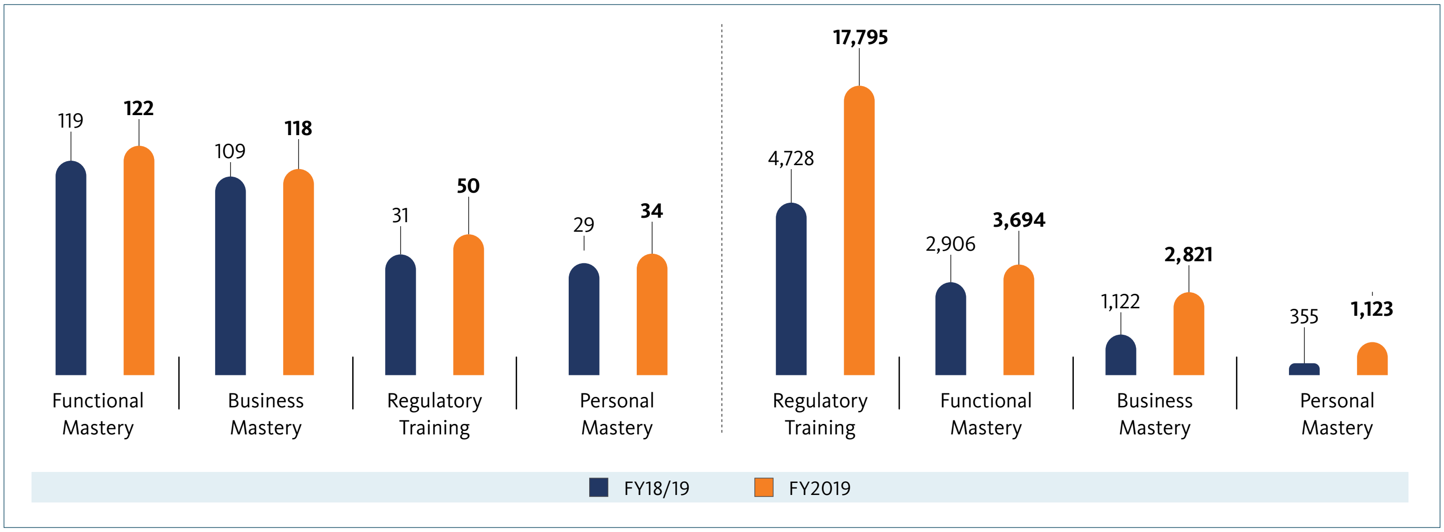
Personal Mastery:
Training programme to enhance personal skills through the discovery of abilities, overcoming limitations and the strength to strive for excellence

Below is the breakdown for the training hours according to employee category:

Training Hours Per Year by Employee Category

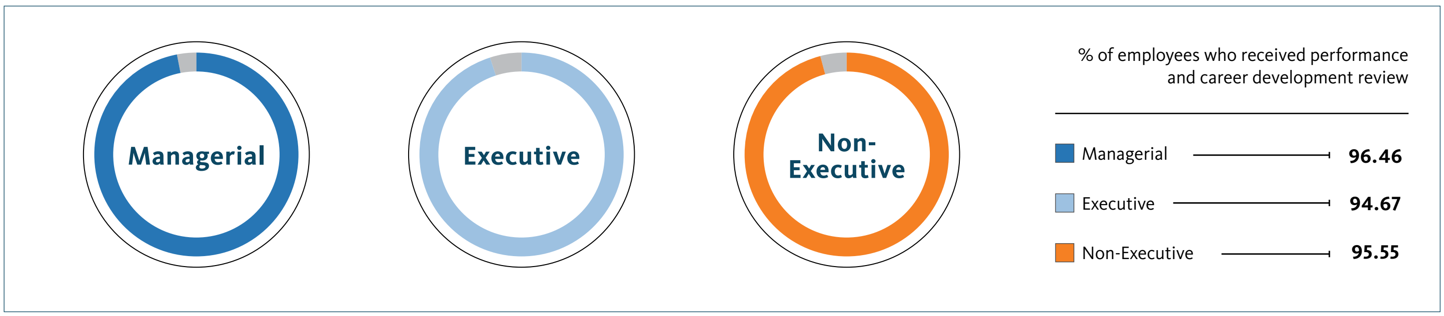


Total Number of Programmes | **Total Number of Participants**



All employees are provided with the opportunity for regular performance and career development reviews. This ensures two-way communication in discussing areas of interest and potential as well as identifying areas for improvement. The following shows the participation of our employees in performance and career development reviews by employee category:

Performance and Career Development Reviews by Category



COMMUNITY DEVELOPMENT

Energy Efficiency Working Community

The Bank is open to collaborations and partnerships with other organisations to demonstrate our commitment to sustainable banking. Among these collaborations is our participation in BNM's energy efficiency working community as part of VBI. Under this initiative, we are working together to develop a sectorial guide to rigorously evaluate companies that are promoting energy efficiency projects/activities.

At the end of 2019, we were invited to project manage the development of the guide. We were also involved in the development of a sectorial guide paper on Renewable Energy and Palm Oil, for which we attended all meetings and discussions. We also consulted industry experts to ensure the paper, which is expected to be published in 2020, was drafted accurately.

Waqf Mobile Clinic

We have also undertaken community empowerment projects including a Waqf Mobile Clinic, a strategic partnership between Wakaf Muamalat and medical institutions to provide quality healthcare to the public especially, the underprivileged.

At present, Wakaf Muamalat owns four mobile clinics that operate nationwide. Since its inception in 2012, the mobile clinics have treated more than 10,000 patients. On 24 May 2019, representatives from the International Monetary Fund visited one of the mobile clinics to observe how waqf-funded projects are aligned with Islamic banking and principles.

Social

From its first collaboration with Perbadanan Wakaf Selangor in 2012, Wakaf Muamalat has since been invited to collaborate on the management of cash waqf in other states. Subsequent collaborations include collaborations with Wakaf Negeri Sembilan, Majlis Agama Islam dan Adat Istiadat Melayu Kelantan and in October 2019 commenced its collaboration with Majlis Agama Islam Negeri Kedah.

Wakaf Muamalat's mobile clinics and other assistance from our waqf fund from the religious state councils that we collaborate with, are accessible to everyone.

In FY2019, the waqf fund collected RM29.44 million. To date, Wakaf Muamalat through its Joint Management Committee (JMC) has approved RM23.19 million for disbursement, of which RM15.51 million has been disbursed to waqf projects.

During the year, Wakaf Muamalat also enabled e-payment to create a collection channel through QR codes, with each collaborating state having its own QR code for waqf.

Tabung Mawaddah (TM)

TM has been actively operating since 2002, dedicated to aiding and implementing charitable activities to eight (8) Asnaf recipient groups (Fakir, Miskin, Amil, Muallaf, Riqab, Gharimin, Fisabillah and Musafir) and non-Asnaf recipients. TM is funded by zakat and alms (sadaqah) sources contributed by our Bank and staff. The fund is also used to distribute aid to eligible staff in the event of death, accidents, natural disasters, and other situations.

During the year, we distributed a total of RM3.62 million from TM to the following recipient groups:

Fakir RM398,228.00	**Miskin RM718,647.10**
Fisabilillah RM2.37 million	**Gharimin RM1,500**
Muallaf RM110,293.00	**Sadaqah RM21,360.00**

Despite the shorter financial year, the funds distributed was 78% higher than RM2.79 million distributed in FY18/19.

We also continuouly seek ways to expand our reach to communities through better engagement. During the early year of 2020, a digital platform was developed internally to assist the community through a crowdfunding platform known as Jariah Fund. Through this platform, TM will collaborate with selected NGOs to seek beneficiaries and create crowdfunding campaigns to help them.

COMMUNITY ENGAGEMENT

Ramadan Programmes

We hosted and participated in a number of events to support the various communities we serve. These include our annual programme to celebrate the month of Ramadan with orphanages, the homeless, blind, cancer-afflicted children, Maahad Tahfiz and special needs children. In line with Hadith Bukhari, which states, "The best qualities of Islam are feeding (fellow human beings) and greeting with peace," such programmes ease the burden of these communities.

The programmes that were run are breaking fast activities, Hari Raya shopping with underprivileged children, distribution of duit Raya and donation of baju Raya to children from Kompleks Kemahiran Akademi Insan Prihatin.

Each year, we conduct the event with different communities to extend our reach as far as possible. We have also conducted the programme in collaboration with the LOTUS automotive team and the ROKEB (Bank Muamalat Motorcycle Team), providing children with the opportunity to ride in LOTUS cars and big bikes. The programmes also included engaging activities such as Tazkirah sessions and lucky draws.

Back-to-School programme

Since 2012, we have worked with MPH Bookstore, the media and school uniform suppliers to spearhead a Back-to-School programme to donate school uniforms to orphanages. We conducted English language activities with the support of volunteers from Kolej Universiti Poly-Tech Mara Kuala Lumpur.

Promoting a Healthy Lifestyle

We organised as well as sponsored and participated in various sports events to promote a healthy work life balance, active lifestyle and build camaraderie among our employees. During the year, we organised the 20 Years Nite Ride and the Amazing Race 2019, which were opened to the public, in conjunction with the Bank's 20th anniversary. IBFIM, AIBIM, MTA and ISRA were also invited join both our Amazing Race 2019.

We also sponsored and participated in the Perkeso Run & Ride @ Putrajaya and Avillion Coastal Ride 2019 events, which enabled our employees to join both the events for free.

Employee Appreciation
In an effort to reward and show appreciation to our staff as well as strengthen relationships, we conducted several events during the year:
- CSR @ Zoo Negara – Our staff participated in activities which involved cleaning the animals' dens.
- Lambaian Kaabah – Sponsored seven (7) dedicated employees and their partners to perform Umrah
- Bubur Lambuk Distribution (from Masjid Al-Bukhari) – To all employees at HQ
- Shopping Spree @ LULU - Shopping spree among employees
- Staff Raya – Our annual Hari Raya Aidilfitri event opened to all employees
- 20 Years Anniversary Dinner & Long Service Award

Client Engagement
As part of our customer retention strategy, we conducted two (2) annual events for our corporate clients, Golf Muhibbah with Angkatan Tentera Malaysia (ATM – Malaysian Armed Forces) and a Corporate Raya event.

Golf Muhibbah with ATM, conducted every year since 2012, allows us to show our appreciation to the Armed Forces while strengthening relationships between ATM, our Management and branch managers through the promotion of a healthy lifestyle.

Our Corporate Raya event is held for our corporate peers and clients to foster connections and to show our appreciation. The event features a different theme every year, with 'Sustainability' chosen as the theme for FY2019.

BNM's Community Economic Empowerment Programme (CEP)
During the year, we participated in BNM's CEP to empower local fishermen in Papar, Sabah. In our first ever engagement with this community, we initiated a drying cabin project, which uses new technology to treat the fishermen's catch in a more hygienic process. The project aims to uplift low-income segments by providing value chain assistance such as communal infrastructure and a guaranteed market.

Around five (5) fishermen benefited from this initiative, with their income increasing to RM3,400 a month from RM1,200 previously.

FINANCIAL INCLUSION

Promoting Accessibility to Investing
We continue to cater to underserved segments through affordable investment projects and recently collaborated with Wahed Invest Malaysia, a Shariah-compliant licenced digital investment management platform, to encourage customers to invest.

Through the collaboration, customers can access a digital investment channel for a Shariah-compliant investment portfolio that is transparent, impartial and aims to empower Malaysians at large to take charge of their financial wellbeing. This provides customers access to affordable investment opportunities at their convenience.

Financial Literacy
Since 2010, we have hosted the Forum Perdana TV programme in collaboration with RTM 1. The talk show features guests who are experts in their various fields speaking on selected topics.

During the year, we hosted nine (9) shows held at:
- Stadium Tertutup Kompleks Sukan, Terengganu
- Sungai Petani, Kedah
- Masjid Negeri, Pulau Pinang
- Padang Kawad Kem Muara Tuang, Sarawak
- Dewan Utama, Kompleks Yayasan Pahang & Lobi Yayasan Pahang, Kuantan, Pahang
- Perkarangan Bank Muamalat, Kuala Lumpur
- Dewan Badminton, Kompleks Sukan LADA, Langkawi
- Dataran Putrajaya
- Dewan Perkasa, Wisma Perwira, ATM

The show provides an opportunity for viewers to learn about the principles of Islamic banking and finance while promoting our products and its potential returns and benefits.

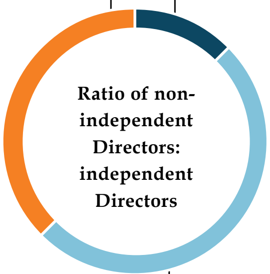
Expanding Our Physical and Digital Reach
During the year, we opened another branch in Kemaman, Terengganu, increasing our nationwide branch network to 65, including inaccessible areas. In addition to our wide branch network located strategically for customers' needs, we have tapped into technology to enhance the use of banking services, expand convenient access of banking services and increase the scalability of financial services. These initiatives are taken to extend the reach of financial access to bridge the inclusion gap.

Our introduction of QR payment for MSME/SMEs (discussed in the Customer Experience section of this Sustainability Statement) also serves to expand our services to our customers. Additionally, our apps are rated among the top five (5) banking apps on the Google Playstore, indicating our continuous effort to enhance our customers experience on digital platforms. We also continuously improve our apps to ensure our customers' convenience when using our digital services.

Our Board Diversity

INFORMATION AS AT 1 SEPTEMBER 2020

Board Diversity
The diversity and skills of the Board ensure that Bank Muamalat is steered to deliver growth to all our stakeholders.



Length of Tenure

1-5 years	6
6-10 years	2

DATUK SERI TAJUDDIN ATAN
Independent Non-Executive Chairman

MD KHAIRUDDIN HJ ARSHAD
Independent Non-Executive Director
BVC BRMC BITC BCC

GHAZALI HAJI DARMAN
Independent Non-Executive Director
BAC BNRC BVC BITC BCC

DR AZURA OTHMAN
Independent Non-Executive Director
BNRC BRMC BAC

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DATO' SRI CHE KHALIB MOHAMAD NOH
Non-Independent
Non-Executive Director

BNRC BVC

DATO' IBRAHIM TAIB
Non-Independent
Non-Executive Director

BRMC BAC BITC
BCC

IWAN RASHMAN GULAMOYDEEN
Non-Independent
Non-Executive Director

BNRC BAC

DATO' HJ. KAMIL KHALID ARIFF
Independent
Non-Executive Director

BRMC BVC BAC
BNRC

Areas of Expertise

6 Finance and/or Banking	
1 Law	1 IT Security

Key Features Of Our Board
- *The Board comprises 50% Independent Directors*
- *The Chairman is a majority Non-Independent Non-Executive Director*
- *The roles of the Chairman and the Chief Executive Officer are distinct*

Legend

Board Risk Management Committee
BRMC

Board Audit Committee
BAC

Board Nomination & Remuneration Committee
BNRC

Board Veto Committee
BVC

Board IT Committee
BITC

Board Compliance Committee
BCC

Board of Directors' Profile

DATUK SERI TAJUDDIN ATAN

Independent Non-Executive Chairman

Date of Appointment:
3 June 2020

Nationality / Age / Gender

Malaysian / 61 / Male

Datuk Seri Tajuddin Atan was appointed as an Independent Non-Executive Director of Bank Muamalat on 6 May 2020 and as the Chairman of Bank Muamalat on 3 June 2020.

Datuk Seri Tajuddin brings with him over 35 years of experience in the corporate and financial industry that includes banking and capital markets, both domestic and international. He was previously the Chief Executive Officer of Bursa Malaysia Berhad from April 2011 until February 2019. Prior to that, he spearheaded companies and served as the Managing Director of RHB Bank Berhad and Group Managing Director of RHB Capital Berhad (May 2009 – March 2011), President/Group Managing Director of Bank Pembangunan Malaysia Berhad (December 2007 – April 2009), Chief Executive Officer of Bank Simpanan Nasional (October 2004 – November 2007), and Managing Director of Chase Perdana Berhad (July 2001 – September 2004).

Datuk Seri Tajuddin currently serves as the Chairman of MMC Corporation Berhad, Honda Malaysia Sdn Bhd as well as Chairman of Asian Institute of Chartered Bankers (AICB) Disciplinary Panel. He sits on the Board of Cagamas Berhad and chairs the Board Risk Committee, and has also been appointed as a Commission Member of the Malaysian Communications and Multimedia Commission (MCMC).

Datuk Seri Tajuddin holds a Bachelor of Science (Agribusiness) degree from University Putra Malaysia and a Master of Business Administration from Ohio University. He was conferred an Honorary Doctorate in Finance by Universiti Putra Malaysia and recognised as a Fellow Chartered Banker by AICB.

DATO' SRI CHE KHALIB MOHAMAD NOH

Non-Independent Non-Executive Director
Date of Appointment:
27 August 2012

Nationality / Age / Gender

Malaysian / 55 / Male

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

He was the former President and Chief Executive Officer of Tenaga Nasional Bhd ("TNB"), before taking up the position of 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 the 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.

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

A qualified accountant, Dato' Sri Che Khalib is a member of the Malaysian Institute of Accountants ("CA, M") and also a Fellow of the Association of Chartered Certified Accountants ("FCCA, UK") United Kingdom.

DATO' IBRAHIM TAIB

Non-Independent Non-Executive Director
Date of Appointment:
29 March 2018

Nationality / Age / Gender

Malaysian / 66 / Male

Dato' Ibrahim Taib was appointed as Non-Independent Non-Executive Director of Bank Muamalat being nominated by DRB-HICOM Berhad on 29 March 2018. He is currently the Chairman of the Board Compliance Committee and a member of the Board Audit, Board Risk Management and Board IT Committees.

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's 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 remained 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.

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

Board of Directors' Profile

IWAN RASHMAN GULAMOYDEEN

Nationality / Age / Gender

Malaysian / 41 / Male

Iwan Rashman Gulamoydeen was appointed as Non-Independent Non-Executive Director of Bank Muamalat on 1 September 2019. He is a member of the Board Nomination & Remuneration and Board Audit Committees.

Iwan Rashman is currently a Director with the Legal team of Khazanah Nasional Berhad (Khazanah). He joined Khazanah in 2007 as part of the Risk Management Unit where he was involved in setting up the Governance & Risk Management Framework, Limits of Authority and conducted various internal audits for Khazanah. Since moving to Legal, he has spent the last 10 years working on many milestone transactions, both locally and abroad, across various sectors such as healthcare, media, renewable energy and aviation. He has also worked on a number of iconic IPO exercises for Khazanah investee companies such as Astro Malaysia Holdings Bhd and IHH Healthcare Bhd in 2012, which at that time was the world's third largest IPO.

Prior to joining Khazanah, Iwan spent five years with the Securities Commission where he served in the Enforcement and the Listing divisions respectively. He holds a Bachelor of Laws ("LLB") degree from the University of Tasmania and was admitted to the Malaysian Bar in 2001.

DATO' HAJI KAMIL KHALID ARIFF

Nationality / Age / Gender

Malaysian / 66 / Male

Dato' Haji Kamil Khalid Ariff was appointed as Independent Non-Executive Director of Bank Muamalat on 29 September 2011. He is the Chairman of the Board Veto Committee and a member of the Board Audit, Board Risk Management and Board Nomination & Remuneration Committees.

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-faceted 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, helped set up in the mid-1980s.

Dato' Haji Kamil Khalid is currently Chairman of Liberty Insurance Berhad and Gibraltar BSN Life Insurance Berhad and sits as an independent director for Awan Inspirasi Sdn Bhd and several other private companies. He is also a Director of Putrajaya Holdings Sdn Bhd.

He graduated with an MBA in International Business from Central Michigan University, USA in 1979. Prior to that, he obtained a BSc in Management from Syracuse University, New York and a Diploma in Public Administration from ITM.

DR. AZURA OTHMAN

Nationality / Age / Gender

Malaysian / 52 / Female

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

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 Bank Negara Malaysia ("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.

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").

GHAZALI HAJI DARMAN

Nationality / Age / Gender

Malaysian / 56 / Male

Ghazali Haji Darman was appointed as an Independent Non-Executive Director of Bank Muamalat on 4 January 2017. He is the Chairman of the Board IT Committee and a member of the Board Nomination & Remuneration, Board Audit, Board Veto and Board Compliance Committees.

Previously, he was the Global Head of Domain for Transportation and System Integration and a member of Senior Management Team for DHL IT Services, based in Cyberjaya. His responsibilities covered all four (4) shared IT service centres for DHL Global Operations (located in Cyberjaya, Bonn, Prague and Scottsdale, USA).

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

He was 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) of Bursa Malaysia.

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

Board of Directors' Profile

MD KHAIRUDDIN HAJI ARSHAD

Nationality / Age / Gender

Malaysian / 54 / Male

Md Khairuddin Haji Arshad was appointed as an Independent Non-Executive Director of Bank Muamalat on 10 September 2019. He also serves as the Chairman of the Board Risk Management Committee and a member of the Board Veto, Board IT and Board Compliance Committees.

Md Khairuddin has over 25 years of experience in the banking industry. He started his career with Bank Negara Malaysia ("BNM") in 1991 and served in the Bank Regulation Department, and Islamic Banking and Takaful Department until 2005. He was involved in the setting up of the International Islamic Financial Market and the Islamic Financial Services Board.

He was part of the pioneer management team tasked with the establishment of Perbadanan Insurans Deposit Malaysia. He served as Chief Operating Officer and General Manager, Insurance, Risk Assessment and Monitoring Division since its establishment in 2005 until 2013. He was also the first Chairman of the Islamic Deposit Insurance Group of International Association of Deposit Insurers.

He joined Bank Rakyat in 2013 as Chief Risk Officer and his last position was Chief Operating Officer where he was entrusted with the responsibilities to expand the retail and corporate banking businesses, ensure effective implementation of the recovery and rehabilitation activities, manage corporate services effectively and to continuously improve the effectiveness and efficiencies of the overall banking operations.

He holds a Bachelor Degree in Accounting from the International Islamic University Malaysia. He also attended the Oxford Advanced Management and Leadership Programme and ICLIF Global Leadership Development Programme.

Shariah Committee Profile

TUAN HAJI AZIZI CHE SEMAN

Nationality / Age / Gender

Malaysian / 47 / Male

Current Position

- Chairman, Shariah Committee
- Lecturer, Academy of Islamic Studies, University of Malaya
- Shariah Advisor, AIBIM
- Shariah Committee, Agro Bank

Qualifications

- Master in Economics, International Islamic University Malaysia
- Bachelor of Islamic Studies, University of Malaya

Relevant Experience

- Lecturer, University of Malaya

Areas of Specialisation

- Islamic Capital Market, Islamic Economics, Fiqh Muamalat and Islamic Research Methodology

PROF. MADYA DR. MOHAMAD SABRI HARON

Nationality / Age / Gender

Malaysian / 55 / Male

Current Position

- Alternate Chairman, Shariah Committee
- Lecturer, Pusat Citra University, Universiti Kebangsaan Malaysia
- Senior Fellow, The Institute of Malaysian and International Studies (IKMAS)
- Senior Fellow, The Institute of Islam Hadhari
- Chairman, Shariah Committee, Apex Investment Services Berhad (Islamic Fund)
- Member, Shariah Committee, Koperasi ANGKASA
- Member, Shariah Committee, Koperasi Pos (KOPONAS)
- Member, Shariah Committee, Koperasi Universiti Kebangsaan Malaysia (Koperasi UNIKEB)

Qualifications

- PhD. in Islamic Law (Fiqh and Usul Fiqh), University of Jordan
- Master of Comparative Law, International Islamic University Malaysia
- Bachelor of Islamic Studies (al-Quran and al-Sunnah), Universiti Kebangsaan Malaysia
- Diploma in Islamic Studies, Kolej Sultan Zainal Abidin, Malaysia

Relevant Experience

- Former Senior Manager in Islamic Capital Market, Securities Commission

Areas of Specialisation

- Islamic Economics and Islamic Civilisation

Shariah Committee Profile

DR. WAN MARHAINI WAN AHMAD

Nationality / Age / Gender

Malaysian / 48 / Female

Current Position

- Member, Shariah Committee
- Senior Lecturer, Finance and Banking Department, University of Malaya

Qualifications

- PhD. in Zakat Investment, University of Edinburgh, United Kingdom
- Master in Economics, International Islamic University Malaysia
- Degree in Shariah, Academy of Islamic Studies, University of Malaya

Relevant Experience

- Former Member, Shariah Committee, EONCAP Islamic Bank

Areas of Specialisation

- Fiqh Muamalat, Islamic Economics, Islamic Finance and Islamic Banking, Takaful and Islamic Capital Market.

DR. MOHD SHAHID MOHD NOH

Nationality / Age / Gender

Malaysian / 37 / Male

Current Position

- Member, Shariah Committee
- Lecturer, Academy of Islamic Studies, University of Malaya

Qualifications

- PhD. from the Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (USIM)
- Master in Islamic Financial Practice (“MIFP”), INCEIF, Malaysia
- Master in Business Administration (Muamalah), Kolej Universiti Islam Selangor (KUIS), Malaysia
- Bachelor of Arts in Qiraat Specialisation, Maahad Qiraat Shoubra Al-Azhar, Egypt
- Diploma Tahfiz Al-Quran wa Al-Qiraat, Darul Quran JAKIM

Relevant Experience

- Director, Iqra Foundation (Training and Consultancy)
- Religious Officer & Imam, Masjid Al-Ghufran, Pinggir Taman Tun Dr. Ismail

Areas of Specialisation

- Islamic Financial Transactions, Islamic Capital Market, Islamic Economics, and General Islamic Jurisprudence

DR. YUSRI BIN MOHAMAD

Nationality / Age / Gender

Malaysian / 47 / Male

Current Position

- Member, Shariah Committee
- Partner at Wajdi Mohammad Yusri & Co.
- Member, Board of Director & Shariah Committee, Zurich Takaful

Qualifications

- PhD. in Laws, International Islamic University Malaysia
- Masters in Law (LLM), School of Oriental and African Studies, University of London
- Diploma in Shariah Law and Practice, International Islamic University Malaysia
- Bachelor of Laws (LL.B) (Shariah), International Islamic University Malaysia
- Bachelor of Laws (LL.B), International Islamic University Malaysia

Relevant Experience

- Former Assistant Professor (Senior Lecturer) of Ahmad Ibrahim Kulliyyah of Laws, International Islamic University Malaysia
- Former Lecturer of Ahmad Ibrahim Kulliyyah of Laws, International Islamic University Malaysia
- Former President of Yayasan Dakwah Islamiah Malaysia (YADIM)
- Former Shariah Committee, Kenanga Investment Bank Berhad
- Former Consultant, Hijrah Strategic Advisory Group Sdn.Bhd

Areas of Specialisation

- Islamic Jurisprudence, Islamic Constitutional Law, Malaysian Constitutional Law, Islamic Finance

Management Committee Profile

KHAIRUL KAMARUDIN
Chief Executive Officer

Khairul joined Bank Muamalat Malaysia Berhad as Deputy Chief Executive Officer on 7 February 2019 and was appointed as the Chief Executive Officer on 1 November 2019. Prior to that, he was the Chief Executive Officer of Bank Islam Malaysia Berhad. During his service at Bank Islam, Khairul held various senior management roles including the Director of Business Development, Head of Consumer Banking and Head, Special Recovery. Khairul is a practising member of the Chartered Institute of Islamic Finance ("CIIF") and holds a Law Degree from Anglia Ruskin University, United Kingdom.

PEERMOHAMED IBRAMSHA
Chief Operating Officer - Corporate Services

PeerMohamed joined Bank Muamalat on 10 November 2008 and was appointed as the Chief Operating Officer, Corporate Services on 7 February 2019. Before this, PeerMohamed served as Chief Operating Officer – Retail Business and Operations and Chief Operating Officer – Operations of Bank Muamalat. He has more than 14 years of experience in Finance. He holds a Bachelor's degree in Accountancy from Universiti Utara Malaysia. He is also a member of the Malaysian Institute of Accountants and Fellow Certified Practicing Accountant ("FCPA") with CPA Australia.

AZIM SELVA
Chief Risk Officer

Azim joined Bank Muamalat on 25 September 2014. He became the Chief Risk Officer on 1 September 2017. Prior to that, he served as Acting Head Corporate Investment Banking Division of Bank Islam Malaysia Berhad. Azim earned a Masters in Law from the University of Bristol, England. He is also a Law Graduate from the University of Leicester, England and has been admitted to practice in both the High Courts of Malaya and New Zealand.

ABDUL RAZAK MOHAMED ISMAIL
Chief Technology Officer

Abdul Razak joined Bank Muamalat as Chief Technology Officer on 18 May 2016. From 1996 until 2015, he served in various roles at RHB Bank Berhad, including as Head of IT Division and Head of Project Monitoring Office. Before that, he held the position of Assistant Vice President, Data Processing Centre at Bank of America, in Singapore. Abdul Razak has 38 years of experience in Information Technology ("IT") and banking.

HAFNI MOHD SAID
Head, Finance Division

Hafni joined Bank Muamalat on 1 June 2010. He became Head of Finance Division on 10 October 2014. He was also assigned the role of Head of Reporting as well as Chief Data Officer for the Bank. He has six years of experience in managing the overall finance functions of Bank Muamalat and its subsidiary companies. Hafni earned a Master of Business Administration (Finance) degree from Universiti Putra Malaysia and a Bachelor of Commerce (Accounting) from Dalhousie University, Halifax, Nova Scotia, Canada.

AZLIZA ABDUL RAHMAN
Head, Human Capital Division

Azliza joined Bank Muamalat as Head of Human Capital Division on 1 June 2016. Her previous appointments include Group Head, Human Capital - KL Airport Services Sdn Bhd, General Manager, Human Capital - DRB-HICOM Berhad and Assistant General Manager, HR & Administration - Uni Asia Life Assurance Berhad. Azliza has more than 29 years of experience in Human Resources. She earned a Master of Arts in Human Resource Management from the University of Hull, United Kingdom and an Advanced Diploma in Business Administration (Transport) from Institut Teknologi Mara (now known as UiTM).

NOR HAMIDAH ABU BAKAR
Head, Business Banking Division

Nor Hamidah joined Bank Muamalat on 25 August 2010. She became Head, Business Banking Division on 1 August 2015. Nor Hamidah started her career at the Corporate Banking Division of RHB Bank Berhad and has more than 25 years of experience in the banking industry. She has earned an Executive Masters in Management degree from Asia Metropolitan University, Malaysia and a Bachelor of Economics from International Islamic University Malaysia.

ZURY RAHIMEE ZAINAL ABIDEN
Head, Consumer Banking Division

Zury joined Bank Muamalat as Head of Consumer Banking Division on 22 April 2019. His previous appointments include Head, Deposit & Cash Management Division and Assistant General Manager, Consumer Banking Division of Bank Islam Malaysia Berhad. Zury has more than 18 years of experience in banking industry primarily, in retail sales. He holds a Bachelor's degree with Honours in Marketing from Universiti Teknologi MARA ("UiTM").

MOHAMED FADZIL SULAIMAN
Head, Treasury & Capital Markets Division

Fadzil joined Bank Muamalat as Head of Treasury & Capital Markets Division on 17 October 2018. Before this, he served at CIMB Islamic Bank Berhad as Deputy Chief Executive Officer. His previous appointments include three (3) overseas postings to London, Singapore and Jakarta, in the areas of Treasury and Capital Market and Corporate Finance, while serving at Bank Bumiputra (M) Berhad. Fadzil has earned a Master in Management/Finance degree from Morehead State University, Kentucky, USA, a Bachelor of Science (Banking and Finance) degree from the University of Indiana State and Diploma in Banking from the Institute Technology Mara (now known as UiTM).

MUHAMAD RADZUAN AB RAHMAN
Head, Credit Recovery Division

Radzuan joined Bank Muamalat on 13 February 2006. He became Head of Credit Recovery Division on 1 December 2019. His previous appointments include Head, Credit Management Division and Acting Head, Credit Management Division of Bank Muamalat and Credit Manager (Mortgage Approval Team Leader) of the Credit Approval Centre of Southern Bank. Radzuan has more than 29 years of experience in the banking industry. He earned a Master of Business Administration degree from Universiti Kebangsaan Malaysia and a Bachelor of Business Administration degree from West Texas A & M University, USA. He is a Chartered Professional in Islamic Finance of the Chartered Institute of Islamic Finance Professionals ("CIFP") and a Certified Credit Professional (Consumer) of IBBM.

NUR AZRINA ABDUL SAMAD
Head, Group Legal & Secretarial Division

Nur Azrina joined Bank Muamalat on 16 February 2012. She became Head, Group Legal & Secretarial Division on 24 August 2020. She has 25 years of experience in the banking industry. Her previous appointments include, Head Legal of SME Bank and Head of Corporate Secretarial, Kuwait Finance House Berhad. Nur Azrina is a Chartered Professional in Islamic Finance of the Chartered Institute of Islamic Finance Professionals ("CIFP") and Associate Member of Malaysian Association of Company Secretaries. She earned an MBA from University of New England, Australia and an LLB (Hons) from International Islamic University, Malaysia. She has also been admitted to practice in the High Courts of Malaya.

Committed to Strong Governance

BANK MUAMALAT MALAYSIA BERHAD ("BANK MUAMALAT") IS FIRMLY COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE AND MAINTAINING A SOUND FRAMEWORK FOR THE CONTROL AND MANAGEMENT OF THE GROUP'S BUSINESS.

The Board recognises the vital importance of a sound governance culture to the continued success of the Group. Our core values underpin our governance culture and emphasise the behaviours that will enable the Bank to continue to succeed in what we do. The governance framework explained in more detail below is designed to ensure that the Board, led by the Chairman, is able to monitor the sustainability of the business model, performance against strategy and opportunities and threats as they arise. When reviewing performance against strategy, the Board looks to ensure it continues to align with the Group's culture and delivers long-term success to the Group and its stakeholders.

Board Reserved Matters

- STRATEGY
- CAPITAL AND FINANCE
- TERMS OF REFERENCE
- DELEGATION OF AUTHORITY
- APPOINTMENTS
- CONTRACTS AND TRANSACTIONS
- DISCLOSURES
- MEETINGS
- LEGAL

Board Committees

Board Nomination & Remuneration Committee ("BNRC")
Provides a formal and transparent procedure for the appointment/remuneration of directors, CEO and members of Shariah Committee as well as assessment of effectiveness of Board as a whole, Shariah Committee members and performance of CEO and key senior management officers.

Board Audit Committee ("BAC")
Ensures the adequacy and integrity of system of internal controls and financial reporting, compliance with internal policies, procedures and external applicable rules and regulations.

Board Risk Management Committee ("BRMC")
Oversees Management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning.

Board Veto Committee ("BVC")
Reviews of financing and/or investment proposals approved by the Credit Committee ("CC") based on the limits determined by the Board. In the event of modification of the terms and conditions, the appeal has to be reverted to the Board Veto Committee.

Board IT Committee ("BITC")
Ensures the strategic initiatives are aligned in accordance with the Business objectives and needs and to be implemented as per the proposed project schedule; proper project management of the strategic initiatives including project organisation, kick-off, tracking and monitoring is carried out; and the oversight function on the provision of adequate and competent resources in terms of manpower and finance for the implementation of the strategic initiatives.

Shariah Committee ("SC")

Advises the Board, Management including the Bank's subsidiaries and provides input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times. Endorses Shariah policies and procedures prepared by the Bank and ensures that the contents do not contain any elements which are not in line with Shariah. Ensures that the products of the Bank comply with Shariah principles.

Governance Structure

Shareholders → Board of Directors → Board Committees and Shariah Committee → CEO → Management Team

ROLES OF CHAIRMAN

There is a clear separation of powers. The positions of Chairman and the Chief Executive Officer are held by two different individuals. The key roles of the Chairman are:-

- Guides, develops and leads the Board
- Plans and manages the Board's business
- Ensures the Directors receive accurate, timely and clear information
- The Chairman also has an individual role profile agreed by the Board, as does the CEO. These profiles clearly define their respective roles and responsibilities and ensure that no one person has unlimited powers of decision-making.

OUR GOVERNANCE FRAMEWORK

Our governance framework takes guidance from: Companies Act 2016 ("CA 2016"), Islamic Financial Services Act 2013 ("IFSA 2013"), BNM Policy Document on Corporate Governance ("BNM CG") and the Securities Commission's, Malaysian Code on Corporate Governance ("MCCG 2017") other relevant requirements as outlined under the respective guidelines by BNM.

Please refer to the table below.

The composition of the Board Committees, in particular the BNRC, BAC, BRMC, BVC and BIT complies with the following requirements of the BNM CG:-

- Minimum/at least three (3) Directors
- Chaired by an Independent Director
- Comprised a majority of Independent Directors
- The Chairman of the Board does not chair any of the Board Committees
- Comprised Directors who have the skills, knowledge and experience relevant to the responsibilities of the respective Board Committees

CHIEF EXECUTIVE OFFICER ("CEO")

The key responsibilities of the CEO are as below:

- Develops the strategic direction of the Bank;
- Ensures that the Bank's strategies and corporate policies are effectively implemented;
- Ensures that the Board decisions are implemented and Board directions are responded to;
- Provides directions in the implementation of short and long-term business plans;
- Provides strong leadership that is, effectively communicating a vision, management philosophy and business strategy to the employees;
- Keeps the Board fully informed of all important aspects of the Bank's operations and ensuring sufficient information is distributed to Board members; and
- Ensures the day-to-day business affairs of the Bank are effectively managed.

MANAGEMENT COMMITTEES

Management committee helps the CEO manage the Group's operations. It helps the CEO:

- Set performance targets
- Implement Group strategy
- Monitor key objectives and commercial plans to help achieve the Group's targets
- Evaluate new business initiatives and opportunities

CODE OF CONDUCT AND ETHICS

The Board adopts the Financial Services Professional Board's Code of Ethics for the financial services industry and consistently adhere to a high standard of professionalism and ethics in the conduct of the Bank's business and professional activities.

BOARD CHARTER

The Board Charter ("the Charter") formalises the various roles and responsibilities of the Board, Board Committees and individual Director of the Bank with the aim of streamlining and enhancing corporate governance practices towards transparency, accountability and integrity in boardroom activities. The Board charter can be found on our website at www.muamalat.com.my/downloads/Board_Charter_V1.0.pdf

Committed to Strong Governance

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD COMPOSITION

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

On 27 March 2020, Dato' Haji Che Pee Samsudin, an INED resigned from the Board. Datuk Seri Tajuddin Atan was appointed as an INED on 6 May 2020 subsequently as Chairman on 3 June 2020 upon retirement of Tan Sri Dato' Dr. Mohd Munir Abdul Majib on 2 June 2020. The composition of the Board was maintained with a majority of independent members as required under BNM CG.

BOARD PROCESS

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

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 Board's attention. The CEO gives an update on the Bank's business and operations as well as a macro perspective on industry trends and developments. Head, Finance Division presents the financial performance and significant financial highlights. The respective Heads of Division and external advisors may be invited to attend the meeting to advise the Board on certain matters under discussion. Directors will have the opportunity to discuss specific areas with them and where relevant, challenge the ideas presented. All important deliberations, decisions and conclusions are recorded in the Board minutes.

Outside Board meetings, Board approvals for matters in the ordinary course of business can be obtained through written resolutions. Ad-hoc meetings are held when necessary. Directors have direct access to Senior Management and may request for additional information from them. Directors have access to the Company Secretary at all times. The Company Secretary attends all meetings, generally assists Directors in the discharge of their duties and facilitates communication between the Board, the Board Committees and the Management. The Company Secretary also facilitates the induction of newly approved Directors.

BOARD AND BOARD COMMITTEE ATTENDANCE DURING THE FINANCIAL Y

Name of Board Members	BOARD
Chairman /Independent Non-Executive Director	
Tan Sri Dato' Dr. Mohd Munir Abdul Majid	13/13
Non-Independent Non-Executive Directors	
Dato' Sri Che Khalib Mohamad Noh	10/13
Dato' Ibrahim Taib	13/13
Dato' Haji Mohd Izani Ghani	8/8 **resigned w.e.f. 31 August 2019*
Iwan Rashman Dato' Gulamoydeen	5/5 **appointed w.e.f. 1 September 2019*
Independent Non-Executive Directors	
Dato' Haji Kamil Khalid Ariff ●	13/13
Dr. Azura Othman ● ●	13/13
Ghazali Haji Darman ●	12/13
Dato' Haji Che Pee Samsudin ●	12/13
Md Khairuddin Haji Arshad	5/5 **appointed w.e.f. 10 September 2019*
Executive Director/Chief Executive Director	
Dato' Haji Mohd Redza Shah Abdul Wahid	9/12 **resigned w.e.f. 31 October 2019*

● BNRC Chairman ● BAC Chairman ● BRMC Chairman
● BVC Chairman ● BITC Chairman

SUPPLY OF INFORMATION

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

EAR 2019

BNRC	BAC	BRMC	BVC	BITC
-	-	-	-	-
8/10	-	-	8/14	-
-	10/10	11/13	-	9/10
6/6 *resigned w.e.f. 31 August 2019*	-	11/13	-	-
3/4	-	-	-	-
3/3 *appointed w.e.f. 25 September 2019*	-	13/13	14/14	10/10
10/10	10/10	13/13	13/14	-
7/7 *resigned w.e.f. 26 September 2019*	9/10	7/7	13/14	10/10
7/10	10/10	-	-	-
-	-	-	-	-
-	-	-	-	8/10

Apart from the members of the Board, meetings are also attended by the

- *Chairman/Member of the Shariah Committee and the CEO.*
- *All Board members complied with the minimum attendance requirement under the BNM CG of not less than 75%.*
- *The CEO attends BNRC/BAC/BRMC and BITC meetings to facilitate deliberation of the issues discussed.*

Comprehensive Board papers comprising objectives, background, purpose, implications, risk, analysis, recommendations and other relevant information are prepared and circulated to enable the Board to make informed and effective decisions. External advisors may be engaged if deemed necessary.

PROFESSIONAL DEVELOPMENT

All newly appointed Directors of Bank Muamalat will attend an in-house induction programme. This induction programme helps newly appointed Directors of Bank Muamalat familiarise themselves with the strategies and operations of Bank Muamalat. The programme includes site visits to the nearest branch and meeting with Senior Management as appropriate, to enable them to have a full understanding of the nature of Bank Muamalat's businesses, current issues and challenges as well as the structure and management of Bank Muamalat. The said session will be organised as soon as practicable not later than three (3) months upon the appointment of the Director.

All Directors of Bank Muamalat will be required to register for the director's core training programme under the Financial Institutions Directors' Education Programme ("FIDE") within a year and Islamic Finance for Board within two (2) years upon his/her appointment.

All Board members have attended and completed (except duly appointed directors) the Director's Core Training Programme under FIDE within the period stipulated under the Director's Training Policy of the Bank. In line with the MCCG 2017 recommended practice, the Company Secretary facilitates the orientation of new Directors and assist in directors' training and development.

Committed to Strong Governance

BOARD NOMINATION AND REMUNERATION COMMITTEE

ROLE:

Provides a formal and transparent procedure for the appointment/remuneration of Directors, CEO and members of Shariah Committee as well as assessment of effectiveness of Board as a whole, Shariah Committee members and performance of CEO and key senior management officers.

Meetings are held as and when required for the BNRC to deliberate on related matters.

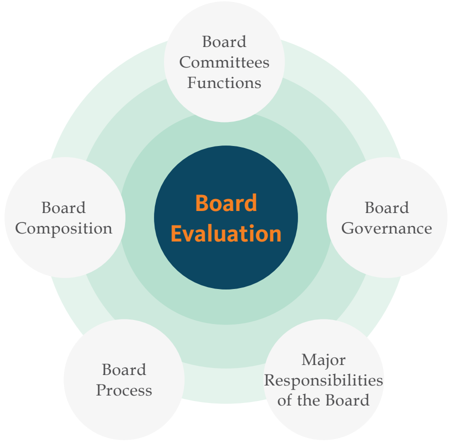
BNRC FOCUS AREAS:

- Review and recommend the appointment and re-appointment of Non-Independent Non-Executive Director.
- Review and recommend the appointment and re-appointment of Independent Non-Executive Directors.
- Review and recommend the appointment of new Shariah Committee members and re-appointment of current Shairah Committee.
- Review and recommend the revised composition of the Board Committees.
- Review and recommend the new appointment/renewal/revision of the contract of service of Senior Management and their remunerations.
- Review and recommend the annual Corporate Scorecard and KPI's for Senior Management and their respective performance and reward.
- Review and recommend the remuneration of the Non-Executive Director.

BOARD EVALUATION

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 had conducted and established clear selection criteria, processes and procedures to assess each Director's ability to contribute to the effective decision-making of the Board. In addition, assessment would also be undertaken to gauge the effectiveness of the relevant Board Committees.

The Board Evaluation comprises a detailed set of questionnaires covering the following areas:



A peer assessment by each individual Director is also performed to evaluate the effectiveness of the individual Directors, the Independent Directors and the Non-Independent Directors. The Bank may engage external consultants to assist the BNRC in the Annual Board Evaluation.

APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

The Bank is governed by the BNM CG in respect of the appointment of new Directors and the re-appointment of its existing Directors upon the expiry of their respective tenures of office as approved by BNM. All appointments of Directors are subject to the approval by BNM.

The primary responsibility of the Directors' appointment/re-appointment has been delegated to the BNRC. The BNRC comprises exclusively of non-executive Directors, with the Chairman and the majority of whom are independent. In line with the BNM CG, the BNRC recommends to the Board suitable candidates for directorships and appointment of key senior personnel of the Bank. The BNRC also ensures the candidate satisfies 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 as prescribed by BNM.

The Board considers the candidate's own unique skills, experiences and knowledge in the commercial sector with exposure in the finance related industry for new appointments. This will ensure that the critical competencies gaps identified by the Board are appropriately addressed and provide fresh insights that would assist the Bank to overcome the challenges ahead.

RE-ELECTION OF DIRECTORS

In accordance with the Bank's Constitution, all Directors are subject to retirement by rotation at due intervals of rotation. The eligible Directors may offer themselves for re-election at the Annual General Meeting (AGM), a process that enables the Shareholders to vote them back into office.

Directors who are appointed as additional Directors or to fill casual vacancies during the year are subject to re-election by the Shareholders at the next AGM following their appointment.

TENURE

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

REMUNERATION

Bank Muamalat has a remuneration structure for Directors that is competitive and consistent with Bank Muamalat's culture, objectives and strategies.

The remuneration structure for Non-Executive Directors takes into consideration the relevant factors including:

- **Function**
- **Workload**
- **Responsibilities**
- **Time spent for the preparation of the Board and Board Committees' meeting**

A premium is given to the Chairman of the Board and Board Committees in view of his/her additional role in guiding and managing the Board and Board Committees.

In line with good corporate governance practices of Bank Muamalat, the review of the remuneration is conducted every three (3) years.

The details of directors' remuneration during the financial year are disclosed in Note 35 on pages 234 to 241 of Bank Muamalat's Financial Statements.

Committed to Strong Governance

EFFECTIVE RISK MANAGEMENT AND ACCOUNTABILITY

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board, supported by its committees, operates within a framework of prudent and effective controls in the interests of shareholders, customers and other stakeholders. The Group's Governance of Risk Management and Internal Controls ensures the safety and soundness of the Group and its key entities. This is achieved through a robust governance structure designed to deliver a well-managed business with effective decision-making, good procedures and strong controls.

The Group's Risk Management and Internal Controls comprises three elements:

The Board and its committees:

How the business is managed.

Risk Management System:

How risks are identified, measured, managed, monitored and reported.

Internal Control System:

The controls behind the Corporate Governance Framework and the Risk Management System.

THE BOARD AND ITS COMMITTEES

BRMC is responsible for reviewing and setting the Group's overall risk strategy and risk appetite, and for approving the risk management policies. BAC reviews the effectiveness of the Internal Control System on an annual basis and carries out assurance on the Financial Control Framework on a quarterly basis. The Board reviewed the effectiveness of the Bank's risk management and internal control systems including financial, operational and compliance controls and concluded that they were appropriate and had operated effectively during the year.

RISK MANAGEMENT SYSTEM

- A common framework through which risk management and control is embedded
- Consistent approach throughout the Group to identify, measure, manage, monitor and report risks
- Consistent and comprehensive set of policies are maintained
- Risk Management Policy establishes a framework of standard risk management processes
- Risk Management System is underpinned by the 'Three Lines of Defence' model

INTERNAL CONTROL SYSTEM

The Group's Internal Control System sets out the processes and frameworks required to ensure effective and efficient delivery of the Group's strategic objectives and is designed to identify and mitigate, rather than eliminate, the potential risk of failure to achieve business objectives and can only provide reasonable not absolute assurance against material financial misstatement or loss. Implementation and maintenance of the Internal Control System is delegated to senior management. The Group has an effective Internal Control System which contains administrative and accounting procedures, an internal control framework, with appropriate validation, assurance and reporting arrangements at all levels of the Group, a delegated authority framework, and a compliance framework. The internal control system is underpinned by the three lines of defence model.

BOARD AUDIT COMMITTEE

ROLE:
Ensures the adequacy and integrity of system of internal controls and financial reporting, compliance with internal policies, procedures and external applicable rules and regulations. The Chief Executive Officer and Chief Internal Auditor attend all BAC meetings as permanent invitees to facilitate deliberation of the issues discussed.

BAC FOCUS AREAS:

- Review and recommend to the Board the unaudited interim financial statements as well as the audited financial statements for approval.
- Review internal audit reports on the Head Office and the branches of the Bank.
- Deliberate on significant matters highlighted by the Management or the External Auditor and review progress updates on the action plan.
- Review the investigation reports in the Bank.
- Approve the external auditors and internal auditors audit plan and review the progress accordingly.
- Evaluate the performance of the External Auditors and recommend their appointment to the Board.

BOARD RISK MANAGEMENT COMMITTEE

ROLE:
Responsible to oversee Management's activities in managing all risks namely credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning. The BRMC is assisted by the Chief Executive Officer, Chief Risk Officer, and Chief Compliance Officer who also attend the meeting as permanent invitees.

BRMC FOCUS AREAS:

- Review the risk management report covering market risk, credit risk, operational risk and Shariah non-compliance risk and emerging risk report.
- Review compliance report covering Anti-Money Laundering/Counter Financing of Terrorism AML/CFT, regulatory compliance and update on new policies and regulations.
- Review and recommend to the Board the risk appetite setting for the Bank to ensure it is in line with the corporate strategy and direction.
- Review and recommend to the Board the stress test scenario and its methodology.
- Review the implementation of the Internal Capital Adequacy Assessment Process ("ICAAP") for the Bank.
- Review and deliberate new product/services and product programmes proposed by the business units to ensure it is in line with the target risk profile and risk acceptance criteria for the Bank.
- Review and deliberate significant business and operating risk related policies of the Bank.

RELATIONS WITH STAKEHOLDERS

Our stakeholders play an invaluable role in building the sustainability of our business. We regularly engage formally and informally with both our internal and external stakeholders through various touchpoints which aid us in understanding their expectations and concerns. Our corporate website provides easy access to comprehensive and updated information about us.

Shariah Committee

The Shariah Committee was established in accordance with the requirements of the IFSA 2013, 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 Shariah and Fiqh Muamalat.

The Shariah Committee is guided by its Terms of Reference which sets out amongst others, the primary duties and responsibilities of the Shariah Committee, the authority and conduct of the Shariah Committee meetings. The Terms of Reference are governed by the Central Bank Act 2009, Islamic Financial Services Act 2013 and the Shariah Governance Framework for Islamic Financial Institution (including any amendment that will be made from time to time) ("Laws and Regulations").

Duties, Responsibilities & Accountability of the Shariah Committee are as follows:

RESPONSIBILITY AND ACCOUNTABILITY

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

ENDORSE SHARIAH POLICIES AND PROCEDURES

The Shariah Committee reserves its right to delegate its authorities to the Shariah Department to approve the document Standard Operating Procedures ("SOP") and User Guide ("UG") applicable to the Bank.

ENDORSE AND VALIDATE RELEVANT DOCUMENTATIONS

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

ASSESS WORK CARRIED OUT BY SHARIAH REVIEW AND SHARIAH AUDIT

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

ASSIST RELATED PARTIES ON SHARIAH MATTERS

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

SHARIAH ADVISORY COUNCIL, BANK NEGARA MALAYSIA

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

PROVIDE WRITTEN SHARIAH OPINIONS

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

The Shariah Committee shall maintain the confidentiality of the Bank Muamalat's internal information and shall be responsible for the safeguarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.

Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah.

Provide Shariah advisory and consultancy services in all matters relating to the Bank's products, transactions and activities as well as other businesses involving the Bank.

Report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.

Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.

Represent the Bank or attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to the Bank.

Provide training to the staff as well as notes or relevant materials for their reference.

Scrutinise and endorse the annual financial report of the Bank.

The Shariah Committee shall ensure the quality and consistency of the Shariah decisions.

COMPOSITION OF SHARIAH COMMITTEE

The Shariah Committee membership is based on renewal of each two (2) years term. Currently Shariah Committee of Bank Muamalat comprises five (5) members, after the membership of Ustaz Engku Ahmad Fadzil Engku Ali was not renewed on 30 March 2020.

Chairman of the Shariah Committee shall be a member with qualified Shariah background and shall be elected by its member; where the election shall be notified to the Board of Directors. The tenure of chairmanship shall continue until the next session of appointment by SC members regardless whether the membership of such appointed chairman has expired or not.

Besides the Chairman, there should be an alternate Chairman in the event where the Chairman of the Shariah Committee is unable to attend the meeting. The members shall elect one (1) member among themselves to become the alternate Chairman to preside over the meeting. The alternate Chairman shall be a member with qualified Shariah background.

A brief profile of each member of the Shariah Committee is presented on pages 95 to 97 of this Annual Report.

APPOINTMENT/REAPPOINTMENT OF SHARIAH COMMITTEE

The appointment/reappointment of Shariah Committee is subject to assessment and evaluation based on necessary conditions made by the Bank.

The Board shall, upon recommendation of its Nomination Committee, nominate the appointment of the members of the Shariah Committee.

Further written approval and endorsement from Bank Negara Malaysia must be obtained after approval from the Board.

RESIGNATION AND DISMISSAL OF THE SHARIAH COMMITTEE

Shariah Committee shall notify the Bank of any resignation or dismissal by giving three (3) months notice with reasons.

In return, the Bank will give three (3) months notice prior to termination of Shariah Committee's service.

Shariah Committee

NEGATIVE LIST

The Shariah Committee member shall not have any relationship that could interfere or be reasonably perceived to interfere with the exercise of independent judgment, with the following persons:

a. an immediate family member such as spouse, children or siblings who are, or who were during the last financial year, employed by the Bank or any of its related companies as a CEO or non-independent board members; and
b. a substantial shareholder of, or a partner in (with a stake of 5% or more), or an executive officer of, or a director of any for-profit business organisation to which the Bank or any of its subsidiaries made, or from which the Bank or any of its subsidiaries received, significant payments in the current or immediate past financial year.

The Shariah Committee member shall not be:

a. an employee of the Bank or any of its related companies for the current or the last financial year; and
b. Shariah Committee member of another Bank within the same industry.

SHARIAH COMMITTEE MEETINGS

The Shariah Committee meetings shall be held at least once every two (2) months. Meetings shall be held regularly to ensure that:

a. the Shariah Committee is kept sufficiently in touch with the business of the Bank;
b. The operations of the Bank are not adversely affected because of the difficulty in securing the Shariah Committee's approval for policy and decision.

For the period of April to December 2019, ten (10) Shariah Committee meetings were held, of which all Shariah decisions were disseminated for further action by relevant business units:

SHARIAH COMMITTEE ATTENDANCE

Name of Shariah Committee Members	Attendance
Hj Azizi Che Seman ●	10/10
Engku Ahmad Fadzil Engku Ali	10/10
Prof. Madya Dr. Mohamad Sabri Haron	10/10
Dr. Wan Marhaini Wan Ahmad	8/10
Dr. Mohd Shahid Mohd Noh	9/10
Dr. Yusri Mohamad	9/10

● **Shariah Committee Chairman**

The Shariah Committee member is expected to contribute and allocate adequate time and effort to discharge his duties effectively. The Shariah Committee member must attend at least 75% of the Shariah Committee meetings held in each financial year. Where necessary, the participation of the Shariah Committee member can be facilitated by means of video or telephone conferencing.

Shariah Committee must be punctual in attending the Shariah Committee Meeting. Absence for three (3) consecutive times is disallowed unless with reasonable reasons.

The minimum quorum of a Shariah Committee meeting shall be two-third (2/3) with the majority of attending members having a Shariah background.

Decisions shall be made on the basis of two-third (2/3) of the members present, with majority of the two-third votes shall be members with Shariah background.

The Shariah Committee shall put on record in its report or statements directed to the board, its concerns over any Shariah non-compliance issues.

TRAINING PROGRAMME FOR SHARIAH COMMITTEE

The Shariah Committee assumes the responsibility to further enhance the skills and knowledge on the relevant new laws and regulations as to keep abreast with developments in the financial services industry.

The training programmes attended by the Shariah Committee for the period April to December 2019 include the following:-

Shariah Committee Member	Training Programme
Hj. Azizi Che Seman	• 14th International Shariah Scholars Forum ("ISSF 2019") • Exposure on risk management of the Bank • Treasury and Capital Products • Wealth Products including gold, will and takaful
Engku Ahmad Fadzil Engku Ali	• Muzakarah Cendekiawan Syariah Nusantara Ke-13, 2019 • Exposure on risk management of the Bank • Treasury and Capital Products • Wealth Products including gold, will and takaful
Prof. Madya Dr. Mohamad Sabri Haron	• Exposure on risk management of the Bank • Treasury and Capital Products • Wealth Products including gold, will and takaful
Dr. Wan Marhaini Wan Ahmad	• 14th International Shariah Scholars Forum ("ISSF 2019") • Exposure on risk management of the Bank • Treasury and Capital Products • Wealth Products including gold, will and takaful
Dr. Mohd Shahid Mohd Noh	• Islamic Markets Programmes ("IMP 2019") • The Shariah Rule-Making process in Modern Islamic Finance Explained • Regulatory Requirements and Legal Documentation in Islamic Capital Market • Islamic Equity Market Explained • Islamic Derivatives • Accounting, Auditing and Taxation Explained • The Sukuk Market • Exposure on risk management of the Bank • Treasury and Capital Products • Wealth Products including gold, will and takaful
Dr. Yusri Mohamad	• Muzakarah Cendekiawan Syariah Nusantara Ke-13, 2019 • Exposure on risk management of the Bank • Treasury and Capital Products • Wealth Products including gold, will and takaful

In equipping the role of the Shariah Committee, Shariah Department is to provide secretariat function, including inputs on banking operations and in-depth research on Shariah matters for Shariah Committee. These functions include coordinating meetings, compiling proposal papers, disseminating Shariah decisions to relevant stakeholders, engaging with relevant parties who seek further deliberations on issues from the Shariah Committee and provide all other secretariat support to the SC members.

Statement on Risk Management and Internal Controls

BOARD RESPONSIBILITY

The Board acknowledges its responsibility in ensuring that the senior management establishes and maintains an adequate and effective system of risk management and internal controls as well as reviewing its adequacy and effectiveness to keep pace with the changes in the Bank's activities and operating environment. Such system covers not only financial controls but also non-financial controls relating to governance, operations, risk management and compliance with applicable laws, regulations, rules, directives, guidelines as well as internal policies, processes and procedures.

The Board is of the view that the system of risk management and internal controls includes an established and ongoing process for identifying, evaluating, managing and reporting significant risks that may affect the achievement of the Bank's business objectives and strategies. The Board recognises that risks cannot be eliminated completely and as such, systems and processes have been put in place to provide reasonable and not absolute assurance against material misstatement of financial information or against any losses or fraud. For this purpose, the Board has ensured the establishment of key processes for reviewing the effectiveness, adequacy and integrity of Bank Muamalat's system of risk management and internal controls.

The Board is of the view that the internal control framework has been instituted throughout the Bank to safeguard the shareholder's investment, customers' interest and the Bank's assets. The control structure and process for financial, operational, risk management and compliance elements which have been instituted throughout the Bank and its subsidiaries are updated and reviewed from time to time to suit the changes in the business environment. This ongoing process has been implemented to strengthen the Bank's internal controls and risk management system for the whole financial year under review.

RISK MANAGEMENT

Overview

The Bank recognises the need for an effective and sound risk management system in order to achieve its strategic objectives in this ever-changing and challenging business and economic conditions. In tandem with the fast-paced operating environment, continuous improvements are being made to the risk management framework to strengthen the Bank's internal controls and risk management practices to be in line with its business expansion plans while remaining responsive to dynamic market needs and expectations.

Among the key initiatives undertaken by the Bank in 2019 is the development of an Enterprise Risk Management ("ERM") framework that is based on latest industry standards and best practices. Aimed at driving and guiding strategic decision-making in all aspects of its business undertakings, the ERM's main goal is to introduce a more structured and proactive approach towards managing risks. In addition, the ERM shall effectively enforce a strong and consistent risk culture throughout the Bank as it strives to embed sound risk management practices as an integral part of the decision-making processes and ensures compliance to established internal controls.

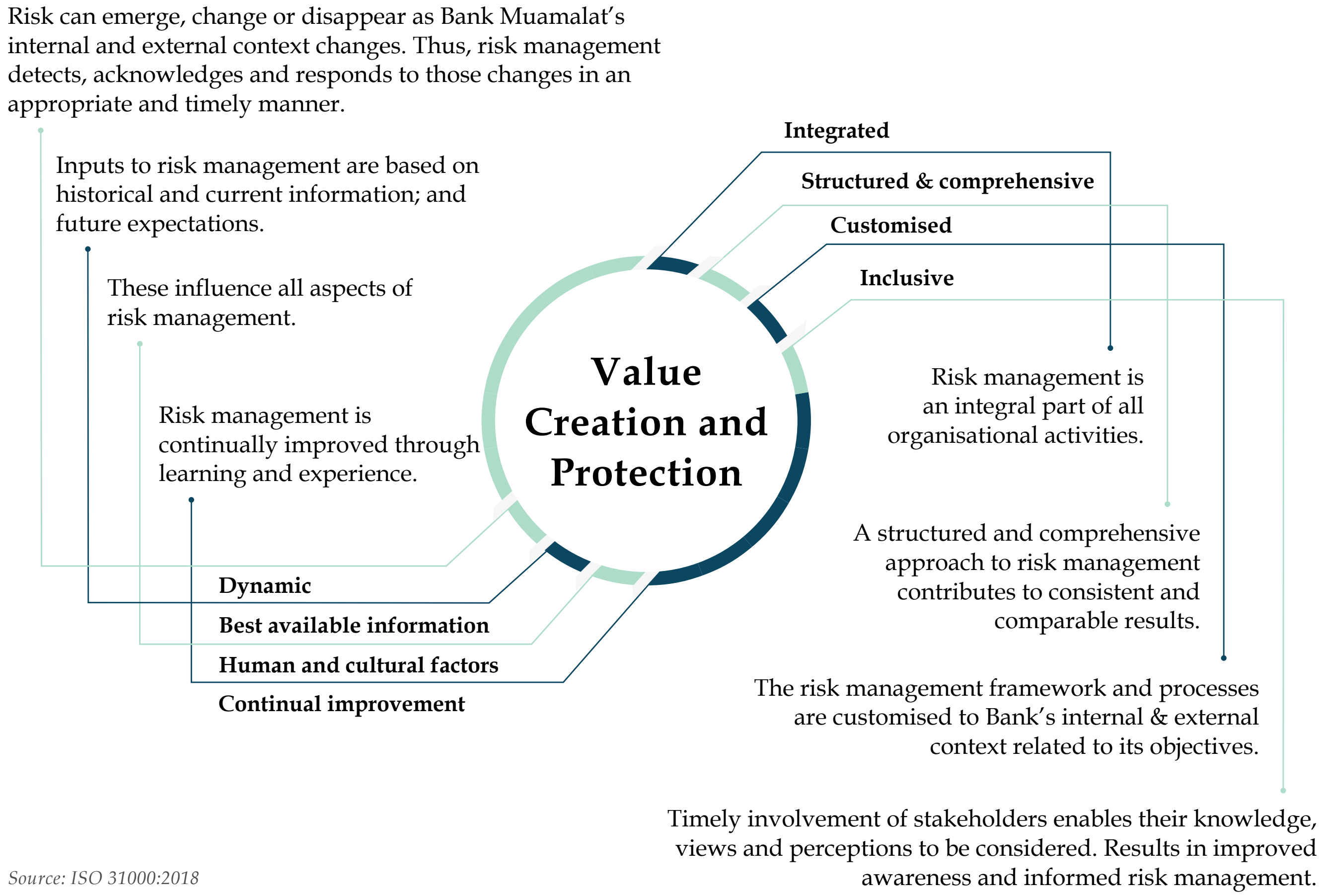
The ERM implementation also entails further enhancements to be made to the existing risk management frameworks in order to be more holistic, agile and forward looking. This would facilitate and ensure timely identification and management response to emerging risks amidst current increasing market uncertainties and disruptions.

Other improvements made to the Bank's risk management processes include enhancements to the risk acceptance criteria setting, a revamp of current risk monitoring and reporting, and the recalibration and redevelopment of credit scoring tools. Enhancements were also made to the risk assessment, stress testing, and scenario analysis methodologies by leveraging on the latest expected credit loss models, capital and liquidity standards as well as business continuity practices.

To inculcate a strong risk awareness culture, the Bank has also revamped its Key Risk Indicators ("KRIs") monitoring and reporting framework and introduced a new risk-adjusted performance measurement that places high emphasis on good governance and strong risk and compliance elements in the management's and staff's Key Performance Indicators ("KPIs").

RISK MANAGEMENT FRAMEWORK

The Enterprise Risk Management Framework ("ERMF") was formulated to guide and embed sound strategic management practices that emphasise on identification and ongoing management of risks associated with each strategic and business objective. Modelled after the ISO 31000:2018, an internationally accepted standards and guidelines on risk management, the Bank's ERMF integrates risk management into key business activities and functions. The following principles, which are also the foundation for managing risk, were used in the establishment of the Bank Muamalat's ERM framework and processes.



Source: ISO 31000:2018

Statement on Risk Management and Internal Controls

RISK CULTURE

The Bank's five-year business plan is driven by seven strategic focus areas, at the heart of which lies the element of a strong risk and compliance culture. Key business lines are embedded with independent risk units to ensure governance, risk and compliance considerations are integrated as risk strategies in the development of strategic business plans.

The ERM implementation kicked off in 2019 with a series of risk awareness workshops and programmes to ensure a common understanding of risk by all staff and to align the strategic vision and mission statements at the departmental and divisional levels with that of the corporate core vision and mission. This was followed by identification and development of an enterprise-wide risk register to facilitate the formulation of appropriate action plans towards achieving the Bank's business objectives.

RISK GOVERNANCE

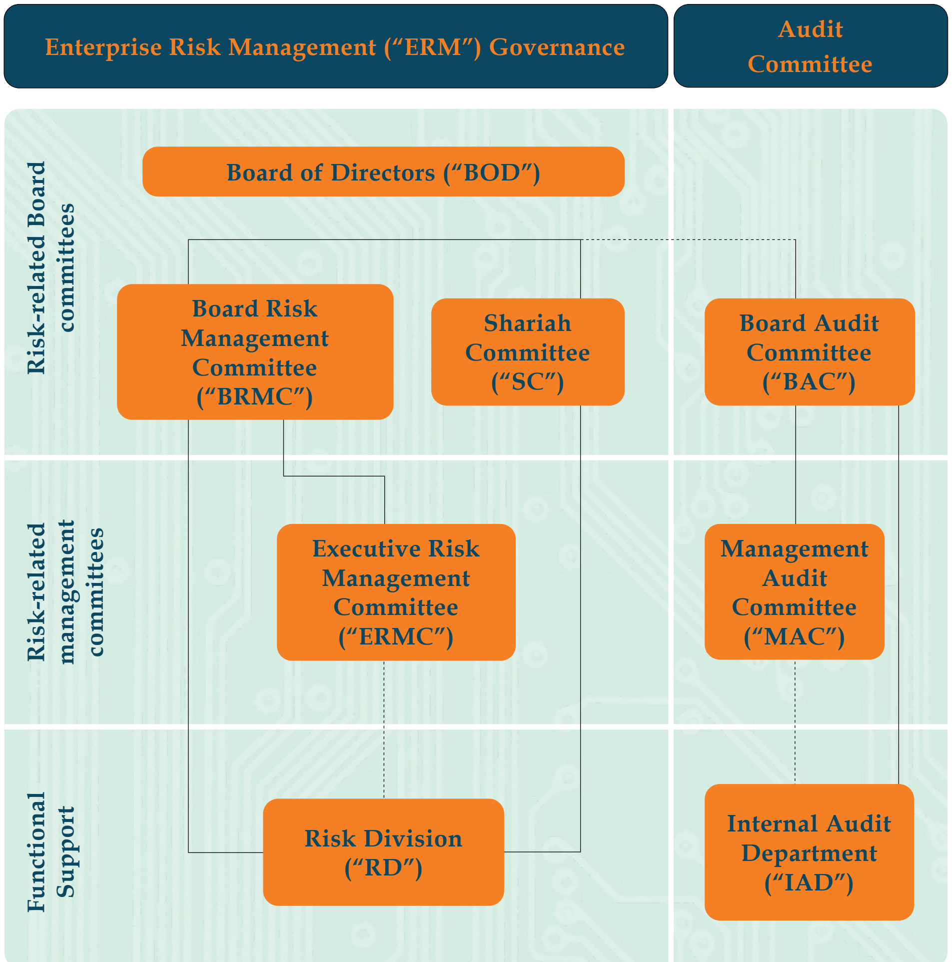
The Structure

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

The Board holds the ultimate responsibility for overall risk governance and management. Thus, it has to ensure that a clearly defined and effective risk management structure is established to monitor and ensure that risk management strategies are properly executed and that risk exposures are kept within the approved risk boundaries and controls.

In executing governance and oversight of risk, the Board would establish and approve the risk appetite, relevant tolerance levels and risk strategies as well as the control and monitoring mechanism to monitor and report risks. It oversees the risk management function through a governance structure which comprises board and management-level committees with distinct roles and responsibilities, accountabilities, and discretionary authority.

As part of the oversight responsibilities, the Board monitors the Bank's financial performance and its execution of strategic and business plans and adherence to risk appetite limits. To facilitate effective oversight, the Management is responsible for tracking and reporting performance based on agreed measurements as well as on any exceptions to the stipulated guidelines or limits.



The Board is supported by two board-level committees with distinct roles and responsibilities, namely the Board Risk Management Committee ("BRMC") and the Shariah Committee ("SC"). These committees, through the authority delegated by the Board, monitor the execution and implementation of the Bank's strategies, policies and methodologies and ensure that these are kept in line with the Board's vision.

BOARD LEVEL COMMITTEE

Executes and implements 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 Board's approval.

Board Risk Management Committee ("BRMC")	• 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 monitor risk and capital effectively.
Shariah Committee ("SC")	• 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 and business plans and provides recommendations for the Board's decision. The strategic business plan takes into consideration the Bank's financial objectives and resources, in line 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 return of each business line are assessed against the set targets and indicators. The Bank closely monitors and evaluates the capital and operating limits given rapid changes in the business and economic environment as well as rising competitive pressures.

The Board and Management are supported by functional and risk control units, which are guided and managed under a formal reporting hierarchy. Management-level risk committees are set up to oversee specific risks and perform risk control functions in the areas of asset and liability management, credit evaluation and investment, and operational risk. Risk Management Department supports the above committees by performing the day-to-day risk management functions which are kept independent of business targets.

To operationalise and integrate the risk governance and management structure at the bank-wide level, the Bank adopts a distributed function approach towards managing risk as depicted in the Three Lines of Defence Model below:

Three (3) Lines of Defence Model

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

First line Defence Model **Business Units**	• Risks are directly undertaken and assumed in the day-to-day business activities and operations. • As frontliners, 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 specialised resources for developing risk frameworks, polices, 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.

Statement on Risk Management and Internal Controls

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 the 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. In accordance with the risk capacity, the Bank prioritises the risks that it takes on to ensure that it maintains a strong and flexible financial position to weather through challenging economic conditions and ready to take advantage of any 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.

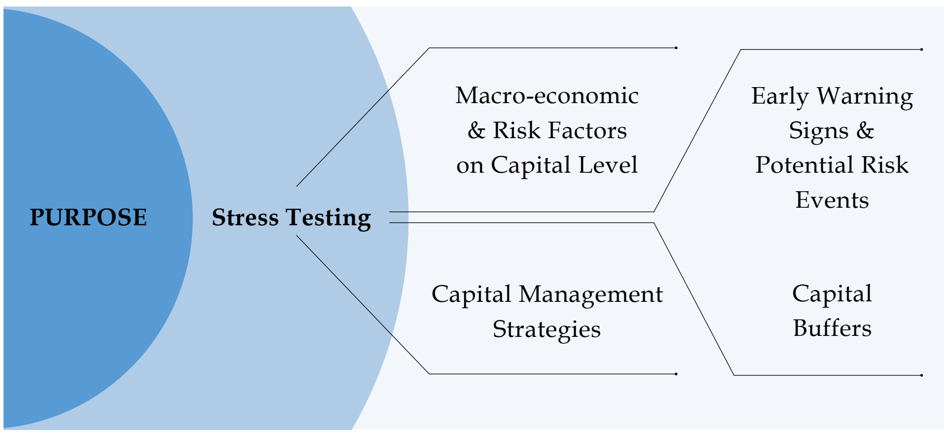
CAPITAL MANAGEMENT

The Bank'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 utilised while in pursuit of business and strategic targets. Capital requirements are assessed with strategic 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 Standardised 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.

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

The Bank'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 reviews to ensure its effectiveness and compliance.

The Bank monitors and manages credit exposures based on concentration and portfolio segments to ensure ongoing compliance to risk appetite and tolerance levels. Reports on trends and movements, limit exposures, and risk profiling are produced and deliberated at risk management committees on a monthly basis.

Exposures to delinquent and problematic financing assets are monitored and managed by an independent support unit that focuses and specialises on restructuring and recovery activities. Early warning triggers are used to identify potentially distressed accounts to initiate timely remedial actions. Such exposures are actively monitored to ensure delinquencies and defaults are kept within tolerable levels.

During the year, several initiatives were implemented to improve the management of credit risk. These include enhancements of credit risk reports to facilitate decision-making processes, continuous enhancements of the risk acceptance criteria, and the development and calibration of credit scorecards for application and behaviour analysis purposes.

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/profit rates.

The risk of such adverse changes arising from fluctuations in interest/profit 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.

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

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

Statement on Risk Management and Internal Controls

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.

The Bank 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 limits 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 have 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.

The Bank'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.

The Bank pays particular attention to its ability to cover any shortfall in liquidity for up to a 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, the Bank 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, the Bank 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 acts as an early-warning signal 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 systems or from various external events. It may occur anywhere within the organisation, including in third-party business processes, and is not limited to operation functions. The effects of operational risk may extend beyond financial losses and may result in legal and reputational risk impacts.

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

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

By establishing and operating a system of control procedures that commensurate with its risks, the Bank aims to limit its exposure to an acceptable level in accordance with the risk appetite. The Bank uses an 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.

One of the main initiatives for the year was to enhance the KRIs on a bank-wide basis to increase the robustness in tracking operational risk exposures at the Bank and its subsidiaries. These KRIs are tracked by the owners and independently monitored and reported by the ORM unit.

Business Continuity Management ("BCM")

Realising the importance of managing business continuity with the increasing risk of climate change and pandemic issues, the Bank has adopted 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.

During the year, one of the initiatives performed was to enhance and streamline the process and key operational requirements for BCM, including establishing clearer roles and responsibilities in managing business continuity.

Technology Risk

With the increasing use of technology to improve customer's experience in this era, the associated risks that come with it has to be carefully managed.

Technology risk refers to risk arising from the use of information technology. These risks arise from failure or breaches of IT systems, applications, platforms or infrastructure which could result in financial loss, disruptions in financial services or operations, or reputational harm to a financial institution.

During the year, a roadmap has been established for the Bank to develop a comprehensive framework for managing IT-related risks in line with the requirements stated in the BNM's policy on Risk Management in Technology ("RMiT").

Statement on Risk Management and Internal Controls

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") that is part of the Operational and Shariah Risk Management Section forms an important part of the Bank's risk management framework and applies the principles outlined in the 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.

The synergy within all other Shariah risk organs continued to be enhanced during the year to effectively manage Shariah non-compliance risk. One of the main initiatives was to include Shariah risk KRIs as part of the bank-wide KRI exercise to increase the robustness in tracking the Shariah risk exposures at Bank Muamalat and its subsidiaries.

Strategic Risk Management

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

In assessing and managing strategic risk, the Bank looks at risks associated with its current and future business plans and strategies and identifies 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. The Bank 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.

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

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

REGULATORY COMPLIANCE RISK

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 regularly and effectively, Bank Muamalat continuously reviews and puts in place a culture of compliance across all its business activities.

The Board, Chief Executive Officer and Senior Management are responsible in ensuring that the Bank meets regulatory requirements by adhering to the Bank's Compliance Policy and Charter. Together, these ensure that Bank Muamalat's operations, internal policies and procedures, code of conduct and standards applicable to its banking activities are conducted in line with regulatory requirements.

COMPLIANCE RISK MANAGEMENT PRACTICES & PROCESS

A dedicated Compliance function has been established to manage Bank Muamalat's compliance risk including AMLA and Shariah-related matters. This is achieved via a compliance programme that cuts across all Bank Muamalat's operation ensuring that regulatory compliance risk management is integral to the Bank's business activities.

The compliance risk management practices and process are based on the following four (4) pillars:

1 Identification and Assessment

- Compliance function regularly identifies regulatory compliance risks and rank likelihood and consequences of potential failures.
- Gap analysis is done on new regulatory requirements to identify regulatory compliance risk and necessary action plans to be taken to address the gaps identified.

2 Mitigation

- The Senior Management provides oversight of overall compliance, including ensuring effective policies, process and internal control are in place to mitigate non-compliance risk.
- The policies and procedures are established, reviewed, and communicated to ensure that all staff of Bank Muamalat are aware and understand the requirements of the policies and procedures.
- The Designated Compliance Officer ("DCO") is established to support the compliance function and manage the regulatory risk within their respective departments.
- The Bank continuously inculcates compliance awareness to ensure that the compliance culture is embedded at all levels, i.e. the Board, Senior Management and every employee of the Bank.

3 Monitoring

- A plan for continuous monitoring is being established, setting the monitoring process, schedules, resources, and information to be collected, and subsequently reported.
- Continuous system enhancement and risk profiling are carried out to ensure proper oversight on regulatory compliance including AMLA and Shariah-related matters.
- Issues which related to fraud matters are discussed in the Fraud Management Working Committee ("FMWC") meeting.

4 Reporting

- Compliance risk management reporting allows the Board, Senior Management and Regulatory Advisory & Compliance Division ("RACD") to assess the level of compliance risks of the Bank.
- Then compliance reports and activities are discussed at the Board Compliance Committee ("BCC"), Executive Risk Management Committee ("ERMC") and Compliance Working Committee ("CWC").
- The Designated Compliance Officers ("DCOs") are required to report non-compliance incidents to RACD on a timely basis.
- The Shariah Review function is embedded under the Compliance function, and all its reports are discussed and deliberated at the Shariah Committee meeting.

Statement on Risk Management and Internal Controls

"The Board is of the view that the internal control framework that has been instituted throughout the Bank is sufficient to safeguard the shareholder's investment, customers' interest and the Bank's assets."

STATEMENT ON INTERNAL CONTROL

The control structure and processes which have been instituted throughout the Bank and its subsidiaries are updated and reviewed from time to time to suit the changes in the business environment and this ongoing process has been in place for the whole financial year under review.

MANAGEMENT RESPONSIBILITY

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks they faced during the financial year, and in the design, operations and monitoring of appropriate internal controls to mitigate these identified risks. In this regard, the Board acknowledges that it has received assurances from the Chief Executive Officer and Executive Vice President, Finance Division as well as the Chief Risk Officer and the Chief Compliance Officer that the Bank's risk management and internal controls system is operating adequately and effectively.

INTERNAL AUDIT

Internal Audit Division ("IAD") provides independent and objective assurance on the adequacy and effectiveness of the internal control system, risk management and governance processes of the Bank and its subsidiaries. IAD does this by performing review and assessment on the control systems and processes implemented by the Management. IAD adopts a risk-based approach in determining the auditable units and frequency of audits relative to the Bank's objectives and strategies taking into consideration the bank-wide governance, risk and compliance by looking at information and relevant initiatives completed by other lines of defence to formulate relevant input for IAD's risk assessment process. The auditable units to be audited are documented in the Annual Audit Plan which is reviewed and approved by the Board Audit Committee ("BAC") annually.

To establish and maintain the internal audit activity's position within the Bank, IAD is guided by its Audit Charter which defines the purpose, authority, responsibility, accountability, independence and objectivity as well as professionalism and ethical standards. The independence of the IAD is effectively achieved with the Chief Internal Auditor ("CIA") reports functionally to the BAC and is independent of the activities audited including management decisions on operational matters and internal control processes of other operating units within the Bank. The CIA also has an administrative reporting line to the Chief Executive Officer ("CEO") that further enables the requisite stature and authority of IAD to fulfil its responsibilities unimpeded.

Internal control issues impacting the Bank and its subsidiaries are highlighted and recommendations for improvement are provided to enhance the effectiveness of the risk management, internal control system and governance processes. The results of the audits conducted, including its risks, audit recommendations, management's responses and action plans are reported to the BAC on a regular basis for review and deliberation. Rectification of audit issues are performed by the Management and tracked by the Management Audit Committee ("MAC") and BAC on a monthly basis to ensure adequate and effective actions taken are within an appropriate and agreed timeline. Confirmation to this effect must be provided by Management to IAD for verification before the issues concerned can be closed at the MAC. In addition, Shariah audit issues are escalated to the Shariah Committee ("SC") for deliberation before being tabled to the BAC.

IAD continuously conducts awareness programmes/training on controls and compliance to the Head Office and branch staff including certification programmes for Internal Auditors to further strengthen knowledge in creating a robust control and compliance environment.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements incorporated by the Board that contributes to an effective internal controls system include:

Board Committees

Relevant Board Committees are established with specific responsibilities delegated by the Board to deliberate on matters within the respective scope of responsibility. The committees are guided by terms of reference and their minutes of meetings are tabled to the Board.

Organisation Structure

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

Business Plan and Budget

A detailed budgeting process is established requiring all key operating division/departments in the Bank to prepare budgets and business plans annually for approval by the respective Boards. The Bank's budget and business plans as well as strategic initiatives are discussed by the Bank's senior management and the Board at an annual business planning and budgetary session.

Policies and Procedures

Policies, procedures and processes governing the Bank's businesses and operations are documented and approved by the Board for application across the Bank. Policies and procedures serve as a day-to-day operational guide to ensure compliance with internal controls and the applicable laws and regulations. Regular reviews and updates are performed to the policies and procedures. This is done to ensure continuous improvements in operational efficiency while taking into consideration the changing industry profile on regulatory requirements, risks and internal control measures for mitigation, and new products and services.

Authority Limits

Delegation of authority including authorisation limits at various levels of management in the Bank are documented and designed to ensure accountability and responsibility.

Whistle Blowing Policy

The Whistle Blowing policy has been established to provide an avenue for reporting of any abusive or circumventing act committed by any person against the processes and controls of the Bank. Bank Muamalat's Whistle Blowing policy was established in 2008 and was last updated in 2019. All staff is accorded the opportunity to report via the Whistle Blowing channel which is managed by a third party appointed by the Bank with the assurance that it shall be dealt with in confidentiality and that the reporter's identity is protected. All reports from the appointed third party will only be disclosed to the Chairman of Board Audit Committee and the Chief Internal Auditor.


Bank Muamala

Financial Statements

CONTENTS

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 nine-month financial period ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

There has been no signficant change in the nature of these activities during the nine-month financial period.

RESULTS

	Group RM'000	Bank RM'000
Profit before zakat and taxation	140,313	139,332
Zakat	(3,770)	(3,706)
Taxation	(37,737)	(37,215)
Profit for the year	98,806	98,411

There were no material transfers to or from reserves or provisions during the nine-month financial period 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 nine-month financial period 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 nine-month financial period.

DIRECTORS

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

Tan Sri Dato' Dr Mohd Munir Abdul Majid	*(Chairman)*
Dato' Haji Kamil Khalid Ariff	
Dato' Sri Che Khalib Mohamad Noh	
Dr. Azura Othman	
Ghazali Hj Darman	
Dato' Ibrahim Taib	
Iwan Rashman Gulamoydeen	*(appointed on 1 September 2019)*
Khairuddin Arshad	*(appointed on 10 September 2019)*
Dato' Hj Che Pee Samsudin	*(resigned on 28 March 2020)*
Dato' Haji Mohd Redza Shah Abdul Wahid	*(resigned on 31 October 2019)*
Dato' Haji Mohd Izani Ghani	*(resigned on 31 August 2019)*

DIRECTORS OF THE SUBSIDIARY COMPANIES

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

No.	Name of Subsidiary	Name of Directors
1.	Muamalat Invest Sdn Bhd	Khairul Kamarudin *(appointed on 8 July 2019)* Fakihah Azahari Dato' Adnan Alias Norahmadi Sulong Mohamed Fadzil Sulaiman Dato' Haji Mohd Redza Shah Abdul Wahid *(resigned on 31 October 2019)*
2.	Muamalat Venture Sdn Bhd	Khairul Kamarudin *(appointed on 25 June 2019)* PeerMohamed bin Ibramsha Dato' Haji Mohd Redza Shah Abdul Wahid *(resigned on 31 October 2019)*
3.	Muamalat Nominees (Asing) Sdn Bhd	Khairul Kamarudin *(appointed on 25 June 2019)* PeerMohamed bin Ibramsha Dato' Haji Mohd Redza Shah Abdul Wahid *(resigned on 31 October 2019)*
4.	Muamalat Nominees (Tempatan) Sdn Bhd	Khairul Kamarudin *(appointed on 25 June 2019)* PeerMohamed bin Ibramsha Dato' Haji Mohd Redza Shah Abdul Wahid *(resigned on 31 October 2019)*

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As at 31.3.2019	Acquired	Disposed	As at 31.12.2019
Interest in DRB-HICOM Berhad, holding company:				
Dato' Sri Che Khalib Mohamad Noh	3,500	-	-	3,500
Ghazali Hj Darman	-	4,000	-	4,000

Other than as disclosed above, none of the directors in office at the end of the nine-month financial period ended 31 December 2019 had any interest in shares in the Bank or its related corporations during the financial period.

Directors' Report

DIRECTORS' BENEFITS

Neither at the end of the nine-month financial period ended 31 December 2019, nor at any time during that period, 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 35 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/she is a member, or with a company in which he/she has a substantial financial interest, except for certain directors who received remuneration from a subsidiary company of the holding company.

DIRECTORS' INDEMNITY

Directors' liability takaful is in place to protect the directors of the Group and of the Bank 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.

OTHER STATUTORY INFORMATION (CONT'D.)

(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 nine (9) 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 period 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.

BUSINESS REVIEW 2019

The Group posted profit before zakat and taxation of RM140.3 million for the 9-month period ended December 2019, from RM241.2 million in the previous 12-month financial year ended March 2019. Period-on-period comparison for the nine (9) months result, showed a decline of 8.0% from a profit of RM152.5 million registered in the previous corresponding period ended 31 December 2018.

Total assets registered a marginal decline by 0.2% from March 2019 position. This is mainly attributed to a decrease in total financial investment through FVOCI by 6.7%, however, offset by an increase in total financing assets by 3.5%.

The Group's asset quality has shown a marked improvement with gross impaired financing ratio at 1.31% as compared with 1.43% in March 2019.

The Group's capital position remained strong and well above regulatory requirements as reflected by its Common Equity Tier 1 ratio of 16.00% and Total Capital Ratio of 18.65%.

PROSPECTS

The rapid spread of the novel coronavirus ("COVID-19") has caused an unprecedented health and economic crisis the world has in living memory not seen before. It is expected to have a severe impact on economic activities for many months to come. Both the supply and demand side of most economies have been badly affected arising from measures to protect lives against the virus; ranging from restriction of movement orders to the closure of factories and businesses. There is consequent risk to the stability of the financial industry. Even before the COVID-19 crisis, trade tensions between the US and China and the sharp falls in oil prices had already eroded confidence and global growth prospects. The International Monetary Fund ("IMF") is now projecting global economic growth to dip from the initial forecast of 3.5 per cent to -3.0 per cent in 2020.

Directors' Report

PROSPECTS (CONT'D.)

Malaysia is not spared from the serious negative economic impact of the COVID-19 pandemic, with the Movement Control Order ("MCO") in force since 18 March 2020. The Government has introduced countervailing stimulus and relief measures against the abrupt halt in economic and financial activities, except for those categorised as "essential services". The packages amounting to RM260.0 billion were introduced to provide aid and support for those badly affected in society and in business, primarily the B40 and M40 income groups as well as the Small and Medium Enterprises ("SME") sector. Bank Negara Malaysia ("BNM") in its recent Economic and Monetary Review 2019 has forecast Malaysia's Gross Domestic Product ("GDP") to be between -2.0 per cent and 0.5 per cent due to the global and domestic measures to contain the COVID-19 pandemic. The challenge going forward for the country is to balance the imperative to save lives and the need to secure livelihoods in a functioning economy.

Despite the internal and external market volatilities, Malaysian financial sector is expected to remain sound and supportive of the domestic economy in 2020 although risks to growth remain, as there are expectations of overnight policy rate ("OPR") to reduce further. The banking landscape will also be more challenging with the recent release of Exposure Draft on Licensing Framework for Digital Banks issued by BNM in December 2019. The issuance of five (5) digital banking licenses for both conventional and Islamic banks would further intensify the competitiveness in the banking sector as non-traditional players gradually make inroads into the industry.

Against this backdrop, the Bank will continue to ride on its new business plan, following a selective areas of growth to ensure it remains competitive in the current banking landscape. The Bank's focus area in expanding its wealth management portfolio shall include among others, the distribution of Islamic unit trust fund and bancatakaful products as well as investment in Amanah Saham Bumiputra ("ASB"). Moving forward, the Bank will also strive towards managing efficiency, particularly in enhancing its digital banking services as to provide seamless banking services as well as ease of access and usage especially in terms of its mobile application and internet banking.

Acknowledging the inherent risks associated with the current economic climate, the Bank has and is taking the necessary steps to mitigate and minimise these risks, in accordance with BNM's guidelines. The Bank is focusing on streamlining its business activities for continuous business resilience and is ensuring that appropriate action plans are being put in place to cushion the impact of any potential adverse effects on the Bank's financial performance and balance sheet.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Rating Received
Rating Agency Malaysia Berhad	May 2019	Long term	A2
		Short term	P1
		Subordinated Sukuk	A3
		Outlook	Stable
Malaysia Rating Corporation Berhad	January 2020	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 members in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee members, 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 principles.

(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 Bank's 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.

(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 principles.

(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 the Bank and its subsidiaries' 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 decisions.

Directors' Report

ZAKAT OBLIGATIONS

The Bank pays zakat on its business based on the growth model method as approved by the Shariah Committee. The Bank does not pay zakat on behalf of the shareholders or depositors.

For the nine-month financial period ended 31 December 2019, the Group and the Bank have allocated RM3.77 million and RM3.7 million respectively, as provision for zakat.

CHANGE OF FINANCIAL YEAR END

Following the approval by the Board of Directors, in their resolution dated 1 August 2019, on the change of the financial year from 31 March to 31 December, the financial year covered in these financial statements is for a period of nine (9) months from 1 April 2019 to 31 December 2019. Consequently, the comparatives for the statements of comprehensive income, statements of changes in equity and statements of cash flows as well as certain comparatives in the notes to the financial statements of the Group and of the Bank are not comparable to those of the previous twelve (12) months ended 31 March 2019. Thereafter, the financial year of the Group and of the Bank shall revert to twelve (12) months ending 31 December, for each subsequent year.

AUDITORS AND AUDITORS' REMUNERATION

The auditors' remuneration are disclosed in Note 37 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 30 April 2020.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman

Ghazali Hj Darman
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 Ghazali Hj Darman, 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 17 to 218 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 December 2019 and of the results and the cash flows of the Group and of the Bank for the nine-month period then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2020.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman

Ghazali Hj Darman
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 17 to 218 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 abovenamed Hafni Mohd Said
at Kuala Lumpur in Federal Territory
on 4 May 2020.

Hafni Mohd Said

Before me,

PESURUHJAYA SUMPAH
No. W790
Nama: ZAINUL ABIDIN
BIN AHMAD
1 JAN 2020 - 31 DIS 2022
MALAYSIA

Commissioner for Oaths

No. 22-A, Jalan Telawi Lima,
Bangsar Baru, 59100 Kuala Lumpur.

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 nine-month period ended 31 December 2019. 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 Bank 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:

(a) the contracts, transactions and dealings entered into by the Bank during the nine-month period ended 31 December 2019 that we have reviewed are in compliance with the Shariah principles;

(b) 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;

(c) 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

(d) 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 nine-month period ended 31 December 2019 have been conducted in conformity with the Shariah principles.

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

En. Azizi Che Seman
Chairman of Shariah Committee

Dr. Wan Marhaini Wan Ahmad
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 December 2019 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 nine-month financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 218.

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 December 2019, and of their financial performance and their cash flows for the nine-month financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

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.

REPORT ON 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 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 PLT
202006000003 (LLP0022760-LCA) & AF: 0039
Chartered Accountants

Wan Daneena Liza Bt Wan Abdul Rahman
No. 02978/03/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
30 April 2020

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

		Group	
	Note	31 December 2019 RM'000	31 March 2019 RM'000
ASSETS			
Cash and short-term funds	4 (a)	**1,011,225**	830,571
Cash and placements with financial institutions	4 (b)	**53,925**	11,937
Financial investments at fair value through profit or loss	5 (i)	**308,793**	660,799
Financial investments at fair value through other comprehensive income	5 (ii)	**4,604,824**	4,936,032
Financial investments at amortised cost	5 (iii)	**103,162**	103,310
Islamic derivative financial assets	6	**21,859**	24,853
Financing of customers	7	**15,861,238**	15,330,895
Other assets	9	**41,670**	81,625
Statutory deposits with Bank Negara Malaysia	10	**568,768**	699,275
Investment properties	12	**53,063**	45,303
Right-of-use assets	15.2 (d)	**48,122**	-
Intangible assets	13	**82,538**	84,684
Property, plant and equipment	14	**56,092**	58,361
Prepaid land lease payment	15.1	**-**	223
Deferred tax assets (net)	16	**13,534**	17,742
Total assets		**22,828,813**	22,885,610
LIABILITIES			
Deposits from customers	17	**18,940,552**	19,144,118
Deposits and placements of banks and other financial institutions	19	**6,303**	6,747
Bills and acceptances payable	20	**8,444**	15,678
Islamic derivative financial liabilities	6	**77,546**	48,162
Other liabilities	21	**53,284**	78,450
Lease liabilities	15.2 (a)	**51,659**	-
Provision for zakat and taxation	22	**9,528**	6,670
Recourse obligation on financing sold to Cagamas	23	**459,633**	471,102
Deferred tax liabilities (net)	16	**-**	65
Subordinated sukuk	24 (a)	**250,532**	254,025
Senior sukuk	24 (b)	**502,517**	509,174
Total liabilities		**20,359,998**	20,534,191

		Group	
	Note	31 December 2019 RM'000	31 March 2019 RM'000
SHAREHOLDERS' EQUITY			
Share capital	25	**1,195,000**	1,195,000
Reserves	26	**1,273,815**	1,156,419
Total shareholders' equity		**2,468,815**	2,351,419
Total liabilities and shareholders' equity		**22,828,813**	22,885,610
Restricted investment accounts	18 (a)	**20,000**	20,444
Total Islamic banking asset and asset under management		**22,848,813**	22,906,054
Commitments and contingencies	45	**6,596,494**	7,811,267
Capital adequacy *	50		
CET 1 capital ratio		**15.998%**	15.804%
Total capital ratio		**18.653%**	18.593%

* 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 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

		Bank	
	Note	31 December 2019 RM'000	31 March 2019 RM'000
ASSETS			
Cash and short-term funds	4 (a)	**1,011,225**	830,571
Cash and placements with financial institutions	4 (b)	**53,925**	11,937
Financial investments at fair value through profit or loss	5 (i)	**308,793**	658,866
Financial investments at fair value through other comprehensive income	5 (ii)	**4,602,399**	4,933,767
Financial investments at amortised cost	5 (iii)	**103,162**	103,310
Islamic derivative financial assets	6	**21,859**	24,853
Financing of customers	7	**15,857,343**	15,333,281
Other assets	9	**40,780**	83,531
Statutory deposits with Bank Negara Malaysia	10	**568,768**	699,275
Investment in subsidiaries	11	**13,159**	12,559
Investment properties	12	**53,063**	45,303
Intangible assets	13	**82,427**	84,560
Right-of-use assets	15.2 (d)	**41,466**	-
Property, plant and equipment	14	**56,064**	58,360
Prepaid land lease payment	15.1	**-**	223
Deferred tax assets (net)	16	**13,250**	17,742
Total assets		**22,827,683**	22,898,138
LIABILITIES			
Deposits from customers	17	**18,955,006**	19,167,905
Deposits and placements of banks and other financial institutions	19	**6,303**	6,747
Bills and acceptances payable	20	**8,444**	15,678
Islamic derivative financial liabilities	6	**77,546**	48,162
Other liabilities	21	**52,316**	74,156
Lease liabilities	15.2 (a)	**43,823**	-
Provision for zakat and taxation	22	**9,272**	6,597
Recourse obligation on financing sold to Cagamas	23	**459,633**	471,102
Subordinated sukuk	24 (a)	**250,532**	254,025
Senior sukuk	24 (b)	**502,517**	509,174
Total liabilities		**20,365,392**	20,553,546

		Bank	
	Note	31 December 2019 RM'000	31 March 2019 RM'000
SHAREHOLDERS' EQUITY			
Share capital	25	**1,195,000**	1,195,000
Reserves	26	**1,267,291**	1,149,592
Total shareholders' equity		**2,462,291**	2,344,592
Total liabilities and shareholders' equity		**22,827,683**	22,898,138
Restricted investment accounts	18 (a)	**20,000**	20,944
Total Islamic banking asset and asset under management		**22,847,683**	22,919,082
Commitments and contingencies	45	**6,596,494**	7,811,267
Capital adequacy*	50		
CET 1 capital ratio		**15.895%**	15.679%
Total capital ratio		**18.555%**	18.470%

* 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 PERIOD ENDED 31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

	Note	Group		Bank	
		For the nine months ended 31 December 2019 RM'000	For the twelve months ended 31 March 2019 RM'000	For the nine months ended 31 December 2019 RM'000	For the twelve months ended 31 March 2019 RM'000
Income derived from investment of depositors' funds and others	27	**945,908**	1,248,778	**945,908**	1,248,778
Income derived from investment of investment account funds	28	**113**	511	**113**	511
Income derived from investment of shareholders' funds	29	**11,526**	84,302	**8,064**	82,335
(Allowance for)/writeback of impairment on financing	30	**(21,587)**	6,355	**(21,587)**	11,277
(Allowance for)/writeback of impairment losses on financial investments, net	31	**(3,066)**	801	**(2,466)**	1,801
Writeback of/(allowance for) impairment losses on other financial assets, net	32	**1,204**	(4,830)	**1,204**	(4,830)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		**(7,329)**	(10,723)	**(7,329)**	(10,723)
Total distributable income		**926,769**	1,325,194	**923,907**	1,329,149
Income attributable to depositors	33	**(407,832)**	(613,236)	**(408,077)**	(613,684)
Total net income		**518,937**	711,958	**515,830**	715,465
Personnel expenses	34	**(178,288)**	(214,576)	**(176,597)**	(212,614)
Other overheads and expenditures	37	**(150,193)**	(192,031)	**(150,083)**	(191,565)
Finance costs	38	**(50,143)**	(64,163)	**(49,818)**	(64,163)
Profit before zakat and taxation		**140,313**	241,188	**139,332**	247,123
Zakat	39	**(3,770)**	(6,255)	**(3,706)**	(6,195)
Taxation	40	**(37,737)**	(55,439)	**(37,215)**	(55,253)
Profit for the year		**98,806**	179,494	**98,411**	185,675
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	41	**11.02**	15.02		

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

Statements of Other Comprehensive Income

FOR THE PERIOD ENDED 31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

		Group		Bank	
	Note	For the nine months ended 31 December 2019 RM'000	For the twelve months ended 31 March 2019 RM'000	For the nine months ended 31 December 2019 RM'000	For the twelve months ended 31 March 2019 RM'000
Profit for the year		**98,806**	179,494	**98,411**	185,675
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
Net gain on financial investments at fair value through other comprehensive income		**19,558**	42,434	**19,558**	42,434
- Net gain on change in fair value		**70,017**	68,836	**70,017**	68,836
- Changes in expected credit losses	5 (ii)	**(3)**	(191)	**(3)**	(191)
- Income tax effect	16	**(6,156)**	(8,758)	**(6,156)**	(8,758)
- Realised gain transferred to profit or loss on disposal	27 & 29	**(44,300)**	(17,453)	**(44,300)**	(17,453)
Exchange fluctuation reserve		**284**	1,362	**284**	1,362
Items that may not be reclassified subsequently to profit or loss					
Net unrealised gain/(loss) on equity securities at fair value through other comprehensive income		**1,016**	(12,560)	**1,016**	(12,560)
Other comprehensive income for the year, net of tax		**20,858**	31,236	**20,858**	31,236
Total comprehensive income for the year		**119,664**	210,730	**119,269**	216,911

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

Consolidated Statement of Changes in Equity

FOR THE PERIOD ENDED 31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

	Non-distributable				Distributable	
Group	Ordinary shares RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Fair Value Through Other Comprehensive Income Reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2019						
- as previously stated	**1,195,000**	**63,585**	**(417)**	**(1,515)**	**1,094,766**	**2,351,419**
- effect of adopting MFRS 16	**-**	**-**	**-**	**-**	**(2,268)**	**(2,268)**
At 1 April 2019, as restated	**1,195,000**	**63,585**	**(417)**	**(1,515)**	**1,092,498**	**2,349,151**
Profit for the period	**-**	**-**	**-**	**-**	**98,806**	**98,806**
Other comprehensive income for the period	**-**	**-**	**284**	**20,574**	**-**	**20,858**
Total comprehensive income for the period	**-**	**-**	**284**	**20,574**	**98,806**	**119,664**
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	**-**	**-**	**-**	**(1,051)**	**1,051**	**-**
Transfer from regulatory reserve	**-**	**(909)**	**-**	**-**	**909**	**-**
At 31 December 2019	**1,195,000**	**62,676**	**(133)**	**18,008**	**1,193,264**	**2,468,815**
At 1 April 2018	1,195,000	40,594	(1,779)	(29,057)	935,931	2,140,689
Profit for the year	-	-	-	-	179,494	179,494
Other comprehensive income for the year	-	-	1,362	29,874	-	31,236
Total comprehensive income for the year	-	-	1,362	29,874	179,494	210,730
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	(2,332)	2,332	-
Transfer to regulatory reserve	-	22,991	-	-	(22,991)	-
At 31 March 2019	1,195,000	63,585	(417)	(1,515)	1,094,766	2,351,419

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

Statement of Changes in Equity

FOR THE PERIOD ENDED 31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

	Non-distributable				Distributable	
Bank	**Ordinary shares RM'000**	**Regulatory reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Fair Value Through Other Comprehensive Income Reserve RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 April 2019						
- as previously stated	**1,195,000**	**63,585**	**(417)**	**(1,515)**	**1,087,939**	**2,344,592**
- effect of adopting MFRS 16	**-**	**-**	**-**	**-**	**(1,571)**	**(1,571)**
At 1 April 2019, as restated	**1,195,000**	**63,585**	**(417)**	**(1,515)**	**1,086,368**	**2,343,021**
Profit for the year	**-**	**-**	**-**	**-**	**98,412**	**98,412**
Other comprehensive income for the year	**-**	**-**	**284**	**20,574**	**-**	**20,858**
Total comprehensive income for the year	**-**	**-**	**284**	**20,574**	**98,412**	**119,270**
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	**-**	**-**	**-**	**(1,051)**	**1,051**	**-**
Transfer from regulatory reserve	**-**	**(909)**	**-**	**-**	**909**	**-**
At 31 December 2019	**1,195,000**	**62,676**	**(133)**	**18,008**	**1,186,740**	**2,462,291**
At 1 April 2018	1,195,000	40,594	(1,779)	(29,057)	922,923	2,127,681
Profit for the year	-	-	-	-	185,675	185,675
Other comprehensive income for the year	-	-	1,362	29,874	-	31,236
Total comprehensive income for the year	-	-	1,362	29,874	185,675	216,911
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	(2,332)	2,332	-
Transfer to regulatory reserve	-	22,991	-	-	(22,991)	-
At 31 March 2019	1,195,000	63,585	(417)	(1,515)	1,087,939	2,344,592

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

Statements of Cash Flows

FOR THE PERIOD ENDED 31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

		Group		Bank	
	Note	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before zakat and taxation		**140,313**	241,188	**139,332**	247,123
Adjustment for:					
Amortisation of prepaid land lease payments	37	**-**	4	**-**	4
Amortisation of intangible assets	37	**25,570**	30,299	**25,558**	30,138
Depreciation of property, plant and equipment	37	**9,810**	15,564	**9,805**	15,557
Gain on sale of property, plant and equipment	29	**(11)**	(70)	**(11)**	(70)
Depreciation of right-of-use assets		**9,742**	-	**9,304**	-
Amortisation of cost on subordinated sukuk and senior sukuk issued		**150**	200	**150**	200
Property, plant and equipment written off	37	**26**	53	**26**	53
Amortisation of premium	27 & 29	**305**	1,229	**305**	1,229
Net gain from sale of financial investments at fair value through other comprehensive income	27 & 29	**(44,300)**	(17,453)	**(44,300)**	(17,453)
Net loss/(gain) from sale of financial investments designated at FVTPL	27 & 29	**14**	(953)	**8**	(874)
Unrealised loss/(gain) on revaluation of financial investment designated at FVTPL	27 & 29	**3,683**	(37,305)	**3,538**	(38,558)
Net gain on revaluation of foreign exchange transaction	29	**(8,125)**	(8,322)	**(8,125)**	(8,322)
Net loss/(gain) from foreign exchange derivatives	29	**4,829**	(3,448)	**4,829**	(3,448)
Unrealised loss on revaluation of Islamic profit rate swap	29	**27,549**	21,604	**27,549**	21,604
Unrealised gain on revaluation of hedged items	29	**(31,262)**	(33,297)	**(31,262)**	(33,297)
Gain from derecognition of fair value of hedged items	29	**-**	(2,102)	**-**	(2,102)
Impairment losses/(writeback) on investments securities	31	**3,067**	(801)	**3,067**	(801)
Impairment writeback on investment in a subsidiary	31	**-**	-	**(600)**	(1,000)
Fair value adjustments of investment properties	29	**1,918**	(1,580)	**1,918**	(1,580)
Net allowance for impairment on financing	30	**51,925**	9,176	**51,925**	9,176
Financing written off	30	**2,687**	2,592	**2,687**	2,592
Allowance for impairment on other financial assets, net		**(1,204)**	4,830	**(1,204)**	4,830
Finance costs	38	**50,143**	64,163	**49,818**	64,163
Gross dividend income	29	**(59)**	(53)	**(1,000)**	-
Operating profit before working capital changes		**246,770**	285,518	**243,317**	289,164

	Note	Group 31 December 2019 RM'000	Group 31 March 2019 RM'000	Bank 31 December 2019 RM'000	Bank 31 March 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Decrease/(Increase) in operating assets:					
Investment accounts due from designated financial institutions		**-**	146	**-**	146
Islamic derivative financial assets		**(1,836)**	51,365	**(1,836)**	51,365
Financial investments portfolio		**(52,645)**	(33,748)	**(46,489)**	(24,251)
Financing of customers		**(560,311)**	(922,514)	**(554,029)**	(927,106)
Statutory deposits with Bank Negara Malaysia		**130,507**	(24,775)	**130,507**	(24,775)
Other assets		**(53,918)**	23,596	**(49,057)**	10,352
(Decrease)/Increase in operating liabilities:					
Deposits from customers		**(203,566)**	(1,028,409)	**(212,899)**	(1,022,949)
Deposits and placements of banks and other financial institutions		**(444)**	(2,107)	**(444)**	(2,107)
Islamic derivative financial liabilities		**1,836**	(51,365)	**1,836**	(51,365)
Bills and acceptances payable		**(7,234)**	6,060	**(7,234)**	6,060
Other liabilities		**36,452**	(38,889)	**31,737**	(41,456)
Cash used in operations		**(464,389)**	(1,735,122)	**(464,591)**	(1,736,922)
Finance cost on lease liabilities paid		**(2,205)**	-	**(1,878)**	-
Zakat paid		**(6,250)**	(6,134)	**(6,195)**	(5,587)
Tax refund/(paid)		**15,269**	(17,908)	**15,589**	(15,689)
Net cash used in operating activities		**(457,575)**	(1,759,164)	**(457,075)**	(1,758,198)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of investment in securities		**9,120,983**	10,188,634	**9,119,201**	10,188,555
Purchase of financial investment in securities		**(8,320,555)**	(9,051,526)	**(8,320,395)**	(9,049,470)
Proceeds from disposal of property, plant and equipment		**147**	134	**147**	134
Purchase of property, plant and equipment	14	**(8,021)**	(21,373)	**(7,989)**	(21,373)
Purchase of intangible assets	13	**(24,084)**	(20,914)	**(24,085)**	(20,804)
Purchase of investment properties	12	**(9,678)**	(1,942)	**(9,678)**	(1,942)
Purchase of additional ordinary shares in existing subsidiaries		**-**	-	**-**	(3,000)
Dividend income	29	**59**	53	**1,000**	-
Net cash generated from investing activities		**758,851**	1,093,066	**758,201**	1,092,100

Statements of Cash Flows

FOR THE PERIOD ENDED 31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

		Group		Bank	
	Note	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid on Islamic subordinated sukuk		**(42,000)**	(42,000)	**(42,000)**	(42,000)
Payment of lease liabilities		**(8,928)**	-	**(8,778)**	-
Payment of principal for recourse obligation on financing sold to Cagamas		**(11,463)**	(14,799)	**(11,463)**	(14,799)
Payment of finance cost for recourse obligation on financing sold to Cagamas		**(16,243)**	(22,276)	**(16,243)**	(22,276)
Net cash used in financing activities		**(78,634)**	(79,075)	**(78,484)**	(79,075)
Net increase/(decrease) in cash and cash equivalents		**222,642**	(745,173)	**222,642**	(745,173)
Cash and cash equivalents at beginning of year		**842,508**	1,587,681	**842,508**	1,587,681
Cash and cash equivalents at end of year		**1,065,150**	842,508	**1,065,150**	842,508
Cash and cash equivalents consist of:					
Cash and short term funds	4 (a)	**1,011,225**	830,571	**1,011,225**	830,571
Cash and placements with financial institutions	4 (b)	**53,925**	11,937	**53,925**	11,937
		1,065,150	842,508	**1,065,150**	842,508

(A) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

The table below details changes in the Group's and the 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.

	Sukuk		Recourse obligation on financing sold to Cagamas	
Group and Bank	**31 December 2019 RM'000**	**31 March 2019 RM'000**	**31 December 2019 RM'000**	**31 March 2019 RM'000**
At 1 April 2019	**763,199**	763,162	**471,102**	485,851
Net changes from financing cash flows:				
Dividend paid on Islamic subordinated sukuk	**(42,000)**	(42,000)	**-**	-
Payment of principal for recourse obligation on financing sold to Cagamas	**-**	-	**(11,463)**	(14,799)
Payment of finance cost for recourse obligation on financing sold to Cagamas	**-**	-	**(16,243)**	(22,276)
	721,199	721,162	**443,396**	448,776
Other changes:				
Amortisation of cost on sukuk issued	**150**	200	**-**	-
Finance cost	**31,700**	41,837	**16,237**	22,326
At end of the financial year	**753,049**	763,199	**459,633**	471,102

	Lease Liabilities			
	Group		Bank	
	31 December 2019 RM'000	**31 March 2019 RM'000**	**31 December 2019 RM'000**	**31 March 2019 RM'000**
At 1 April 2019	**-**	-	**-**	-
Effect of adopting MFRS 16	**53,425**	-	**45,357**	-
At 1 April 2019, as restated	**53,425**	-	**45,357**	-
Net changes from financing cash flows:				
Payments for the principal portion of lease liabilities	**(2,205)**	-	**(1,878)**	-
Payments for the profit portion of lease liabilities	**(8,928)**	-	**(8,778)**	-
New finance lease	**769**	-	**769**	-
	43,061	-	**35,470**	-
Other changes:				
Finance cost	**2,205**	-	**1,878**	-
Lease modification	**6,587**	-	**6,669**	-
Disposals	**(194)**	-	**(194)**	-
At end of the financial year	**51,659**	-	**43,823**	-

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

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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 nine-month financial period ended 31 December 2019.

The Bank is a licensed Islamic Bank under the Islamic Financial Service Act, 2013 ("IFSA"), incorporated and domiciled in Malaysia. The registered office of the Bank is located at 20th Floor, Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur.

The holding and ultimate holding companies of the Bank are DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. respectively, both of which are incorporated in Malaysia. DRB-HICOM Berhad, is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad. DRB-Hicom Berhad holds 70% of the Bank's shares, whilst the remaining 30% is held by Khazanah Nasional Berhad.

Following the approval by the Board of Directors, in their resolution dated 1 August 2019, on the change of the financial year end from 31 March to 31 December, the financial year covered in these financial statements is for a period of nine months from 1 April 2019 to 31 December 2019. Consequently, the comparatives for the statements of comprehensive income, statements of changes in equity and statements of cash flows as well as certain comparatives in the notes to the financial statements of the Group and the Bank are not comparable to those of the previous twelve months ended 31 March 2019. Thereafter, the financial year of the Group and the Bank shall revert to twelve months ending 31 December, for each subsequent year.

The financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the directors on 30 April 2020.

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 highlighted in the following pages.

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 December 2019.

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 losses 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.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the assets' contractual cash flow characteristics. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The categories of financial assets under MFRS 9 are as follows:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL").

(1) Financial assets at amortised cost

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP") on the principal amount outstanding; and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The details of these conditions are outlined below:

(i) The SPPP test

As a first step of its classification process, the Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there were payments of principal or amortisation of the premium/discount).

The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Group and the Bank apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

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 amortised cost (cont'd.)

(i) The SPPP test (cont'd.)

In contrast, contractual terms that introduce a more than de *minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(ii) Business model assessment

The Group and the Bank determine its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Group's and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The way the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The way the managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales which are also important aspects of the Group's and the Bank's assessment.
- The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

Included in financial assets at amortised cost are cash and short-term funds, cash and placements with financial institutions, financial investments, financing of customers, statutory deposits and a portion of other assets as disclosed in the respective notes to the financial statements.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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.)

(2) Financial assets at fair value through other comprehensive income ("FVOCI")

The Group and the Bank apply the new category under MFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The contractual terms of the financial assets meet the SPPP test; and
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the Other Comprehensive Income ("OCI"). Profit income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed off on a first–in-first–out basis. Upon derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Group and the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

Included in financial assets at FVOCI are certain equity and debt instruments.

(3) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are those that are held-for-trading and have been either designated by the Group and the Bank upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9.

The Group and the Bank designate an instrument at FVTPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- 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 basis; 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.

Included in financial assets at FVTPL are financial investments, financial assets designated upon initial recognition, financing of customers and derivatives.

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the profit or loss under the caption of 'other operating income'.

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 their rights to receive cash flows from the asset or have 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 their rights to receive cash flows from a financial asset or have entered into a pass through arrangement, and have 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 Group's and 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 MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model. The ECL model applies to financial assets measured at amortised cost or at FVOCI (with recycling to profit or loss), irrevocable financing commitments and financial guarantee contracts, and financing of customers and debt instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15 Revenue from Contracts with Customers and lease receivables under MFRS 117 Leases.

The measurement of ECL involves increased complexity and judgement that include:

(1) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is critical in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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) Determining a significant increase in credit risk since initial recognition (cont'd.)

The Group and the Bank apply a 3-stage approach based on the change in credit quality since initial recognition:

3-Stage Approach	Stage 1	Stage 2	Stage 3
	Performing	Under-perfoming	Non-performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

(2) ECL Measurement

There are three (3) main components to measure ECL, which include: (i) probability of default ("PD") model; (ii) loss given default ("LGD") model; and (iii) exposure at default ("EAD") model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Bank have decided to continue to measure the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant.

(3) Expected life

Lifetime ECL must be measured over the expected life of the financial asset. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolving financial instruments such as overdraft. The expected life for these revolving facilities generally refers to their behavioural life.

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.)

(4) Forward looking information

ECL are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information is based on the collation of macroeconomic data obtained from various external sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Where applicable, the Bank incorporates forward-looking adjustments in credit risk factors of PD and LGD used in the ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

- Consumer Price Index;
- Unemployment rates;
- House Price Indices; and
- Overnight Policy Rate.

The Bank applies the following three (3) alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

Base scenario: This scenario reflects that current macroeconomic conditions continue to prevail; and

Upside and Downside scenarios: These scenarios are set relative to the base scenario, reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgement from current economic conditions.

(5) Financial investments at FVOCI

The ECL for financial investments measured at FVOCI does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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.)

(6) Valuation of collateral held as security for financial assets

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.

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

(7) Impairment process – written-off accounts

Where a financing is uncollectible, it is written-off against the related allowances for 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 statements of profit or loss.

(8) Impairment of other financial assets

The Group and the Bank apply the MFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for other financial assets. The simplified approach excludes tracking of changes in credit risk.

(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 uses widely recognised valuation models with market observable inputs for the determination of fair values, due to the low complexity of financial instruments held; with exception to investment in private equity funds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 at amortised cost.

(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 statements of profit or loss. Net gains or losses on derivatives include exchange differences.

(2) Financial liabilities at amortised cost

The Group's and the Bank's financial liabilities at amortised cost include deposits from customers, deposits and placements of banks and other financial institutions, debt securities, payables, bills and acceptances payable, recourse obligation on financing sold to Cagamas 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.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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) Financial liabilities at amortised cost (cont'd.)

(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 and senior 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.

(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

Recourse obligations on financing sold to Cagamas are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective profit method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Financial liabilities (cont'd.)

(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 statements of profit or loss.

(d) Derivative instruments and hedge accounting

(i) Derivative instruments

The Group and the Bank use derivatives such as profit rate swap 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 statements of profit or loss unless these form part of a hedging relationship.

(ii) Hedge accounting

The Group and the Bank have elected an accounting policy choice under MFRS 9 to continue to apply the hedge accounting requirements under MFRS 139 on the adoption of MFRS 9 on 1 April 2018.

The Group and the Bank use derivative instruments to manage exposures to profit rate and foreign currency 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.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Hedge accounting (cont'd.)

(1) Fair value hedge

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 statements 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 statements 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 statements of profit or loss.

When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss exist 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 statements 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 statements of profit or loss.

The Group and the Bank did not apply cash flow hedge as at the financial year end.

(e) Foreclosed properties

Foreclosed properties are those properties acquired in full or partial satisfaction of financing and are stated at the lower of cost and net realisable value and reported within other assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 use alternative valuation methods such as recent prices of less active markets or discounted cash flow projections. Changes in fair values are recorded in statement of profit or loss in the year in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use or no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in statement of profit or loss in the period of the retirement or upon disposal.

(g) Intangible assets

Intangible assets include computer software and software under development.

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

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 statements of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation of intangible asset is provided for on a straight-line basis over the estimated useful lives of the assets, as follows:

- Computer software is amortised over its estimated finite useful lives ranging from three (3) to ten (10) years.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Property, plant and equipment

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 statements 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:

Buildings on freehold land	33 years
Buildings on leasehold land and leasehold land	33 years or remaining life of the lease, whichever is shorter
Office furniture and equipment	6 to 7 years
Buildings improvements and renovations	5 years
Motor vehicles	5 years
Computer equipment	3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in statements of profit or loss.

(i) Prepaid land lease payments

Accounting policies applied from 1 April 2019

Following the adoption of MFRS 16 Leases on 1 April 2019, the Group and the Bank have reclassified the carrying amount of prepaid lease properties to right-of- use ("ROU") assets. The new accounting policies and impact of adoption of MFRS 16 are disclosed in Note 2.4.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

Accounting policies applied until 31 March 2019

(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 Group and 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).

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

Accounting policies applied until 31 March 2019 (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 date 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 and of the Bank on disposal of the foreign operations.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in statements 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 and the Bank'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 statements of profit or loss upon disposal of the foreign operations.

(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 make 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 statements 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 statements of profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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 with original maturity tenor of 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 statements of profit or loss, as they are 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 assets measured at amortised cost, profit bearing financial assets classified as FVOCI and financial assets 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'

This contract involves 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.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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.)

(3) Bai' Inah

This contract involves 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.

(4) Tawarruq

This contract relates to the 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 statements of profit or loss, as they are 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 agreeable 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 statements of profit or loss, as it incurred. Profit to be 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 customer 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.

(10) Rahnu

In Ar-Rahnu transaction, a valuable asset such as gold and 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.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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 statements of profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(r) Zakat

Zakat represents business zakat payable by the Group and the Bank to comply with the principles of Shariah and as approved by the Shariah Committee.The Bank only pays zakat on its business and does not pay zakat on behalf of its depositors or shareholders. Zakat provision is calculated based on capital growth model method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at FVTPL, financial investments at FVOCI 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 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, which 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.

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 47.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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 2019, 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 2019.

Description	Effective for annual periods beginning on or after
MFRS 16: Leases	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Plan Ammendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019

The adoption of the above Standards do not have any significant financial impact to the Group's and the Bank's financial statements, except for as disclosed below:

MFRS 16 Leases ("MFRS 16")

MFRS 16 replaces MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a lease liability to make lease payments and a right-of-use asset representing the right to use the underlying asset during the lease term, to be included in property, plant and equipment. Lessees will be required to separately recognise the finance cost on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to re- measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

Lessor accounting under MFRS 16 is substantially unchanged from the current accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish operating and finance leases.

Transition to MFRS 16

On 1 April 2019, the Group and the Bank have applied MFRS 16 for the first time using the modified retrospective method and did not restate comparative information. Instead, the Group and the Bank recognised the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained profits at the date of initial application.

The Group and the Bank elected the following transition practical expedients on a lease- by-lease basis for measurement purposes at first time application of MFRS 16:

(a) The Group and the Bank applied the Standard to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4;

(b) The Group and the Bank elected to use the exemptions proposed by MFRS 16 on lease contracts for which the lease terms end within twelve (12) months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The asset classifies as low value if the market value is less than USD5,000 (equivalent to approximately RM20,000);

(c) For leases where the Group and the Bank are lessees, the Group and the Bank elected not to separate the non-lease components from lease components, and instead account for both components as a single lease component;

(d) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment; and

(e) The Group and the Bank used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

(i) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position of the Group.

Statement of Financial Position

Group	1 April 2019 as previously stated RM'000	Impact of adopting MFRS 16 RM'000	1 April 2019 restated RM'000
ASSETS			
Cash and short-term funds	830,571	-	830,571
Cash and placements with financial institutions	11,937	-	11,937
Financial investments at fair value through profit or loss	660,799	-	660,799
Financial investments at fair value through other comprehensive income	4,936,032	-	4,936,032
Financial investments at amortised cost	103,310	-	103,310
Islamic derivative financial assets	24,853	-	24,853
Financing of customers	15,330,895	-	15,330,895
Other assets	81,625	-	81,625
Statutory deposits with BNM	699,275	-	699,275
Investment properties	45,303	-	45,303
Right-of-use assets	-	50,654	50,654
Intangible assets	84,684	-	84,684
Property, plant and equipment	58,361	-	58,361
Prepaid land lease payment	223	(223)	-
Deferred tax assets (net)	17,742	726	18,468
Total assets	22,885,610	51,157	22,936,767

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

(i) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position of the Group. (cont'd.)

Statement of Financial Position (cont'd.)

Group	1 April 2019 as previously stated RM'000	Impact of adopting MFRS 16 RM'000	1 April 2019 restated RM'000
LIABILITIES			
Deposits from customers	19,144,118	-	19,144,118
Deposits and placements of banks and other financial institutions	6,747	-	6,747
Bills and acceptances payable	15,678	-	15,678
Islamic derivative financial liabilities	48,162	-	48,162
Other liabilities	78,450	-	78,450
Provision for zakat and taxation	6,670	-	6,670
Lease liabilities	-	53,425	53,425
Deferred tax liabilities (net)	65	-	65
Recourse obligation on financing sold to Cagamas	471,102	-	471,102
Subordinated sukuk	254,025	-	254,025
Senior sukuk	509,174	-	509,174
Total liabilities	20,534,191	53,425	20,587,616
SHAREHOLDERS' EQUITY			
Share capital	1,195,000	-	1,195,000
Retained profits	1,094,765	(2,268)	1,092,497
Other reserves	61,654	-	61,654
Total shareholders' equity	2,351,419	(2,268)	2,349,151
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,885,610	51,157	22,936,767

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

(ii) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position of the Bank.

Statement of Financial Position

Bank	1 April 2019 as previously stated RM'000	Impact of adopting MFRS 16 RM'000	1 April 2019 restated RM'000
ASSETS			
Cash and short-term funds	830,571	-	830,571
Cash and placements with financial institutions	11,937	-	11,937
Financial investments at fair value through profit or loss	658,866	-	658,866
Financial investments at fair value through other comprehensive income	4,933,767	-	4,933,767
Financial investments at amortised cost	103,310	-	103,310
Islamic derivative financial assets	24,853	-	24,853
Financing of customers	15,333,281	-	15,333,281
Other assets	83,531	-	83,531
Statutory deposits with BNM	699,275	-	699,275
Investment in subsidiaries	12,559	-	12,559
Investment properties	45,303	-	45,303
Right-of-use assets	-	43,516	43,516
Intangible assets	84,560	-	84,560
Property, plant and equipment	58,360	-	58,360
Prepaid land lease payment	223	(223)	-
Deferred tax assets (net)	17,742	493	18,235
Total assets	**22,898,138**	**43,786**	**22,941,924**

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

(ii) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position of the Bank. (cont'd.)

Statement of Financial Position (cont'd.)

Bank	1 April 2019 as previously stated RM'000	Impact of adopting MFRS 16 RM'000	1 April 2019 restated RM'000
LIABILITIES			
Deposits from customers	19,167,905	-	19,167,905
Deposits and placements of banks and other financial institutions	6,747	-	6,747
Bills and acceptances payable	15,678	-	15,678
Islamic derivative financial liabilities	48,162	-	48,162
Other liabilities	74,156	-	74,156
Provision for zakat and taxation	6,597	-	6,597
Lease liabilities	-	45,357	45,357
Recourse obligation on financing sold to Cagamas	471,102	-	471,102
Subordinated sukuk	254,025	-	254,025
Senior sukuk	509,174	-	509,174
Total liabilities	20,553,546	45,357	20,598,903
SHAREHOLDERS' EQUITY			
Share capital	1,195,000	-	1,195,000
Retained profits	1,087,937	(1,571)	1,086,366
Other reserves	61,655	-	61,655
Total shareholders' equity	2,344,592	(1,571)	2,343,021
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,898,138	43,786	22,941,924

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

(iii) The following table analyses the impact of transition to MFRS 16 and the impact of capital adequacy ratios of the Group and of the Bank:

Statement of Financial Position

	1 April 2019 as previously stated RM'000	Impact of adopting MFRS 16 RM'000	1 April 2019 restated RM'000
Group			
CET1 Capital	2,178,013	(3,502)	2,174,511
Tier 1 Capital	2,178,013	(3,502)	2,174,511
Total Capital	2,562,313	(2,995)	2,559,318
Risk Weighted Assets	13,781,381	50,573	13,831,954
CET1 Capital Ratio	15.804%	-0.079%	15.725%
Tier 1 Capital Ratio	15.804%	-0.079%	15.725%
Total Capital Ratio	18.593%	-0.090%	18.503%
Bank			
CET1 Capital	2,158,686	(2,064)	2,156,622
Tier 1 Capital	2,158,686	(2,064)	2,156,622
Total Capital	2,542,986	(2,064)	2,540,922
Risk Weighted Assets	13,767,970	43,292	13,811,262
CET1 Capital Ratio	15.679%	-0.064%	15.615%
Tier 1 Capital Ratio	15.679%	-0.064%	15.615%
Total Capital Ratio	18.470%	-0.073%	18.397%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

(iv) Reconciliation for the differences between operating lease commitments disclosed as at 31 March 2019 and lease liabilities as at the date of initial application of 1 April 2019 are as follows:

	Group RM'000	Bank RM'000
Operating lease commitments disclosed as at 31 March 2019	66,309	55,040
Less: Commitments relating to leases of low-value assets	(352)	(352)
	65,957	54,688
Effects from discounting at the incremental funding rate	(12,532)	(9,331)
Lease liabilities recognised as at 1 April 2019	53,425	45,357

2.5 Significant changes in regulatory requirements

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

(a) Financial Reporting for Islamic Banking Institutions

On 27 September 2019, BNM issued the revised policy document on Financial Reporting for Islamic Banking Institutions. With effect from 1 October 2019, the Bank shall classify a credit facility as credit-impaired:

(i) where the principal or profit or both of the credit facility is past due for more than ninety (90) days or three (3) months;
(ii) in the case of revolving credit facilities (e.g. cashline facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than ninety (90) days or three (3) months;
(iii) where the amount is past due or the outstanding amount has been in excess of the approved limit for ninety (90) days or three (3) months or less, and the credit facility exhibits weaknesses in accordance with the Islamic banking institution's credit risk measurement framework; or
(iv) as soon as a default occurs where the principal and/or profit payments are scheduled on intervals of three (3) months or longer.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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") as they are not yet effective for the Group and the Bank. The Group and the Bank intend to adopt these Standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Business Combinations-Definition of Business	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements-Definition of Material	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors-Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	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-mentioned Standards will have no material impact on the financial statements of the Group and of the Bank in the period of initial application.

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:

3.1 Going concern

The Management of the Group and the Bank has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.2 Impairment of financial investments portfolio (Notes 5 and 31)

The Group and the Bank review their debt instruments at FVOCI, and financial investments at amortised cost under MFRS 9 which requires the recognition of ECL at each reporting date to reflect change in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

In carrying out the impairment review, the following Management's judgements are required:

(i) Determination whether the investment is impaired based on certain indicators such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and

(ii) Determination of ECL that reflect:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) The time value of money; and
(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3.3 Impairment losses on financing of customers (Notes 7 and 30)

The Group and the Bank review individually its significant financing of customers at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, Management's judgement 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 judgements 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.

The Group's and the Bank's ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

(i) Criteria for assessing if there has been a significant increase in credit risk and the qualitative assessment;
(ii) The segmentation of financial assets when ECL is assessed on a collective basis;
(iii) Development of ECL models, including the various formulas and the choice of inputs;
(iv) Determination of associations between macroeconomic scenarios and economic inputs, such as, unemployment levels and collateral values, and the effect on PDs, LGDs, and EADs including macroeconomic factors as disclosed in note 46(a)(iii); and
(v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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 characteristic. 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 portfolios (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).

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.4 Fair value estimation of financial investments at FVTPL and FVOCI (Notes 5(i) and 5(ii)) 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, judgement is required where market observable data are not available. Such judgement 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 Taxation (Note 40)

Significant Management's judgement 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	
	Note	31 December 2019 RM'000	31 March 2019 RM'000
Cash and balances with banks and other financial institutions		**240,500**	221,739
Money at call and interbank placements maturing within one month		**771,173**	609,141
		1,011,673	830,880
Allowances for impairment loss	(i)	**(448)**	(309)
		1,011,225	830,571

4. (A) CASH AND SHORT-TERM FUNDS (CONT'D.)

(i) Analysis of changes in allowances for impairment losses on cash and short term funds are as follows:

Group and Bank	Stage 1 12-Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2019				
At 1 April 2019	**309**	**-**	**-**	**309**
Allowance made	**139**	**-**	**-**	**139**
At 31 December 2019	**448**	**-**	**-**	**448**
At 31 March 2019				
At 1 April 2018, as restated	-	-	-	-
Allowance made	377	-	-	377
Amount written back in respect of recoveries	(68)	-	-	(68)
At 31 March 2019	309	-	-	309

(B) CASH AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Licensed Islamic banks	**53,925**	11,937

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 December 2019 for the Group and the Bank was 3.4% per annum and 63 days respectively (31 March 2019: 3.7% per annum and 59 days).

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5. FINANCIAL INVESTMENTS

		Group		Bank	
	Note	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Financial investments at fair value through profit or loss	(i)	**308,793**	660,799	**308,793**	658,866
Financial investments at fair value through other comprehensive income	(ii)	**4,604,824**	4,936,032	**4,602,399**	4,933,767
Financial investments at amortised cost	(iii)	**103,162**	103,310	**103,162**	103,310
		5,016,779	5,700,141	**5,014,354**	5,695,943

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
(i) Financial investments at fair value through profit or loss				
Quoted securities in Malaysia:				
Quoted shares	**-**	1,933	**-**	-
Unquoted securities in Malaysia:				
Private equity funds	**169,109**	188,478	**169,109**	188,478
Malaysian government investment certificates	**-**	101,542	**-**	101,542
Bank Negara Malaysia Bills and Notes	**-**	234,750	**-**	234,750
Islamic private debt securities in Malaysia	**139,684**	134,096	**139,684**	134,096
	308,793	660,799	**308,793**	658,866

5. FINANCIAL INVESTMENTS (CONT'D.)

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
(ii) Financial investments at fair value through other comprehensive income				
Debt instruments:				
Government securities and treasury bills:				
Malaysian government investment certificates	**3,082,301**	2,912,118	**3,082,301**	2,912,118
Unquoted securities:				
Islamic private debt securities in Malaysia	**1,356,482**	1,850,169	**1,356,482**	1,850,169
Cagamas sukuk	**51,287**	55,948	**51,287**	55,948
Foreign Islamic private debt securities and sukuk	**8,252**	8,144	**8,252**	8,144
	1,416,021	1,914,261	**1,416,021**	1,914,261
Equity instruments:				
Quoted securities in Malaysia:				
Quoted shares	**98,196**	102,007	**98,196**	102,007
Unit trusts	**2,425**	2,265	**-**	-
	100,621	104,272	**98,196**	102,007
Unquoted securities:				
Shares in Malaysia	**5,881**	5,381	**5,881**	5,381
Total financial assets at fair value through other comprehensive income	**4,604,824**	4,936,032	**4,602,399**	4,933,767

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

5. FINANCIAL INVESTMENTS (CONT'D.)

(ii) Financial investments at fair value through other comprehensive income (cont'd.)

Movements in the allowances for impairment losses on debt instruments at fair value through other comprehensive income are as follows for the Group and the Bank:

Group and Bank	Stage 1 12-Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2019				
At 1 April 2019	**122**	**-**	**33,866**	**33,988**
Allowance made	**62**	**-**	**3,343**	**3,405**
Amount written back in respect of recoveries	**(66)**	**-**	**-**	**(66)**
Exchange differences	**1**	**-**	**42**	**43**
At 31 December 2019	**119**	**-**	**37,251**	**37,370**
At 31 March 2019				
At 1 April 2018	313	-	81,210	81,523
Allowance made	91	-	-	91
Amount written back in respect of recoveries	(285)	-	-	(285)
Amount written off	-	-	(48,107)	(48,107)
Exchange differences	3	-	763	766
At 31 March 2019	122	-	33,866	33,988

(iii) Financial investments at amortised cost

	Group and Bank 31 December 2019 RM'000	 31 March 2019 RM'000
At amortised cost		
Unquoted Islamic corporate sukuk in Malaysia	**144,309**	144,730
less: accumulated impairment losses	**(41,147)**	(41,420)
Total financial investments at amortised cost	**103,162**	103,310

5. FINANCIAL INVESTMENTS (CONT'D.)

(iii) Financial investments at amortised cost (cont'd.)

Movements in the allowances for impairment losses on financial investments at amortised cost are as follows for the Group and the Bank:

Group and Bank	Stage 1 12-Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2019				
At 1 April 2019	**1**	**41,419**	**-**	**41,420**
Amount written back in respect of recoveries	**(1)**	**(272)**	**-**	**(273)**
At 31 December 2019	**-**	**41,147**	**-**	**41,147**
At 31 March 2019				
At 1 April 2018	3	42,024	-	42,027
Amount written back in respect of recoveries	(2)	(605)	-	(607)
At 31 March 2019	1	41,419	-	41,420

Notes to the Financial Statements

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6. ISLAMIC DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

	31 December 2019			31 March 2019		
	Contract/ notional	Fair value		Contract/ notional	Fair value	
Group and Bank	**amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Foreign exchange contracts:						
- Currency forwards						
Less than one year	**1,294,988**	**2,784**	**(19,088)**	1,322,983	13,765	(7,963)
- Currency swaps						
Less than one year	**1,642,880**	**19,064**	**(4,299)**	1,858,525	8,835	(12,946)
- Currency spot						
Less than one year	**27,415**	**11**	**(66)**	363,985	2,253	(708)
	2,965,283	**21,859**	**(23,453)**	3,545,493	24,853	(21,617)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	**75,000**	**-**	**(916)**	950,000	-	(2,123)
Hedged IPRS	**1,200,000**	**-**	**(53,177)**	1,200,000	-	(24,422)
Total	**4,240,283**	**21,859**	**(77,546)**	5,695,493	24,853	(48,162)

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 December 2019			31 March 2019		
	Contract/ notional	Fair value		Contract/ notional	Fair value	
Group and Bank	amount RM'000	Assets RM'000	Liabilities RM'000	amount RM'000	Assets RM'000	Liabilities RM'000
IPRS	**1,200,000**	**-**	**(53,177)**	1,200,000	-	(24,422)

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 and investment securities.

For the nine-month period ended 31 December 2019, the Group and the Bank:

(i) recognised a net loss of RM28,755,380 (31 March 2019: net loss of RM22,110,559) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM31,261,694 (31 March 2019: net gain of RM33,297,224); and
(ii) There is no recorded gain from derecognition of fair value of hedged items attributable to hedged risk (31 March 2019: RM2,101,533) as a result of derecognition of the hedged items.

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7. FINANCING OF CUSTOMERS

(i) By type and Shariah concepts

Group 31 December 2019	Bai' Bithaman Ajil 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	Murabahah to the Purchase Orderer RM'000	Shirkah Mutanaqisah RM'000	Rahnu RM'000	Total financing RM'000
Cash line	-	-	4,164	300,779	-	-	-	-	-	-	-	304,943
Term financing:												
Home financing	1,688,503	-	-	2,807,669	-	-	9,996	-	-	-	-	4,506,168
Syndicated financing	-	-	-	553,402	-	-	-	-	-	-	-	553,402
Hire purchase receivables	88,602	408,059	-	-	-	-	-	-	80,025	-	-	576,686
Personal financing	62,283	-	155	3,357,488	-	-	-	-	-	-	-	3,419,926
Other term financing*	188,011	-	5	3,311,783	-	-	56,552	286	-	58,532	-	3,615,169
Trust receipts	-	-	-	-	37,021	39,252	-	-	-	-	-	76,273
Claims on customers under acceptance credits	-	-	-	-	131,139	905,152	-	-	-	-	-	1,036,291
Staff financing	37,700	-	-	60,831	-	-	-	114	-	-	-	98,645
Revolving credit	-	-	-	1,607,595	-	-	-	-	-	-	-	1,607,595
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	170,293	170,293
Total gross financing	2,065,099	408,059	4,324	11,999,547	168,160	944,404	66,548	400	80,025	58,532	170,293	15,965,391
Fair value changes arising from fair value hedge	-	-	-	47,689	-	-	-	-	-	-	-	47,689
	2,065,099	408,059	4,324	12,047,236	168,160	944,404	66,548	400	80,025	58,532	170,293	16,013,080
Less: Allowance for impaired financing												
At amortised cost												
- Stage 1 - 12 Months ECL	(930)	(623)	(76)	(45,410)	(150)	(840)	(148)	-	-	-	(3,165)	(51,342)
- Stage 2 - Lifetime ECL not credit impaired	(2,664)	(62)	(76)	(10,473)	-	(482)	(9)	-	-	-	-	(13,766)
- Stage 3 - Lifetime ECL credit impaired	(16,985)	(1,938)	(228)	(59,261)	-	(7,715)	(71)	-	-	-	(536)	(86,734)
Total net financing	2,044,520	405,436	3,944	11,932,092	168,010	935,367	66,320	400	80,025	58,532	166,592	15,861,238

* Included in other term financing is a financing at fair value through profit or loss amounting RM806,507,439 which mainly consists of hedged asset that are hedged against Islamic profit rate swap.

7. FINANCING OF CUSTOMERS (CONT'D.)

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

Group 31 March 2019	Bai' Bithaman Ajil 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	Kafalah RM'000	Shirkah Mutanaqisah RM'000	Rahnu RM'000	Total financing RM'000
Cash line	-	-	4,665	342,103	-	-	-	-	-	-	-	346,768
Term financing:												
Home financing	1,815,631	-	-	2,718,034	-	-	10,149	-	-	-	-	4,543,814
Syndicated financing	-	10,303	-	643,264	-	-	-	-	-	-	-	653,567
Hire purchase receivables	85,059	496,573	-	-	-	-	-	-	-	-	-	581,632
Personal financing	67,928	-	282	3,299,171	-	-	-	-	-	-	-	3,367,381
Other term financing*	212,416	-	19	3,032,451	-	-	73,068	362	434	51,054	-	3,369,804
Trust receipts	-	-	-	-	63,155	35,537	-	-	-	-	-	98,692
Claims on customers under acceptance credits	-	-	-	-	94,639	851,827	-	-	-	-	-	946,466
Staff financing	41,807	-	-	58,499	-	-	-	491	-	-	-	100,797
Revolving credit	-	-	-	1,329,468	-	-	-	-	-	-	-	1,329,468
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	126,747	126,747
Total gross financing	2,222,841	506,876	4,966	11,422,990	157,794	887,364	83,217	853	434	51,054	126,747	15,465,136
Fair value changes arising from fair value hedge	-	-	-	23,045	-	-	-	-	-	-	-	23,045
	2,222,841	506,876	4,966	11,446,035	157,794	887,364	83,217	853	434	51,054	126,747	15,488,181
Less: Allowance for impaired financing												
At amortised cost												
- Stage 1 - 12 Months ECL	(1,195)	(960)	(75)	(50,046)	(661)	(133)	(199)	-	-	-	(2,617)	(55,886)
- Stage 2 - Lifetime ECL not credit impaired	(3,115)	(128)	(136)	(3,858)	(209)	-	(2)	-	-	-	-	(7,448)
- Stage 3 - Lifetime ECL credit impaired	(17,474)	(2,873)	(305)	(64,254)	-	(5,956)	(66)	-	(220)	-	(2,804)	(93,952)
Total net financing	2,201,057	502,915	4,450	11,327,877	156,924	881,275	82,950	853	214	51,054	121,326	15,330,895

* Included in other term financing is a financing at fair value through profit or loss amounting RM774,461,089 which mainly consists of hedged asset that are hedged against Islamic profit rate swap.

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7. FINANCING OF CUSTOMERS (CONT'D.)

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

Bank 31 December 2019	Bai' Bithaman Ajil 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	Murabahah to the Purchase Orderer RM'000	Rahnu RM'000	Total financing RM'000
Cash line	-	-	4,164	300,779	-	-	-	-	-	-	304,943
Term financing:											
Home financing	1,688,503	-	-	2,807,669	-	-	9,996	-	-	-	4,506,168
Syndicated financing	-	-	-	553,402	-	-	-	-	-	-	553,402
Hire purchase receivables	88,602	408,059	-	-	-	-	-	-	80,025	-	576,686
Leasing receivables	-	-	-	-	-	-	-	-	-	-	-
Personal financing	62,283	-	155	3,357,488	-	-	-	-	-	-	3,419,926
Other term financing*	188,011	-	5	3,311,783	-	-	56,552	54,923	-	-	3,611,274
Trust receipts	-	-	-	-	37,021	39,252	-	-	-	-	76,273
Claims on customers under acceptance credits	-	-	-	-	131,139	905,152	-	-	-	-	1,036,291
Staff financing	37,700	-	-	60,831	-	-	-	114	-	-	98,645
Revolving credit	-	-	-	1,607,595	-	-	-	-	-	-	1,607,595
Ar-Rahnu	-	-	-	-	-	-	-	-	-	170,293	170,293
Total gross financing	2,065,099	408,059	4,324	11,999,547	168,160	944,404	66,548	55,037	80,025	170,293	15,961,496
Fair value changes arising from fair value hedge	-	-	-	47,689	-	-	-	-	-	-	47,689
	2,065,099	408,059	4,324	12,047,236	168,160	944,404	66,548	55,037	80,025	170,293	16,009,185
Less: Allowance for impaired financing											
At amortised cost											
- Stage 1 - 12 Months ECL	(930)	(623)	(76)	(45,410)	(150)	(840)	(148)	-	-	(3,165)	(51,342)
- Stage 2 - Lifetime ECL not credit impaired	(2,664)	(62)	(76)	(10,473)	-	(482)	(9)	-	-	-	(13,766)
- Stage 3 - Lifetime ECL credit impaired	(16,985)	(1,938)	(228)	(59,261)	-	(7,715)	(71)	-	-	(536)	(86,734)
Total net financing	2,044,520	405,436	3,944	11,932,092	168,010	935,367	66,320	55,037	80,025	166,592	15,857,343

* Included in other term financing is a financing at fair value through profit or loss amounting RM802,613,520 which mainly consists of hedged asset that are hedged against Islamic profit rate swap.

7. FINANCING OF CUSTOMERS (CONT'D.)

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

Bank 31 March 2019	Bai' Bithaman Ajil 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	Kafalah RM'000	Rahnu RM'000	Total financing RM'000
Cash line	-	-	4,665	342,103	-	-	-	-	-	-	304,943
Term financing:											
Home financing	1,815,631	-	-	2,718,034	-	-	10,149	-	-	-	4,543,814
Syndicated financing	-	10,303	-	643,264	-	-	-	-	-	-	653,567
Hire purchase receivables	85,059	496,573	-	-	-	-	-	-	-	-	581,632
Personal financing	67,928	-	282	3,299,171	-	-	-	-	-	-	3,367,381
Other term financing*	212,416	-	19	3,032,451	-	-	73,068	53,802	434	-	3,372,190
Trust receipts	-	-	-	-	63,155	35,537	-	-	-	-	98,692
Claims on customers under acceptance credits	-	-	-	-	94,639	851,827	-	-	-	-	946,466
Staff financing	41,807	-	-	58,499	-	-	-	491	-	-	100,797
Revolving credit	-	-	-	1,329,468	-	-	-	-	-	-	1,329,468
Ar-Rahnu	-	-	-	-	-	-	-	-	-	126,747	126,747
Total gross financing	2,222,841	506,876	4,966	11,422,990	157,794	887,364	83,217	54,293	434	126,747	15,467,522
Fair value changes arising from fair value hedge	-	-	-	23,045	-	-	-	-	-	-	23,045
	2,222,841	506,876	4,966	11,446,035	157,794	887,364	83,217	54,293	434	126,747	15,490,567
Less: Allowance for impaired financing											
At amortised cost											
- Stage 1 - 12 Months ECL	(1,195)	(960)	(75)	(50,046)	(661)	(133)	(199)	-	-	(2,617)	(55,886)
- Stage 2 - Lifetime ECL not credit impaired	(3,115)	(128)	(136)	(3,858)	(209)	-	(2)	-	-	-	(7,448)
- Stage 3 - Lifetime ECL credit impaired	(17,474)	(2,873)	(305)	(64,254)	-	(5,956)	(66)	-	(220)	(2,804)	(93,952)
Total net financing	2,201,057	502,915	4,450	11,327,877	156,924	881,275	82,950	54,293	214	121,326	15,333,281

* Included in other term financing is a financing at fair value through profit or loss amounting RM776,847,089 which mainly consists of hedged asset that are hedged against Islamic profit rate swap.

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7. FINANCING OF CUSTOMERS (CONT'D.)

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

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Uses of Qard fund:				
Staff financing	**114**	491	**114**	491
Other term financing	**286**	362	**54,923**	53,802
	400	853	**55,037**	54,293

(ii) By type of customer

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Domestic non-banking institutions	**510,337**	641,457	**510,337**	641,457
Domestic business enterprises				
- Small business enterprises	**329,959**	46,070	**329,959**	46,070
- Others	**3,936,293**	3,830,580	**3,932,398**	3,832,966
Government and statutory bodies	**959,703**	931,692	**959,703**	931,692
Individuals	**10,218,154**	9,991,495	**10,218,154**	9,991,495
Other domestic entities	**3,916**	5,228	**3,916**	5,228
Foreign entities	**7,029**	18,614	**7,029**	18,614
Gross financing	**15,965,391**	15,465,136	**15,961,496**	15,467,522

7. FINANCING OF CUSTOMERS (CONT'D.)

(iii) By profit rate sensitivity

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Fixed rate:				
Home financing	**265,103**	294,984	**265,103**	294,984
Hire purchase receivables	**576,686**	581,632	**576,686**	581,632
Others	**3,410,858**	3,305,713	**3,406,963**	3,308,099
Variable rate:				
Home financing	**4,283,076**	4,290,170	**4,283,076**	4,290,170
Others	**7,429,668**	6,992,637	**7,429,668**	6,992,637
Gross financing	**15,965,391**	15,465,136	**15,961,496**	15,467,522

(iv) By sector

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Agriculture	**95,810**	22,348	**95,810**	22,348
Mining and quarrying	**4,022**	4,954	**4,022**	4,954
Manufacturing	**759,403**	683,164	**759,403**	684,847
Electricity, gas and water	**111,836**	139,810	**111,836**	139,810
Construction	**406,526**	363,630	**406,526**	363,630
Household	**10,225,184**	10,000,044	**10,225,184**	10,000,044
Real estate	**1,232,208**	1,319,460	**1,232,208**	1,319,460
Wholesale, retail and restaurant	**1,010,609**	842,281	**1,010,609**	842,281
Transport, storage and communication	**64,564**	78,100	**64,564**	78,099
Finance, takaful and business services	**811,806**	752,865	**811,806**	752,865
Community, social and personal service	**283,721**	303,743	**279,826**	304,447
Government and statutory bodies	**959,702**	954,737	**959,702**	954,737
Gross financing	**15,965,391**	15,465,136	**15,961,496**	15,467,522

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(v) By residual contractual maturity

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Maturity				
- within one year	**4,459,918**	4,076,604	**4,459,918**	4,076,604
- more than one to five years	**5,215,272**	4,999,965	**5,215,272**	5,002,351
- more than five years	**6,290,201**	6,388,567	**6,286,306**	6,388,567
Gross financing	**15,965,391**	15,465,136	**15,961,496**	15,467,522

(vi) By geographical area

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Domestic	**15,965,391**	15,465,136	**15,961,496**	15,467,522
Gross financing	**15,965,391**	15,465,136	**15,961,496**	15,467,522

7. FINANCING OF CUSTOMERS (CONT'D.)

(vii) By economic purpose

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of securities	**1,093,091**	823,486	**1,093,091**	823,486
Purchase of transport vehicles	**565,744**	578,611	**565,744**	578,611
Purchase of landed properties of which:				
- residential	**4,468,859**	4,535,553	**4,468,859**	4,535,553
- non-residential	**340,507**	390,897	**340,507**	390,897
Purchase of fixed assets (excluding landed properties)	**68,433**	76,104	**68,433**	76,104
Personal use	**3,820,861**	3,789,338	**3,820,861**	3,789,338
Construction	**919,758**	932,843	**919,758**	932,843
Working capital	**4,358,825**	4,010,057	**4,354,930**	4,012,443
Other purposes	**329,313**	328,247	**329,313**	328,247
Gross financing	**15,965,391**	15,465,136	**15,961,496**	15,467,522

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 RM700 million (March 2019: RM700 million). The cumulative change in fair value of the financing attributable to changes in profit rate risks amount to a gain of RM47,689,468 (March 2019: loss of RM23,045,089) and the change for the current period is a gain of RM24,644,380 (March 2019: loss of RM26,767,470). The changes in fair value of the designated financing attributable to changes in profit risk have been calculated by determining the changes in profit spread implicit in the fair value of securities issued by entities with similar credit characteristics.

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7. FINANCING OF CUSTOMERS (CONT'D.)

(viii) Movements in the loss allowance for financing of customers

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2019				
At 1 April 2019	**55,886**	**7,448**	**93,952**	**157,286**
Transfer to Stage 1	**15,195**	**(9,961)**	**(5,234)**	**-**
Transfer to Stage 2	**(1,953)**	**48,707**	**(46,754)**	**-**
Transfer to Stage 3	**(628)**	**(5,550)**	**6,178**	**-**
Allowance (writeback)/made	**(29,312)**	**(26,565)**	**107,405**	**51,528**
New financing originated	**41,566**	**1,300**	**-**	**42,866**
Financing derecognised	**(29,415)**	**(1,613)**	**(10,773)**	**(41,801)**
Amount written-off/realised	**-**	**-**	**(58,040)**	**(58,040)**
Other movements	**3**	**-**	**-**	**3**
At 31 December 2019	**51,342**	**13,766**	**86,734**	**151,842**
At 31 March 2019				
At 1 April 2019	64,460	17,354	270,971	352,785
Transfer to Stage 1	101,019	(7,444)	(93,575)	-
Transfer to Stage 2	(2,300)	98,819	(96,519)	-
Transfer to Stage 3	(2,036)	(5,797)	7,833	-
Allowance (writeback)/made	(50,497)	(90,261)	184,755	43,997
New financing originated	29,381	3,001	-	32,382
Financing derecognised	(22,011)	(3,930)	(39,646)	(65,587)
Amount written-off/realised	(62,134)	(4,294)	(139,867)	(206,295)
Other movements	4	-	-	4
At 31 March 2019	55,886	7,448	93,952	157,286

8. IMPAIRED FINANCING

(i) Movements in the impaired financing

	Group RM'000	Bank RM'000
As at 31 December 2019		
At 1 April 2019	**221,216**	**221,216**
Classified as impaired during the year	**235,837**	**235,837**
Reclassified as performing during the year	**(123,108)**	**(123,108)**
Recovered during the year	**(63,943)**	**(63,943)**
Written off during the year	**(60,836)**	**(60,836)**
Gross impaired financing	**209,166**	**209,166**
Less: Stage 3 - Lifetime ECL credit impaired	**(86,734)**	**(86,734)**
Net impaired financing	**122,432**	**122,432**
Calculation ratio of impaired financing:		
Gross financing of customers	**15,965,391**	**15,961,496**
Less: Stage 3 - Lifetime ECL credit impaired	**(86,734)**	**(86,734)**
Net financing of customers	**15,878,657**	**15,874,762**
Ratio of gross impaired financing to total financing	**1.31%**	**1.31%**
Net impaired financing ratio	**0.77%**	**0.77%**
As at 31 March 2019		
At 1 April 2018:		
- as previously stated	285,416	290,349
- effect of adopting MFRS 9	108,084	103,151
At 1 April 2018, as restated	393,500	393,500
Classified as impaired during the year	476,380	476,380
Reclassified as performing during the year	(285,459)	(285,459)
Recovered during the year	(149,878)	(149,878)
Written off during the year	(213,327)	(213,327)
Gross impaired financing	221,216	221,216
Less: Stage 3 - Lifetime ECL credit impaired	(93,952)	(93,952)
Net impaired financing	127,264	127,264
Calculation ratio of impaired financing:		
Gross financing of customers	15,465,136	15,467,522
Less: Stage 3 - Lifetime ECL credit impaired	(93,952)	(93,952)
Net financing of customers	15,371,184	15,373,570
Ratio of gross impaired financing to total financing	1.43%	1.43%
Net impaired financing ratio	0.83%	0.83%

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

8. IMPAIRED FINANCING (CONT'D.)

(ii) Impaired financing by geographical area

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Domestic	**209,166**	221,216	**209,166**	221,216

(iii) Impaired financing by sector

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Manufacturing	**2,807**	362	**2,807**	362
Construction	**4,778**	6,820	**4,778**	6,820
Household	**163,559**	171,310	**163,559**	171,310
Real estate	**18,474**	19,186	**18,474**	19,186
Wholesale and retail and restaurant	**10,379**	11,754	**10,379**	11,754
Transport, storage and communication	**7,833**	7,915	**7,833**	7,915
Finance, takaful and business services	**966**	3,165	**966**	3,165
Community, social and personal service	**370**	704	**370**	704
	209,166	221,216	**209,166**	221,216

8. IMPAIRED FINANCING (CONT'D.)

(iv) Impaired financing by economic purpose

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of transport vehicles	**2,450**	4,232	**2,450**	4,232
Purchase of landed properties of which:				
- Residential	**110,152**	104,733	**110,152**	104,733
- Non-residential	**33,638**	30,037	**33,638**	30,037
Personal use	**33,885**	50,088	**33,885**	50,088
Working capital	**28,007**	31,154	**28,007**	31,154
Other purposes	**1,034**	972	**1,034**	972
	209,166	221,216	**209,166**	221,216

9. OTHER ASSETS

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Deposits	**7,129**	7,504	**7,030**	7,404
Prepayments	**6,265**	8,999	**6,177**	8,814
Tax prepayment	**-**	48,956	**-**	48,810
Foreclosed properties	**9,665**	-	**9,665**	-
Golf club membership	**600**	600	**600**	600
Other receivables	**11,476**	7,581	**11,476**	7,581
Other debtors	**9,713**	12,506	**9,010**	14,843
	44,848	86,146	**43,958**	88,052
Less: Accumulated impairment losses (Note 9(a))	**(3,178)**	(4,521)	**(3,178)**	(4,521)
	41,670	81,625	**40,780**	83,531

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9. OTHER ASSETS (CONT'D.)

(a) Movements in the accumulated impairment losses are as follows:

	Group and Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
At 1 April 2019/ 1 April 2018	**(4,521)**	-
Allowance writeback/(made)	**1,343**	(4,521)
At 31 December 2019 / 31 March 2019	**(3,178)**	(4,521)

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	
	31 December 2019 RM'000	31 March 2019 RM'000
Unquoted shares at cost - in Malaysia	**13,823**	13,823
Less: Accumulated impairment losses (Note 11(a))	**(664)**	(1,264)
	13,159	12,559

(a) Movements in the accumulated impairment losses are as follows:

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
At 1 April 2019/ 1 April 2018	**1,264**	2,264
Impairment writeback	**(600)**	(1,000)
At 31 December 2019 / 31 March 2019	**664**	1,264

11. INVESTMENT IN SUBSIDIARIES (CONT'D.)

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

Name	Principal activities	Percentage of equity held 31 December 2019 %	Percentage of equity held 31 March 2019 %	Paid up capital 31 December 2019 RM	Paid up capital 31 March 2019 RM
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	**100**	100	**13,000,000**	13,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	**100**	100	**100,002**	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	**100**	100	**2,500**	2,500
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	**100**	100	**2,500**	2,500

12. INVESTMENT PROPERTIES

Group and Bank	Freehold land RM'000	Building on freehold land RM'000	Investment properties under construction RM'000	Total RM'000
As at 31 December 2019				
As at 1 April 2019	**14,001**	**29,360**	**1,942**	**45,303**
Additions	**-**	**8,413**	**1,265**	**9,678**
Change in fair value recognised in profit or loss (Note 29)	**-**	**(1,918)**	**-**	**(1,918)**
As at 31 December 2019	**14,001**	**35,855**	**3,207**	**53,063**
As at 31 March 2019				
As at 1 April 2018	13,481	28,300	-	41,781
Additions	-	-	1,942	1,942
Change in fair value recognised in profit or loss (Note 29)	520	1,060	-	1,580
As at 31 March 2019	14,001	29,360	1,942	45,303

Notes to the Financial Statements

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12. INVESTMENT PROPERTIES (CONT'D.)

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 December 2019, the fair values of the properties are based on valuations performed by internal certified consultant together with Proharta Consultancy Sdn. Bhd., an accredited independent valuer. A valuation approach as guided by the Malaysian Valuation Standards as issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, has been applied. Fair value hierarchy disclosures for investment properties have been further disclosed in Note 47.

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 - 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 December 2019			
Cost			
As at 1 April 2019	245,825	692	246,517
Additions	8,355	15,729	24,084
Reclassification	14,012	(14,672)	(660)
As at 31 December 2019	268,192	1,749	269,941
Accumulated amortisation			
As at 1 April 2019	161,833	-	161,833
Charge for the period (Note 37)	25,570	-	25,570
As at 31 December 2019	187,403	-	187,403
Carrying amount as at 31 December 2019	80,789	1,749	82,538

13. INTANGIBLE ASSETS (CONT'D.)

Group	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2019			
Cost			
As at 1 April 2018	221,818	3,949	225,767
Additions	5,216	15,698	20,914
Write off	(164)	-	(164)
Reclassification	18,955	(18,955)	-
As at 31 March 2019	245,825	692	246,517
Accumulated amortisation			
As at 1 April 2018	131,698	-	131,698
Charge for the year (Note 37)	30,299	-	30,299
Write off	(164)	-	(164)
As at 31 March 2019	161,833	-	161,833
Carrying amount as at 31 March 2019	83,992	692	84,684

Bank	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 December 2019			
Cost			
As at 1 April 2019	**244,820**	**582**	**245,402**
Additions	**8,356**	**15,729**	**24,085**
Reclassification	**14,012**	**(14,672)**	**(660)**
As at 31 December 2019	**267,188**	**1,639**	**268,827**
Accumulated amortisation			
As at 1 April 2019	**160,842**	**-**	**160,842**
Charge for the period (Note 37)	**25,558**	**-**	**25,558**
As at 31 December 2019	**186,400**	**-**	**186,400**
Carrying amount as at 31 December 2019	**80,788**	**1,639**	**82,427**

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

13. INTANGIBLE ASSETS (CONT'D.)

Bank	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2019			
Cost			
As at 1 April 2018	220,813	3,949	224,762
Additions	5,216	15,588	20,804
Write off	(164)	-	(164)
Reclassification	18,955	(18,955)	-
As at 31 March 2019	244,820	582	245,402
Accumulated amortisation			
As at 1 April 2018	130,868	-	130,868
Charge for the year (Note 37)	30,138	-	30,138
Write off	(164)	-	(164)
As at 31 March 2019	160,842	-	160,842
Carrying amount as at 31 March 2019	83,978	582	84,560

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 December 2019					
Cost					
As at 1 April 2019	**19,209**	**19,389**	**259,402**	**560**	**298,560**
Additions	**-**	**-**	**5,966**	**2,055**	**8,021**
Write off	**-**	**-**	**(604)**	**(24)**	**(628)**
Disposals	**-**	**-**	**(460)**	**-**	**(460)**
Reclassification	**-**	**-**	**2,273**	**(2,591)**	**(318)**
As at 31 December 2019	**19,209**	**19,389**	**266,577**	**-**	**305,175**
Accumulated depreciation					
As at 1 April 2019	**1,132**	**7,005**	**232,062**	**-**	**240,199**
Charge for the period (Note 37)	**362**	**364**	**9,084**	**-**	**9,810**
Write off	**-**	**-**	**(602)**	**-**	**(602)**
Disposals	**-**	**-**	**(324)**	**-**	**(324)**
As at 31 December 2019	**1,494**	**7,369**	**240,220**	**-**	**249,083**
Carrying amount as at 31 December 2019	**17,715**	**12,020**	**26,357**	**-**	**56,092**
As at 31 March 2019					
Cost					
As at 1 April 2018	10,294	17,189	251,461	2,116	281,060
Additions	25	-	7,036	14,312	21,373
Write off	-	-	(1,842)	-	(1,842)
Disposals	-	-	(2,031)	-	(2,031)
Reclassification	8,890	2,200	4,778	(15,868)	-
As at 31 March 2019	19,209	19,389	259,402	560	298,560
Accumulated depreciation					
As at 1 April 2018	799	6,562	221,030	-	228,391
Charge for the year (Note 37)	333	443	14,788	-	15,564
Write off	-	-	(1,789)	-	(1,789)
Disposals	-	-	(1,967)	-	(1,967)
As at 31 March 2019	1,132	7,005	232,062	-	240,199
Carrying amount as at 31 March 2019	18,077	12,384	27,340	560	58,361

Notes to the Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 December 2019					
Cost					
As at 1 April 2019	**19,209**	**19,389**	**259,092**	**560**	**298,250**
Additions	**-**	**-**	**5,934**	**2,055**	**7,989**
Write off	**-**	**-**	**(604)**	**(24)**	**(628)**
Disposals	**-**	**-**	**(460)**	**-**	**(460)**
Reclassification	**-**	**-**	**2,273**	**(2,591)**	**(318)**
As at 31 December 2019	**19,209**	**19,389**	**266,235**	**-**	**304,833**
Accumulated depreciation					
As at 1 April 2019	**1,132**	**7,005**	**231,753**	**-**	**239,890**
Charge for the period (Note 37)	**362**	**364**	**9,079**	**-**	**9,805**
Write off	**-**	**-**	**(602)**	**-**	**(602)**
Disposals	**-**	**-**	**(324)**	**-**	**(324)**
As at 31 December 2019	**1,494**	**7,369**	**239,906**	**-**	**248,769**
Carrying amount as at 31 December 2019	**17,715**	**12,020**	**26,329**	**-**	**56,064**
As at 31 March 2019					
Cost					
As at 1 April 2018	10,294	17,189	251,151	2,116	280,750
Additions	25	-	7,036	14,312	21,373
Write off	-	-	(1,842)	-	(1,842)
Disposals	-	-	(2,031)	-	(2,031)
Reclassification	8,890	2,200	4,778	(15,868)	-
As at 31 December 2019	19,209	19,389	259,092	560	298,250
Accumulated depreciation					
As at 1 April 2018	799	6,562	220,728	-	228,089
Charge for the year (Note 37)	333	443	14,781	-	15,557
Write off	-	-	(1,789)	-	(1,789)
Disposals	-	-	(1,967)	-	(1,967)
As at 31 March 2019	1,132	7,005	231,753	-	239,890
Carrying amount as at 31 March 2019	18,077	12,384	27,339	560	58,360

15 LEASES

15.1 Prepaid land lease payments

	Group and Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
At beginning of the year	**223**	227
Effect of adopting MFRS 16	**(223)**	-
At 1 April 2019, as restated	**-**	227
Amortisation (Note 37)	**-**	(4)
At end of the year	**-**	223
Analysed as:		
Long term leasehold land	**-**	223

15.2 Group and the Bank as a lessee

The Group and the Bank have leases for leasehold land, building and office equipment. Lease contracts are typically made for fixed periods of one (1) to three (3) years, but may have extension options.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability.

Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term.

(a) Leases liabilities

	Profit rate (%)	Maturity	Group 31 December 2019 RM'000	Bank 31 December 2019 RM'000
Non-current	5.5	2021 - 2025	**41,211**	**32,877**
Current	5.5	2020	**10,448**	**10,946**
			51,659	**43,823**

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15 LEASES (CONT'D.)

15.2 Group and the Bank as a lessee (cont'd.)

(b) Lease payments not recognised as a liability

The Group and the Bank have elected not to recognise a lease liability for short term leases (leases with an expected term of twelve (12) months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to payments not included in the measurement of the lease liability during the financial period is as follows:

	RM'000
Expenses relating to leases of low-value assets (included in administrative expenses)	**520**

As at the reporting date, the Group and the Bank were committed to low-value assets and the total commitment was RM335,015.

(c) As at the reporting date, the Group's and the Bank's total future cash outflows for leases that had not yet commenced is nil.

15 LEASES (CONT'D.)

15.2 Group and the Bank as a lessee (cont'd.)

(d) Right-of-use assets

The net book values of right-of-use assets are recognised and the movements during the period are shown as follows:

	Leasehold Land RM'000	Building RM'000	Office Equipment RM'000	Total RM'000
Group				
Net book value at 1 April 2019	-	-	-	-
Effect of adoption of MFRS 16	223	41,912	8,519	50,654
Additions	-	762	-	762
Depreciation charge (Note 37)	(3)	(6,910)	(2,829)	(9,742)
Lease modification	-	6,565	55	6,620
Disposal	-	(173)	-	(173)
Exchange difference	-	1	-	1
Net book value at 31 December 2019	220	42,157	5,745	48,122
31 December 2019				
Cost	303	66,520	11,271	78,094
Accumulated depreciation	(83)	(24,363)	(5,526)	(29,972)
Accumulated impairment losses	-	-	-	-
Net book value	220	42,157	5,745	48,122
Bank				
Net book value at 1 April 2019	-	-	-	-
Effect of adoption of MFRS 16	223	34,774	8,519	43,516
Additions	-	762	-	762
Depreciation charge (Note 37)	(3)	(6,469)	(2,829)	(9,301)
Lease modification	-	6,606	55	6,661
Disposal	-	(173)	-	(173)
Exchange difference	-	1	-	1
Net book value at 31 December 2019	220	35,501	5,745	41,466
31 December 2019				
Cost	303	57,605	11,271	69,179
Accumulated depreciation	(83)	(22,104)	(5,526)	(27,713)
Accumulated impairment losses	-	-	-	-
Net book value	220	35,501	5,745	41,466

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

15 LEASES (CONT'D.)

15.3 Group and the Bank as a lessor

The Group and the Bank have entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one (1) and five (5) years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under commitments and non-cancellable operating leases at the reporting date are as follows:

	Group 31 December 2019 RM'000
Not later than 1 year	1,876
Later than 1 year but not later than 5 years	4,555
Later than 5 years	123
	6,554

	Bank 31 December 2019 RM'000
Not later than 1 year	1,922
Later than 1 year but not later than 5 years	4,512
Later than 5 years	123
	6,557

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
At beginning of the year, as previously stated	**17,677**	64,960	**17,742**	65,547
Effect of adopting MFRS 16	**726**	-	**493**	-
At beginning of the year, as restated	**18,403**	64,960	**18,235**	65,547
Recognised in the profit or loss (Note 40)	**1,287**	(38,525)	**1,171**	(39,047)
Recognised in other comprehensive income	**(6,156)**	(8,758)	**(6,156)**	(8,758)
At end of the year	**13,534**	17,677	**13,250**	17,742

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 statements of financial position as follows:

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Deferred tax assets, net	**13,534**	17,742	**13,250**	17,742
Deferred tax liabilities, net	**-**	(65)	**-**	-
	13,534	17,677	**13,250**	17,742

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

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Deferred tax assets	**25,827**	26,607	**25,543**	26,607
Deferred tax liabilities	**(12,293)**	(8,930)	**(12,293)**	(8,865)
	13,534	17,677	**13,250**	17,742

Notes to the Financial Statements

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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:

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2019, as previously stated	**11,121**	**508**	**-**	**5,303**	**9,353**	**322**	**26,607**
Effect of adopting MFRS 16	**-**	**-**	**726**	**-**	**-**	**-**	**726**
At 1 April 2019, restated	**11,121**	**508**	**726**	**5,303**	**9,353**	**322**	**27,333**
Recognised in profit or loss	**971**	**-**	**174**	**908**	**(3,088)**	**37**	**(998)**
Recognised in other comprehensive income	**-**	**(508)**	**-**	**-**	**-**	**-**	**(508)**
As at 31 December 2019	**12,092**	**-**	**900**	**6,211**	**6,265**	**359**	**25,827**

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2018	49,940	9,266	4,153	10,568	248	74,175
Recognised in profit or loss	(38,819)	-	1,150	(1,215)	74	(38,810)
Recognised in other comprehensive income	-	(8,758)	-	-	-	(8,758)
As at 31 March 2019	11,121	508	5,303	9,353	322	26,607

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: (cont'd.)

Deferred tax liabilities of the Group: (cont'd.)

	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2019	**-**	**(65)**	**(8,865)**	**(8,930)**
Recognised in profit or loss	**-**	**65**	**2,220**	**2,285**
Recognised in other comprehensive income	**(5,648)**	**-**	**-**	**(5,648)**
As at 31 December 2019	**(5,648)**	**-**	**(6,645)**	**(12,293)**

	Financial assets at FVTPL RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2018	(588)	(8,628)	(9,216)
Recognised in profit or loss	523	(237)	286
As at 31 March 2019	(65)	(8,865)	(8,930)

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

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: (cont'd.)

Deferred tax assets of the Bank:

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2019, as previously stated	**11,121**	**508**	**-**	**5,303**	**9,353**	**322**	**26,607**
Effect of adopting MFRS 16	**-**	**-**	**493**	**-**	**-**	**-**	**493**
At 1 April 2019, restated	**11,121**	**508**	**493**	**5,303**	**9,353**	**322**	**27,100**
Recognised in profit or loss	**971**	**-**	**123**	**908**	**(3,088)**	**37**	**(1,049)**
Recognised in other comprehensive income	**-**	**(508)**	**-**	**-**	**-**	**-**	**(508)**
As at 31 December 2019	**12,092**	**-**	**616**	**6,211**	**6,265**	**359**	**25,543**

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2018	49,940	9,266	4,153	10,568	248	74,175
Recognised in profit or loss	(38,819)	-	1,150	(1,215)	74	(38,810)
Recognised in other comprehensive income	-	(8,758)	-	-	-	(8,758)
As at 31 March 2019	11,121	508	5,303	9,353	322	26,607

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: (cont'd.)

Deferred tax liabilities of the Bank: (cont'd.)

	Financial Investments at FVOCI	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2019	**-**	**(8,865)**	**(8,865)**
Recognised in profit or loss	**-**	**2,220**	**2,220**
Recognised in other comprehensive income	**(5,648)**	**-**	**(5,648)**
At 31 December 2019	**(5,648)**	**(6,645)**	**(12,293)**
At 1 April 2018	-	(8,628)	(8,628)
Recognised in profit or loss	-	(237)	(237)
At 31 March 2019	-	(8,865)	(8,865)

17. DEPOSITS FROM CUSTOMERS

(i) By types of deposits

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Savings deposits				
Qard	**938,576**	1,039,081	**938,576**	1,039,081
Tawarruq	**521,960**	354,575	**521,960**	354,575
	1,460,536	1,393,656	**1,460,536**	1,393,656
Demand deposits				
Qard	**2,885,821**	3,104,620	**2,889,975**	3,111,107
Tawarruq	**1,549,520**	844,916	**1,549,520**	844,916
	4,435,341	3,949,536	**4,439,495**	3,956,023
Term deposits				
Negotiable Islamic debt certificate	**629,709**	908,842	**629,709**	908,842
General investment deposits	**63,701**	94,877	**63,701**	94,877
Short term accounts	**2,513,814**	2,199,402	**2,513,814**	2,199,402
Fixed term accounts tawarruq	**9,796,765**	10,564,188	**9,807,065**	10,581,488
	13,003,989	13,767,309	**13,014,289**	13,784,609
Other deposits	**40,686**	33,617	**40,686**	33,617
	18,940,552	19,144,118	**18,955,006**	19,167,905

Notes to the Financial Statements

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17. DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) By types of customer

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Government and statutory bodies	**4,083,378**	4,712,851	**4,083,378**	4,712,851
Business enterprises	**7,708,280**	7,330,308	**7,722,734**	7,354,095
Individuals	**2,158,738**	2,040,314	**2,158,738**	2,040,314
Domestic non-bank financial institutions	**3,143,472**	3,342,090	**3,143,472**	3,342,090
Domestic banking financial institutions	**434,885**	404,126	**434,885**	404,126
Others	**1,411,799**	1,314,429	**1,411,799**	1,314,429
	18,940,552	19,144,118	**18,955,006**	19,167,905

The maturity structure of term deposits are as follows:

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Due within six months	**11,454,317**	11,150,968	**11,464,617**	11,168,268
More than six months to one year	**1,497,843**	2,337,193	**1,497,843**	2,337,193
More than one year to three years	**51,612**	278,727	**51,612**	278,727
More than three year to five years	**217**	421	**217**	421
	13,003,989	13,767,309	**13,014,289**	13,784,609

18. INVESTMENT ACCOUNTS

(a) 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 RM20,000,000 (31 March 2019: RM20,944,000) 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	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Wakalah				
Maturity				
- within one year	**20,000**	20,444	**20,000**	20,944

(ii) By types of customer are as follows:

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Business enterprise	**-**	-	**-**	500
Individuals	**15,000**	18,043	**15,000**	18,043
Others	**5,000**	2,401	**5,000**	2,401
	20,000	20,444	**20,000**	20,944

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18. INVESTMENT ACCOUNTS (CONT'D.)

(a) Investment account of customers (cont'd.)

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

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Restricted investment accounts				
Term financing	**-**	444	**-**	944
Shirkah Mutanaqisah financing	**20,000**	20,000	**20,000**	20,000
Total investment	**20,000**	20,444	**20,000**	20,944

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

	Group and Bank 31 December 2019		Group and Bank 31 March 2019	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Investment account of customers	**76.9**	**6.2**	91.0	6.8

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Non-Mudharabah		
Bank Negara Malaysia	**6,303**	6,747

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	
	31 December 2019 RM'000	31 March 2019 RM'000
Sundry creditors	**1,325**	5,062
Allowances for impairment losses on financing commitments and financial guarantee contracts (Note 21(a))	**6,088**	6,898
Provision for bonus	**11,574**	23,211
Accrued expenses	**13,447**	14,905
Accrual for directors' fees	**-**	60
Accrual for audit fees	**1,234**	1,096
Other liabilities	**19,616**	27,218
	53,284	78,450

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Sundry creditors	**572**	1,134
Allowances for impairment losses on financing commitments and financial guarantee contracts (Note 21(a))	**6,088**	6,898
Provision for bonus	**11,350**	22,789
Accrued expenses	**13,556**	15,061
Accrual for directors' fees	**-**	60
Accrual for audit fees	**1,212**	1,075
Other liabilities	**19,538**	27,139
	52,316	74,156

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

21. OTHER LIABILITIES (CONT'D.)

(a) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows:

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2019				
At 1 April 2019	3,406	121	3,371	6,898
Transfer to Stage 1	180	(150)	(30)	-
Transfer to Stage 2	(51)	193	(142)	-
Transfer to Stage 3	(4)	(146)	150	-
Allowance made/(writeback)	(286)	105	182	1
New financial assets originated or purchased	495	-	-	495
Financing derecognised	(676)	(30)	(461)	(1,167)
Amount written-off/realised	-	-	(139)	(139)
At 31 December 2019	3,064	93	2,931	6,088

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 March 2019				
At 1 April 2019	4,172	2,815	4,760	11,747
Transfer to Stage 1	1,569	(1,089)	(480)	-
Transfer to Stage 2	(102)	812	(710)	-
Transfer to Stage 3	(6)	(111)	117	-
Allowance made	1,106	539	2,575	4,220
New financial assets originated or purchased	122	-	-	122
Financing derecognised	(2,573)	(2,845)	(1,676)	(7,094)
Amount written-off/realised	(896)	-	(1,216)	(2,112)
Other movements	14	-	1	15
At 31 March 2019	3,406	121	3,371	6,898

22. PROVISION FOR ZAKAT AND TAXATION

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Zakat	**4,182**	6,661	**4,108**	6,597
Taxation	**5,346**	9	**5,164**	-
	9,528	6,670	**9,272**	6,597

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 (15 June 2021), 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 (25 November 2021), whichever is earlier. The dividend is payable semi-anually in May and November each year.

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25. SHARE CAPITAL

	Number of shares		Amount	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Ordinary shares				
As at 31 December/31 March	**1,195,000**	1,195,000	**1,195,000**	1,195,000

26. RESERVES

		Group	
	Note	31 December 2019 RM'000	31 March 2019 RM'000
Regulatory reserve	(a)	**62,676**	63,585
Retained profits	(b)	**1,193,264**	1,094,765
Exchange fluctuation reserve	(c)	**(133)**	(417)
Fair value through other comprenhensive income	(d)	**18,008**	(1,514)
		1,273,815	1,156,419

		Bank	
	Note	31 December 2019 RM'000	31 March 2019 RM'000
Regulatory reserve	(a)	**62,676**	63,585
Retained profits	(b)	**1,186,740**	1,087,937
Exchange fluctuation reserve	(c)	**(133)**	(417)
Fair value through other comprenhensive income	(d)	**18,008**	(1,513)
		1,267,291	1,149,592

26. RESERVES (CONT'D.)

(a) 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.

(b) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 December 2019 under the single tier system.

(c) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Fair value through other comprehensive income

This represent the cumulative fair value changes, net of tax, of fair value through other comprehensive income financial assets until they are disposed or impaired.

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27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Income derived from investment of:				
(i) Fixed term accounts	**487,151**	686,214	**487,151**	686,214
(ii) Other deposits	**458,757**	562,564	**458,757**	562,564
	945,908	1,248,778	**945,908**	1,248,778

(i) Income derived from investment of fixed term deposits

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Finance income and hibah:				
Income from financing	**356,130**	496,668	**356,130**	496,668
Financial investments designated at FVTPL	**3,165**	4,566	**3,165**	4,566
Financial assets at fair value through other comprehensive income	**67,883**	128,127	**67,883**	128,127
Financial assets at amortised cost	**941**	1,556	**941**	1,556
Money at call and deposit with financial institutions	**11,639**	17,650	**11,639**	17,650
	439,758	648,567	**439,758**	648,567
Amortisation of premium, net	**(204)**	(1,896)	**(204)**	(1,896)
Total finance income and hibah	**439,554**	646,671	**439,554**	646,671

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

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

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Other operating income				
Net (loss)/gain from sale of:				
- financial investments designated at FVTPL	**(4)**	480	**(4)**	480
- debt instruments at fair value through other comprehensive income	**22,594**	9,379	**22,594**	9,379
Unrealised gain on revaluation from financial investments designated at FVTPL	**315**	423	**315**	423
	22,905	10,282	**22,905**	10,282
Fees and commission				
Guarantee fees	**642**	738	**642**	738
Safekeeping fees	**6,858**	7,704	**6,858**	7,704
Processing fees	**988**	1,885	**988**	1,885
Service charges and fees	**5,579**	6,233	**5,579**	6,233
Commission	**10,625**	12,701	**10,625**	12,701
	24,692	29,261	**24,692**	29,261
Total	**487,151**	686,214	**487,151**	686,214

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27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(ii) Income derived from investment of other deposits

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Finance income and hibah				
Income from financing	**335,371**	407,172	**335,371**	407,172
Financial investments designated at FVTPL	**2,981**	3,743	**2,981**	3,743
Financial assets at fair value through other comprehensive income	**63,926**	105,040	**63,926**	105,040
Financial assets at amortised cost	**886**	1,275	**886**	1,275
Money at call and deposit with financial institutions	**10,961**	14,470	**10,961**	14,470
	414,125	531,700	**414,125**	531,700
Amortisation of premium, net	**(192)**	(1,555)	**(192)**	(1,555)
Total finance income and hibah	**413,933**	530,145	**413,933**	530,145
Other operating income				
Net (loss)/gain from sale of:				
- financial investments designated at FVTPL	**(4)**	394	**(4)**	394
- debt instruments at fair value through other comprehensive income	**21,277**	7,689	**21,277**	7,689
Unrealised gain on revaluation from financial investments designated at FVTPL	**297**	347	**297**	347
	21,570	8,430	**21,570**	8,430
Fees and commission				
Guarantee fees	**605**	605	**605**	605
Safekeeping fees	**6,458**	6,316	**6,458**	6,316
Processing fees	**931**	1,545	**931**	1,545
Service charges and fees	**5,254**	5,110	**5,254**	5,110
Commission	**10,006**	10,413	**10,006**	10,413
	23,254	23,989	**23,254**	23,989
Total	**458,757**	562,564	**458,757**	562,564

28. INCOME DERIVED FROM INVESTMENT OF ACCOUNT FUNDS

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Finance income and hibah				
Investment of account funds	**4**	2	**4**	2
	4	2	**4**	2
Fees and commission				
Service charges and fees	**109**	509	**109**	509
Total	**113**	511	**113**	511

29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Finance income and hibah				
Financial assets at fair value through other comprehensive income	**7,920**	13,311	**7,920**	13,311
Money at call and deposit with financial institutions	**1,301**	1,676	**1,301**	1,676
Accretion of discounts, net	**90**	2,222	**90**	2,222
Total finance income and hibah	**9,311**	17,209	**9,311**	17,209
Other operating income				
Net gain on revaluation of foreign exchange transaction	**8,125**	8,322	**8,125**	8,322
Net (loss)/gain from foreign exchange derivatives	**(4,829)**	3,448	**(4,829)**	3,448
Net (loss)/gain from sale of financial investment designated at FVTPL	**(6)**	79	**-**	-
Unrealised (loss)/gain on revaluation from financial investments designated at FVTPL	**(4,294)**	36,535	**(4,149)**	37,788
Net gain from sale of debt instruments at fair value through other comprehensive income	**429**	385	**429**	385
Gross dividend income				
- unquoted shares in Malaysia	**59**	53	**-**	-
- subsidiary	**-**	-	**1,000**	-
Net dividend paid for Islamic profit rate swap	**(7,712)**	(7,146)	**(7,712)**	(7,146)
Unrealised loss on revaluation of Islamic profit rate swap	**(27,549)**	(21,604)	**(27,549)**	(21,604)
Unrealised gain on revaluation of hedged items	**31,262**	33,297	**31,262**	33,297
Gain from derecognition of fair value of hedged items	**-**	2,102	**-**	2,102
	(4,515)	55,471	**(3,423)**	56,592

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29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONT'D.)

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Fees and commission				
Corporate advisory fees	**2,275**	4,576	**906**	3,018
Service charges and fees	**3,413**	1,881	**175**	231
Commission	**1,987**	2,412	**1,987**	2,412
	7,675	8,869	**3,068**	5,661
Other income				
Rental income	**962**	1,103	**1,015**	1,223
Gain from sale of property, plant and equipment	**11**	70	**11**	70
Fair value adjustments of investment properties (Note 12)	**(1,918)**	1,580	**(1,918)**	1,580
	(945)	2,753	**(892)**	2,873
Total	**11,526**	84,302	**8,064**	82,335

30. ALLOWANCE FOR/(WRITEBACK OF) IMPAIRMENT ON FINANCING

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Allowance for/(writeback of) impairment losses on financing of customer:				
- individual allowance made	**7,431**	26,610	**7,431**	26,610
- individual allowance written back	**(6,253)**	(24,925)	**(6,253)**	(24,925)
- collective allowance made	**163,903**	234,040	**163,903**	234,040
- collective allowance written back	**(113,157)**	(226,549)	**(113,157)**	(226,549)
Impaired financing written off	**2,687**	2,592	**2,687**	2,592
Impaired financing recovered	**(33,024)**	(18,123)	**(33,024)**	(23,045)
	21,587	(6,355)	**21,587**	(11,277)

31. ALLOWANCE FOR/(WRITEBACK OF) IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Impairment writeback on investment in subsidiary	**-**	-	**(600)**	(1,000)
Allowance for/(writeback of) impairment losses on debt instruments at FVOCI	**3,339**	(194)	**3,339**	(194)
Writeback of impairment losses on debt instruments at amortised cost	**(273)**	(607)	**(273)**	(607)
	3,066	(801)	**2,466**	(1,801)

32. (WRITEBACK OF)/ALLOWANCE FOR IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS, NET

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Cash and short term funds				
- ECL , net	**139**	309	**139**	309
Other assets	**(1,343)**	4,521	**(1,343)**	4,521
	(1,204)	4,830	**(1,204)**	4,830

33. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Deposits from customers				
- Mudharabah funds	**985**	1,578	**985**	1,578
- Non-Mudharabah funds	**405,298**	604,250	**405,543**	604,698
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah funds	**1,549**	7,408	**1,549**	7,408
	407,832	613,236	**408,077**	613,684

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34. PERSONNEL EXPENSES

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Salary and wages	**112,393**	137,364	**111,181**	136,071
Contribution to defined contribution plan	**21,226**	26,313	**21,036**	26,118
Social security contributions	**1,208**	1,552	**1,194**	1,538
Allowances and bonuses	**21,630**	21,551	**21,470**	21,162
Mutual Separation Scheme	**663**	475	**663**	475
Others	**21,168**	27,321	**21,053**	27,250
	178,288	214,576	**176,597**	212,614

35. CEO, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
(a) Executive Director/ Chief Executive Officer				
Salaries and wages	**1,652**	2,277	**1,260**	1,701
Bonus	**1,244**	1,364	**1,134**	1,313
Other emoluments	**2,014**	634	**1,929**	543
Benefits-in-kind	**76**	64	**68**	64
	4,986	4,339	**4,391**	3,621
(b) Non-Executive Directors				
Fees	**877**	1,175	**847**	1,135
Benefits-in-kind	**26**	49	**26**	49
Other emoluments	**835**	724	**827**	714
	1,738	1,948	**1,700**	1,898
(c) Shariah Committee members				
Allowance	**324**	316	**324**	316
Total	**7,048**	6,603	**6,416**	5,835
Total (excluding benefits-in-kind)	**6,946**	6,490	**6,322**	5,722

35. CEO, 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 31 December 2019	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 35(a):						
Chief Executive Officer:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,042	-	1,134	1,892	67	4,135
Khairul Kamarudin	218	-	-	37	1	256
Chief Executive Officer of the subsidiaries:						
Norahmadi Sulong	392	-	110	85	8	595
	1,652	-	1,244	2,014	76	4,986
Note 35(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	180	-	46	26	252
Dato' Haji Mohd Izani Ghani*	-	50	-	48	-	98
Dato' Sri Che Khalib Mohamad Noh	-	90	-	68	-	158
Iwan Rashman Gulamoydeen*	-	40	-	32	-	72
Dato Hj Khamil Khalid Ariff	-	90	-	116	-	206
Dr Azura Othman	-	90	-	148	-	238
Ghazali Hj Darman	-	90	-	139	-	229
Dato' Hj Che Pee Samsudin	-	90	-	94	-	184
Dato' Ibrahim Taib	-	90	-	104	-	194
Khairuddin Hj. Arshad	-	37	-	32	-	69
Director - subsidiaries:						
Fakihah Azahari	-	15	-	4	-	19
Dato' Adnan Alias	-	15	-	4	-	19
	-	877	-	835	26	1,738
Total Directors' remuneration	1,652	877	1,244	2,849	102	6,724

* Director's fee payable to Khazanah Nasional Berhad.

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35. CEO, 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 **31 December 2019**	**Salary** **RM'000**	**Fees** **RM'000**	**Bonus** **RM'000**	**Other emoluments** **RM'000**	**Benefits-in-kind** **RM'000**	**Total** **RM'000**
Note 35(c) :						
Shariah Committee:						
En Azizi Che Seman	**-**	**45**	**-**	**19**	**1**	**65**
Dr Mohamad Sabri Haron	**-**	**41**	**-**	**11**	**1**	**53**
Engku Ahmad Fadzil Engku Ali	**-**	**41**	**-**	**11**	**1**	**53**
Dr Wan Marhaini Wan Ahmad	**-**	**41**	**-**	**10**	**1**	**52**
Mohd Shahid Mohd Noh	**-**	**41**	**-**	**10**	**1**	**52**
Yusri Mohamad	**-**	**41**	**-**	**10**	**1**	**51**
	-	**248**	**-**	**71**	**6**	**324**

Group **31 March 2019**	**Salary** **RM'000**	**Fees** **RM'000**	**Bonus** **RM'000**	**Other emoluments** **RM'000**	**Benefits-in-kind** **RM'000**	**Total** **RM'000**
Note 35(a):						
Chief Executive Officer						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,701	-	1,313	543	64	3,621
Chief Executive Officer of the subsidiaries:						
Norahmadi Sulong	377	-	-	64	-	441
Mohd Faruk bin Abdul Karim	199	-	51	27	-	277
	2,277	-	1,364	634	64	4,339

35. CEO, 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 31 March 2019	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 35(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	234	-	38	49	321
Tengku Dato' Seri Hasmuddin Tengku Othman	-	6	-	2	-	8
Dato' Haji Mohd Izani Ghani*	-	120	-	66	-	186
Dato' Azmi Abdullah	-	55	-	36	-	91
Dato' Haji Kamil Khalid Ariff	-	120	-	108	-	228
Dato' Sri Che Khalib Mohamad Noh	-	120	-	50	-	170
Dr Azura Othman	-	120	-	123	-	243
Ghazali Hj Darman	-	120	-	125	-	245
Dato' Hj Che Pee Samsudin	-	120	-	76	-	196
Dato' Ibrahim Taib	-	120	-	90	-	210
Director - subsidiaries:						
Fakihah Azahari	-	20	-	5	-	25
Dato' Adnan Alias	-	20	-	5	-	25
	-	1,175	-	724	49	1,948
Total Directors' remuneration	2,277	1,175	1,364	1,358	113	6,287

* Director's fee payable to Khazanah Nasional Berhad.

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35. CEO, 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 31 March 2019	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 35(c):						
Shariah Committee:						
En Azizi Che Seman	-	55	-	19	1	75
Dr Mohamad Sabri Haron	-	49	-	9	1	59
Engku Ahmad Fadzil Engku Ali	-	49	-	10	1	60
Dr Ab Halim Muhammad	-	49	-	8	1	58
Dr Wan Marhaini Wan Ahmad	-	49	-	8	1	58
Mohd Shahid Mohd Noh	-	5	-	1	-	6
	-	256	-	55	5	316

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

	Remuneration received from the Bank					
Bank 31 December 2019	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 35(a):						
Chief Executive Officer						
Dato' Haji Mohd Redza Shah Abdul Wahid	**1,042**	**-**	**1,134**	**1,892**	**67**	**4,135**
Khairul Kamarudin	**218**	**-**	**-**	**37**	**1**	**256**
	1,260	**-**	**1,134**	**1,929**	**68**	**4,391**

35. CEO, 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 31 December 2019	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 35(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	180	-	46	26	252
Dato' Haji Mohd Izani Ghani*	-	50	-	48	-	98
Dato' Sri Che Khalib Mohamad Noh	-	90	-	68	-	158
Iwan Rashman Gulamoydeen*	-	40	-	32	-	72
Dato Hj Khamil Khalid Ariff	-	90	-	116	-	206
Dr Azura Othman	-	90	-	148	-	238
Ghazali Hj Darman	-	90	-	139	-	229
Dato' Hj Che Pee Samsudin	-	90	-	94	-	184
Dato' Ibrahim Taib	-	90	-	104	-	194
Khairuddin Hj. Arshad	-	37	-	32	-	69
	-	847	-	827	26	1,700
Total Directors' remuneration	1,260	847	1,134	2,757	93	6,092

* Director's fee payable to Khazanah Nasional Berhad.

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35. CEO, 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 31 December 2019	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 35(c):						
Shariah Committee:						
En Azizi Che Seman	-	45	-	19	1	65
Dr Mohamad Sabri Haron	-	41	-	11	1	53
Engku Ahmad Fadzil Engku Ali	-	41	-	11	1	53
Dr Wan Marhaini Wan Ahmad	-	41	-	10	1	52
Mohd Shahid Mohd Noh	-	41	-	10	1	52
Yusri Mohamad	-	41	-	10	1	51
	-	248	-	71	6	324

	Remuneration received from the Bank					
Bank 31 March 2019	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 35(a):						
Chief Executive Officer						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,701	-	1,313	543	64	3,621
	1,701	-	1,313	543	64	3,621

35. CEO, 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 31 March 2019	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 35(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	234	-	38	49	321
Tengku Dato' Seri Hasmuddin Tengku Othman	-	6	-	2	-	8
Dato' Haji Mohd Izani Ghani*	-	120	-	66	-	186
Dato' Azmi Abdullah	-	55	-	36	-	91
Dato' Hj Kamil Khalid Ariff	-	120	-	108	-	228
Dato' Sri Che Khalib Mohamad Noh	-	120	-	50	-	170
Dr Azura Othman	-	120	-	123	-	243
Ghazali Hj Darman	-	120	-	125	-	245
Dato' Hj Che Pee Samsudin	-	120	-	76	-	196
Dato' Ibrahim Taib	-	120	-	90	-	210
	-	1,135	-	714	49	1,898
Total Directors' remuneration	1,701	1,135	1,313	1,257	113	5,519

* Director's fee payable to Khazanah Nasional Berhad.

Note 35(c):						
Shariah Committee:						
En Azizi Che Seman	-	55	-	19	1	75
Dr Mohamad Sabri Haron	-	49	-	9	1	59
Engku Ahmad Fadzil Engku Ali	-	49	-	10	1	60
Dr Ab Halim Muhammad	-	49	-	8	1	58
Dr Wan Marhaini Wan Ahmad	-	49	-	8	1	58
Mohd Shahid Mohd Noh	-	5	-	1	-	6
	-	256	-	55	5	316

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36. KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of Chief Executive Officer's and other key members of management during the financial year was as follows:

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Short-term employees benefits	**13,403**	11,426
Included in the total key management personnel are:		
Chief Executive Officer's remuneration (Note 35(a))	**4,986**	4,339

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Short-term employees benefits (salary, bonus, allowances)	**12,809**	10,708
Included in the total key management personnel are:		
Chief Executive Officer's remuneration (Note 35(a))	**4,391**	3,621

37. OTHER OVERHEADS AND EXPENDITURES

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Marketing				
Advertisement and publicity	**9,236**	9,724	**9,236**	9,724
Donation and sponsorship	**4,262**	4,454	**4,262**	4,454
Others	**1,783**	1,969	**1,770**	1,955
	15,281	16,147	**15,268**	16,133

37. OTHER OVERHEADS AND EXPENDITURES (CONT'D.)

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Establishment				
Rental	**520**	13,136	**520**	12,530
Depreciation of right-of-use assets (Note 15)	**9,742**	-	**9,301**	-
Depreciation of property, plant and equipment (Note 14)	**9,810**	15,564	**9,805**	15,557
Amortisation of intangible assets (Note 13)	**25,570**	30,299	**25,558**	30,138
Amortisation of prepaid land lease payments (Note 15)	**-**	4	**-**	4
Information technology expenses	**35,923**	50,521	**35,812**	50,521
Repair and maintenance	**3,249**	3,409	**2,987**	3,045
Hire of equipment	**2,679**	3,857	**2,500**	3,487
Takaful	**5,711**	8,584	**5,711**	8,584
Utilities expenses	**3,944**	5,112	**3,922**	5,087
Security expenses	**7,696**	9,884	**7,696**	9,884
Others	**3,095**	4,723	**3,095**	4,723
	107,939	145,093	**106,907**	143,560
General expenses				
Auditors' fees				
- statutory audit				
- current year	**457**	437	**434**	414
- regulatory related services	**228**	278	**210**	260
- others	**337**	768	**327**	757
Professional fees	**2,297**	3,412	**2,139**	3,187
Legal expenses	**1,396**	2,675	**1,396**	2,675
Telephone	**1,615**	2,244	**1,611**	2,239
Stationery and printing	**1,382**	2,068	**1,369**	2,050
Postage and courier	**1,227**	1,578	**1,227**	1,578
Travelling	**1,570**	2,099	**1,566**	2,092
Directors remuneration and Shariah Committee allowance (Note 35)	**7,048**	6,603	**6,416**	5,835
Property, plant and equipment written off (Note 14)	**26**	53	**26**	53
Others	**9,390**	8,576	**11,187**	10,732
	26,973	30,791	**27,908**	31,872
	150,193	192,031	**150,083**	191,565

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38. FINANCE COSTS

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Dividend paid on subordinated sukuk	**10,955**	14,420	**10,955**	14,420
Dividend paid on senior sukuk	**20,746**	27,417	**20,746**	27,417
Financing sold to Cagamas	**16,237**	22,326	**16,237**	22,326
Lease charges	**2,205**	-	**1,880**	-
	50,143	64,163	**49,818**	64,163

39. ZAKAT

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Provision of zakat for the year	**3,770**	6,255	**3,706**	6,195
	3,770	6,255	**3,706**	6,195

40. TAXATION

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Current income tax	**39,432**	16,716	**38,790**	16,250
(Over)/under provision in prior years	**(408)**	198	**(404)**	(44)
	39,024	16,914	**38,386**	16,206
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	**(1,358)**	38,297	**(1,242)**	38,819
Under provision in prior years	**71**	228	**71**	228
	(1,287)	38,525	**(1,171)**	39,047
	37,737	55,439	**37,215**	55,253

40. TAXATION (CONT'D.)

Domestic current income tax is calculated at the statutory tax rate of 24% (March 2019: 24%) of the estimated assessable profit for the period/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	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Profit before taxation	**140,313**	241,188	**139,332**	247,123
Taxation at Malaysian statutory tax rate 24% (March 2019: 24%)	**33,675**	57,885	**33,440**	59,310
Income not subject to tax	**(473)**	(728)	**(480)**	(493)
Income from business operation of different tax rate	**-**	(7,541)	**-**	(7,541)
Expenses/item not deductible for tax purposes	**4,872**	5,397	**4,588**	3,793
(Over)/under provision of income tax in prior years	**(408)**	198	**(404)**	(44)
Under provision of deferred tax in prior years	**71**	228	**71**	228
Income tax expense for the period/year	**37,737**	55,439	**37,215**	55,253

41. EARNINGS PER SHARE

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Basic and diluted		
Profit attributable to ordinary equity holders of the Bank (RM'000)	**98,806**	179,494
Weighted average number of ordinary shares in issue ('000)	**1,195,000**	1,195,000
Basic and diluted earnings per share (sen)	**11.02**	15.02

42. DIVIDENDS

The directors did not declare any final dividend for the nine-month financial period ended 31 December 2019.

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43. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Bank have related party relationships with its substantial shareholders, subsidiaries and key management personnel. The Group's and the Bank's significant transactions and balances with related parties are as follows:

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Holding company				
Expenditure				
- hibah on deposit	**1,344**	6,931	**1,344**	6,931
Amounts due to				
- deposits	**208,729**	147,624	**208,729**	147,624
Subsidiaries				
Income				
- rental income	**-**	-	**156**	272
- management fee	**-**	-	**543**	612
- arrangement fee	**-**	-	**320**	260
Expenditure				
- fund management fee	**-**	-	**1,648**	2,176
- profit sharing incentive	**-**	-	**184**	107
- hibah on deposit	**-**	-	**245**	448
Amounts due from				
- financing	**-**	-	**62,972**	58,373
Amounts due to				
- management fee / profit sharing	**-**	-	**12**	365
- deposits	**-**	-	**14,452**	23,787

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Key management personnel				
Amounts due from				
- financing	**1,669**	2,010	**1,518**	1,713
Related companies*				
Income				
- profit on financing	**15,399**	9,848	**15,399**	9,848
Expenditure				
- hibah on deposit	**4,373**	10,151	**4,373**	10,151
- seconded staff salary and related expenses	**848**	1,361	**848**	1,361
- mailing and courier service	**259**	430	**259**	430
- rental (offsite ATM and branch)	**175**	235	**175**	235
- purchase of fixed assets	**20**	224	**20**	224
- sponsorship	**397**	48	**397**	48
- others	**61**	522	**61**	522
Amounts due to				
- deposits	**350,244**	334,347	**350,244**	334,347
Amounts due from				
- financing	**496,746**	119,163	**496,746**	119,163
Other related companies**				
Expenditure				
- takaful expenses	**755**	1,771	**755**	1,771
- staff travelling expenses	**371**	517	**371**	517
- rental (offsite ATM and branch)	**597**	769	**597**	769
- sponsorship	**11**	-	**11**	-
- others	**544**	163	**544**	163
Amounts due to				
- deposits	**639,341**	405,673	**639,341**	405,673
Amounts due from				
- financing	**1,108,631**	1,101,828	**1,108,631**	1,101,828

* 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.

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44. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Outstanding credit exposures with connected parties	**1,613,373**	1,463,503
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**6.7%**	5.9%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**-**	-

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Outstanding credit exposures with connected parties	**1,668,011**	1,514,141
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**7.0%**	6.1%
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 connected parties are not less than that normally required of other persons.

45. 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. 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					
	31 December 2019			31 March 2019		
	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 contingencies constitute the following:						
Contingent liabilities						
Direct credit substitutes	**231,450**	**231,450**	**205,352**	203,424	203,424	169,198
Trade-related contingencies	**38,679**	**7,736**	**1,494**	83,279	16,656	7,763
Transaction related contingencies	**428,543**	**214,272**	**201,091**	425,159	212,580	199,194
Commitments						
Credit extension commitment:						
- Maturity within one (1) year	**879,658**	**175,932**	**171,477**	624,707	124,941	123,594
- Maturity exceeding one (1) year	**777,881**	**388,941**	**373,034**	779,205	389,603	350,760
Islamic derivative financial instruments						
Foreign exchange related contracts	**2,965,283**	**58,660**	**28,638**	3,545,493	63,942	39,235
Profit rate related contract	**1,275,000**	**71,188**	**14,238**	2,150,000	85,938	17,188
	6,596,494	**1,148,179**	**995,324**	7,811,267	1,097,084	906,932

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The integrated risk management system enables the Group and the 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 the Bank towards value protection and creation.

Generally, the objectives of the Group's and the 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 the 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.

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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Risk governance (cont'd.)

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 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.

Notes to the Financial Statements

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46. 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's 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 to 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.

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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration

The following tables present 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 presented analysis of credit risk concentration relates to financial assets, including derivatives with positive fair values, and commitments and contingencies, subject to credit risk and are based on the sector in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account of any collateral held or other credit enhancements.

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46. 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 31 December 2019	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	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	735,234	4,604,824
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	453,074	15,861,238
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	41,670	41,670
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,229,978	22,575,464
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Islamic derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,243,833	29,171,958

46. 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 31 March 2019	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	-	830,571	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	11,937	-	-	-	-	-	11,937
Financial investments at fair value through profit and loss	336,292	188,478	1,231	-	702	-	134,096	660,799
Financial investments at fair value through other comprehensive income	3,219,953	253,493	465,447	117,246	-	-	879,893	4,936,032
Financial assets at amortised cost	-	-	103,310	-	-	-	-	103,310
Islamic derivative financial assets	-	24,853	-	-	-	-	-	24,853
Financing of customers	977,260	157,529	2,409,672	1,400,791	-	9,872,140	513,503	15,330,895
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	699,275
Other assets	-	-	-	-	-	-	81,625	81,625
	5,232,780	1,466,861	2,979,660	1,518,037	702	9,872,140	1,609,117	22,679,297
Commitments and contingencies								
Contingent liabilities	44,441	93,147	132,596	341,636	23,453	6,541	70,048	711,862
Commitments	219	445,509	463,118	212,101	3,529	50,203	229,233	1,403,912
Islamic derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	44,660	6,234,149	595,714	553,737	26,982	56,744	299,281	7,811,267
Total credit exposures	5,277,440	7,701,010	3,575,374	2,071,774	27,684	9,928,884	1,908,398	30,490,564

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46. 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 31 December 2019	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	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	732,809	4,602,399
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	449,179	15,857,343
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	40,780	40,780
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,222,768	22,568,254
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,236,623	29,164,748

46. 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 31 March 2019	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	-	830,571	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	11,937	-	-	-	-	-	11,937
Financial investments at fair value through profit and loss	336,292	188,478	-	-	-	-	134,096	658,866
Financial investments at fair value through other comprehensive income	3,219,953	253,493	465,447	117,246	-	-	877,628	4,933,767
Financial assets at amortised cost	-	-	103,310	-	-	-	-	103,310
Islamic derivative financial assets	-	24,853	-	-	-	-	-	24,853
Financing of customers	977,260	157,529	2,411,355	1,400,791	-	9,872,140	514,206	15,333,281
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	699,275
Other assets	-	-	-	-	-	-	83,531	83,531
	5,232,780	1,466,861	2,980,112	1,518,037	-	9,872,140	1,609,461	22,679,391
Commitments and contingencies								
Contingent liabilities	44,441	93,147	132,596	341,636	23,453	6,541	70,048	711,862
Commitments	219	445,509	463,118	212,101	3,529	50,203	229,233	1,403,912
Derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	44,660	6,234,149	595,714	553,737	26,982	56,744	299,281	7,811,267
Total credit exposures	5,277,440	7,701,010	3,575,826	2,071,774	26,982	9,928,884	1,908,742	30,490,658

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46. 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
31 December 2019				
On Balance Sheet Exposures				
Cash and short-term funds	970,240	40,985	970,240	40,985
Cash and placements with financial institutions	53,925	-	53,925	-
Financial investments designated at fair value through profit and loss	139,684	169,109	139,684	169,109
Financial investments at fair value through other comprehensive income	4,596,572	8,252	4,594,147	8,252
Financial investments amortised cost	103,162	-	103,162	-
Islamic derivative financial assets	21,859	-	21,859	-
Financing of customers	15,861,238	-	15,857,343	-
Statutory deposits with Bank Negara Malaysia	568,768	-	568,768	-
Other assets	41,667	3	40,777	3
	22,357,115	218,349	22,349,905	218,349
Commitments and contingencies				
Contingent liabilities	698,672	-	698,672	-
Commitments	1,657,539	-	1,657,539	-
Islamic derivative financial instruments	4,240,283	-	4,240,283	-
	6,596,494	-	6,596,494	-
Total credit exposures	28,953,609	218,349	28,946,399	218,349

46. 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
31 March 2019				
On Balance Sheet Exposures				
Cash and short-term funds	795,794	34,777	795,794	34,777
Cash and placements with financial institutions	11,937	-	11,937	-
Financial investments designated at fair value through profit and loss	472,321	188,478	470,388	188,478
Financial investments at fair value through other comprehensive income	4,927,888	8,144	4,925,623	8,144
Financial investments amortised cost	103,310	-	103,310	-
Islamic derivative financial assets	24,853	-	24,853	-
Financing of customers	15,330,895	-	15,333,281	-
Statutory deposits with Bank Negara Malaysia	699,275	-	699,275	-
Other assets	81,622	3	83,528	3
	22,447,895	231,402	22,447,989	231,402
Commitments and contingencies				
Contingent liabilities	711,862	-	711,862	-
Commitments	1,403,912	-	1,403,912	-
Islamic derivative financial instruments	5,695,493	-	5,695,493	-
	7,811,267	-	7,811,267	-
Total credit exposures	30,259,162	231,402	30,259,256	231,402

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for 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 December 2019	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	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Other term financing	6,933,844	37,520	46,147	65,275	7,082,786
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,320,100	265,775	218,039	209,166	16,013,080
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(51,342)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(13,766)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,320,100	265,775	218,039	122,432	15,861,238

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for 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:

Group 31 March 2019	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	4,055,671	241,430	140,918	105,797	4,543,816
- Syndicated financing	653,567	-	-	-	653,567
- Hire purchase receivables	552,016	13,805	11,580	4,232	581,633
- Other term financing	6,601,041	51,929	37,655	69,655	6,760,280
Other financing	2,889,737	14,060	3,556	41,532	2,948,885
	14,752,032	321,224	193,709	221,216	15,488,181
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(55,886)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(7,448)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(93,952)	(93,952)
Total net financing	14,752,032	321,224	193,709	127,264	15,330,895

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31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

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

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

Bank 31 December 2019	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	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Other term financing	6,929,949	37,520	46,147	65,275	7,078,891
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,316,205	265,775	218,039	209,166	16,009,185
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(51,342)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(13,766)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,316,205	265,775	218,039	122,432	15,857,343

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

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

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

Bank 31 March 2019	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	4,055,671	241,430	140,918	105,797	4,543,816
- Syndicated financing	653,567	-	-	-	653,567
- Hire purchase receivables	552,016	13,805	11,580	4,232	581,633
- Other term financing	6,603,427	51,929	37,655	69,655	6,762,666
Other financing	2,889,737	14,060	3,556	41,532	2,948,885
	14,754,418	321,224	193,709	221,216	15,490,567
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(55,886)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(7,448)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(93,952)	(93,952)
Total net financing	14,754,418	321,224	193,709	127,264	15,333,281

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31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for 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 instances where the customer has failed to make principal or profit payment or both after the contractual due date for more than one (1) day but less than three (3) months.

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

Group and Bank	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
31 December 2019			
Term financing			
- Home financing	**109,593**	**48,483**	**158,076**
- Hire purchase receivables	**5,023**	**3,891**	**8,914**
- Other term financing	**32,619**	**13,528**	**46,147**
Other financing	**4,522**	**380**	**4,902**
Total	**151,757**	**66,282**	**218,039**
31 March 2019			
Term financing			
- Home financing	95,261	45,657	140,918
- Hire purchase receivables	7,612	3,968	11,580
- Other term financing	23,089	14,566	37,655
Other financing	2,696	860	3,556
Total	128,658	65,051	193,709

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for 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	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of transport vehicles	**8,914**	11,580
Purchase of landed properties of which:		
– residential	**156,458**	141,093
– non-residential	**11,983**	12,882
Personal use	**28,035**	25,350
Working capital	**4,248**	2,515
Other purpose	**8,401**	289
	218,039	193,709

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.

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 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 88.1% and 88.1%, respectively, as at 31 December 2019 (the Group and the Bank are at 96.6% and 96.6% as at 31 March 2019). Meanwhile, the financial effect of collateral held for other financial assets is not significant.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

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

Collateral and other credit enhancements (cont'd.)

As at 31 December 2019, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM41,210,434 as compared against 31 March 2019 total amount of RM50,738,280. The collateral consists of cash, securities, letters of guarantee, and properties.

Repossessed collateral

It is the Group's and the Bank's policy that dictates 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. At present, the Group and the Bank do not occupy repossessed properties for its own business use.

(iii) Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.3 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions.

The probability weights for each scenarios are determined using the probability density approach. GDP is used as an anchor as GDP reflects the overall condition of the economy. To estimate the probability of each scenario, the Bank's GDP forecasts are compared against the forecasts by the various research houses. It is then estimated by obtaining the area under the probability density curve based on the Bank's forecasts.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Analysis of inputs to the ECL model under multiple economic scenarios (cont'd.)

The following table shows the forecast of the key forward-looking economic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 December 2019 and 31 March 2019.

Key Variable	ECL Scenario	Assigned Probabilities (%)	2019 (Actual)	2020 (Forecast)	2021 (Forecast)
Current Account Balance (% of GDP)	Base case	52.63%	2.80	2.30	3.80
	Upside	23.62%	3.60	3.40	4.00
	Downside	23.75%	2.10	2.00	2.00
Economy's money supply - M3 (YOY%)	Base case	52.63%	6.10	3.30	9.00
	Upside	23.62%	7.80	4.20	11.50
	Downside	23.75%	4.10	2.20	6.00
Consumer Price Index (YOY%)	Base case	52.63%	2.90	2.50	3.00
	Upside	23.62%	1.80	2.20	2.80
	Downside	23.75%	3.30	3.50	3.80
Unemployment Rate (%)	Base case	52.63%	3.40	3.10	3.00
	Upside	23.62%	3.30	4.10	3.90
	Downside	23.75%	3.60	4.50	4.00
Exchange Rate (USD MYR)	Base case	52.63%	4.11	4.19	4.34
	Upside	23.62%	3.84	3.85	3.99
	Downside	23.75%	4.35	4.52	4.68
Overnight Policy Rate (%)	Base case	52.63%	3.25	3.13	3.00
	Upside	23.62%	2.99	2.87	2.76
	Downside	23.75%	3.25	3.13	3.00
Kuala Lumpur Composite Index (KLCI)	Base case	52.63%	1,724.42	1,659.18	1,746.20
	Upside	23.62%	1,844.68	1,791.72	1,868.22
	Downside	23.75%	1,612.00	1,540.00	1,623.78
House Price Index (YOY%)	Base case	52.63%	5.80	5.50	5.50
	Upside	23.62%	5.96	5.65	5.65
	Downside	23.75%	5.64	5.35	5.35

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality for financial investments and other financial assets

Set out below are the credit quality for financial investments (non-money market instruments - debt securities) and other financial assets analysed by ratings from external credit ratings agencies:

	Financial investments at amortised cost Non-Money Market Instruments - Debt Securities		Financial investments at FVOCI Non-Money Market Instruments - Debt Securities			
Group	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Other assets RM'000
31 December 2019						
AAA+ to AA-	**-**	**-**	**-**	**505,615**	**505,615**	**-**
A+ to A-	**-**	**-**	**8,252**	**-**	**8,252**	**-**
BBB+ to BB-	**103,162**	**103,162**	**-**	**-**	**-**	**-**
Unrated	**-**	**-**	**-**	**103,163**	**103,163**	**41,670**
Defaulted	**-**	**-**	**-**	**-**	**-**	**-**
Sovereign	**-**	**-**	**-**	**3,881,292**	**3,881,292**	**-**
Total	**103,162**	**103,162**	**8,252**	**4,490,070**	**4,498,322**	**41,670**
31 March 2019						
AAA+ to AA-	-	-	-	888,661	888,661	-
A+ to A-	-	-	8,144	-	8,144	-
BBB+ to BB-	102,597	102,597	-	-	-	-
Unrated	713	713	-	106,123	106,123	81,625
Defaulted	-	-	-	3,343	3,343	-
Sovereign	-	-	-	3,820,108	3,820,108	-
Total	103,310	103,310	8,144	4,818,235	4,826,379	81,625

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality for financial investments and other financial assets (cont'd.)

Set out below are the credit quality for financial investments (non-money market instruments - debt securities) and other financial assets analysed by ratings from external credit ratings agencies: (cont'd.)

	Financial investments at amortised cost Non-Money Market Instruments - Debt Securities		Financial investments at FVOCI Non-Money Market Instruments - Debt Securities			
Bank	**Domestic Ratings RM'000**	**Total RM'000**	**International Ratings RM'000**	**Domestic Ratings RM'000**	**Total RM'000**	**Other assets RM'000**
31 December 2019						
AAA+ to AA-	**-**	**-**	**-**	**505,615**	**505,615**	**-**
A+ to A-	**-**	**-**	**8,252**	**-**	**8,252**	**-**
BBB+ to BB-	**103,162**	**103,162**	**-**	**-**	**-**	**-**
Unrated	**-**	**-**	**-**	**103,163**	**103,163**	**40,780**
Defaulted	**-**	**-**	**-**	**-**	**-**	**-**
Sovereign	**-**	**-**	**-**	**3,881,292**	**3,881,292**	**-**
Total	**103,162**	**103,162**	**8,252**	**4,490,070**	**4,498,322**	**40,780**
31 March 2019						
AAA+ to AA-	-	-	-	888,661	888,661	-
A+ to A-	-	-	8,144	-	8,144	-
BBB+ to BB-	102,597	102,597	-	-	-	-
Unrated	713	713	-	106,123	106,123	83,531
Defaulted	-	-	-	3,343	3,343	-
Sovereign	-	-	-	3,820,108	3,820,108	-
Total	103,310	103,310	8,144	4,818,235	4,826,379	83,531

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31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality for 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 at fair value through other comprehensive income with net outstanding amount is nil (31 March 2019: RM3,343,443), 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 Treasury Middle Office ("TMO") on a daily basis against approved market risk limits. In addition, the TMO 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 of Directors. 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.

46. 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 and the Bank's Islamic banking business, foreign exchange risk, and equity risk.

Rate of return risk

Rate of return risk refers 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 use 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 of Directors.

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 financing or early withdrawal of deposits.

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31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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 31 December 2019	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	770,935	-	-	-	-	-	-	-	240,290	-	1,011,225	3.0%
Cash and placements with financial institutions	-	53,854	-	-	-	-	-	-	71	-	53,925	3.0%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	169,108	139,685	308,793	-
Financial assets at fair value through other comprehensive income	10,200	137,958	1,613,039	660,187	608,924	653,572	501,877	301,843	117,224	-	4,604,824	3.7%
Financial assets at amortised cost	-	-	-	-	-	-	-	103,162	-	-	103,162	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	21,859	21,859	-
Financing of customers:												
- non-impaired	10,523,156	927,132	357,049	56,060	144,549	924,359	547,345	2,223,636	100,630	-	15,803,916	5.8%
- impaired*	-	-	-	-	-	-	-	-	122,432	-	122,432	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(65,109)	-	(65,109)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	863,786	-	863,786	-
TOTAL ASSETS	11,304,291	1,118,944	1,970,088	716,247	753,473	1,577,931	1,049,222	2,628,641	1,548,432	161,544	22,828,813	

46. 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 31 December 2019	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	12,379,628	3,488,681	2,868,096	50,508	660	165	50	-	152,765	-	18,940,553	2.8%
Deposits and placements of banks and other financial institutions	51	142	1,270	1,401	989	2,200	250	-	-	-	6,303	3.1%
Bills and acceptances payable	-	-	-	-	-	-	-	-	8,444	-	8,444	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,546	77,546	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	459,403	-	-	-	230	-	459,633	4.6%
Subordinated sukuk	-	-	-	250,000	-	-	-	-	532	-	250,532	5.8%
Senior Sukuk	-	-	-	500,000	-	-	-	-	2,517	-	502,517	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	114,471	-	114,471	-
Total Liabilities	12,379,679	3,488,823	2,869,366	801,909	461,052	2,365	300	-	278,959	77,546	20,359,999	-
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,468,814	-	2,468,814	-
TOTAL LIABILITIES AND EQUITY	12,379,679	3,488,823	2,869,366	801,909	461,052	2,365	300	-	2,747,773	77,546	22,828,813	
On-balance sheet profit sensitivity gap	(1,075,388)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,048,922	2,628,641	(1,199,341)	83,998	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,275,000	1,275,000	-
TOTAL PROFIT SENSITIVITY GAP	(1,075,388)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,048,922	2,628,641	(1,199,341)	1,358,998	1,275,000	

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

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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 31 March 2019	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	608,889	-	-	-	-	-	-	-	221,682	-	830,571	3.2%
Cash and placements with financial institutions	-	11,916	-	-	-	-	-	-	21	-	11,937	3.2%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	188,477	472,322	660,799	-
Financial assets at fair value through other comprehensive income	13,532	82,776	204,193	712,856	355,935	592,413	1,259,216	1,715,111	-	-	4,936,032	3.8%
Financial assets at amortised cost	-	273	441	-	-	-	-	102,596	-	-	103,310	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	24,853	24,853	-
Financing of customers:												
- non-impaired	10,147,771	825,748	431,461	69,027	96,119	219,542	968,977	2,437,430	70,890	-	15,266,965	6.0%
- impaired*	-	-	-	-	-	-	-	-	127,264	-	127,264	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(63,334)	-	(63,334)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	987,213	-	987,213	-
TOTAL ASSETS	10,770,192	920,713	636,095	781,883	452,054	811,955	2,228,193	4,255,137	1,532,213	497,175	22,885,610	

46. 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 31 March 2019	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	12,127,717	2,358,531	4,204,340	225,793	50,012	246	171	-	177,308	-	19,144,118	2.5%
Deposits and placements of banks and other financial institutions	-	35	402	1,424	1,611	1,225	2,050	-	-	-	6,747	3.7%
Bills and acceptances payable	-	-	-	-	-	-	-	-	15,678	-	15,678	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	48,162	48,162	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	470,867	-	-	235	-	471,102	5.0%
Subordinated sukuk	-	-	-	-	250,000	-	-	-	4,025	-	254,025	5.5%
Senior Sukuk	-	-	-	-	500,000	-	-	-	9,174	-	509,174	5.8%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	85,185	-	85,185	-
Total Liabilities	12,127,717	2,358,566	4,204,742	227,217	801,623	472,338	2,221	-	291,605	48,162	20,534,191	-
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,351,419	-	2,351,419	-
TOTAL LIABILITIES AND EQUITY	12,127,717	2,358,566	4,204,742	227,217	801,623	472,338	2,221	-	2,643,024	48,162	22,885,610	
On-balance sheet profit sensitivity gap	(1,357,525)	(1,437,853)	(3,568,647)	554,666	(349,569)	339,617	2,225,972	4,255,137	(1,110,811)	449,013	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	2,150,000	2,150,000	-
TOTAL PROFIT SENSITIVITY GAP	(1,357,525)	(1,437,853)	(3,568,647)	554,666	(349,569)	339,617	2,225,972	4,255,137	(1,110,811)	2,599,013	2,150,000	

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

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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 31 December 2019	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	770,935	-	-	-	-	-	-	-	240,290	-	1,011,225	3.0%
Cash and placements with financial institutions	-	53,854	-	-	-	-	-	-	71	-	53,925	3.0%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	169,108	139,685	308,793	-
Financial assets at fair value through other comprehensive income	10,200	137,958	1,613,039	660,187	608,924	653,572	499,452	301,843	117,224	-	4,602,399	3.7%
Financial assets at amortised cost	-	-	-	-	-	-	-	103,162	-	-	103,162	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	21,859	21,859	-
Financing of customers:												
- non-impaired	10,523,156	927,132	357,049	56,060	144,549	924,359	547,345	2,223,636	96,734	-	15,800,020	5.8%
- impaired*	-	-	-	-	-	-	-	-	122,432	-	122,432	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(65,109)	-	(65,109)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	868,977	-	868,977	-
TOTAL ASSETS	11,304,291	1,118,944	1,970,088	716,247	753,473	1,577,931	1,046,797	2,628,641	1,549,727	161,544	22,827,683	

46. 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 31 December 2019	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	12,394,082	3,488,681	2,868,096	50,508	660	165	50	-	152,765	-	18,955,007	2.8%
Deposits and placements of banks and other financial institutions	51	142	1,270	1,401	989	2,200	250	-	-	-	6,303	3.1%
Bills and acceptances payable	-	-	-	-	-	-	-	-	8,444	-	8,444	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,546	77,546	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	459,403	-	-	-	230	-	459,633	4.6%
Subordinated sukuk	-	-	-	250,000	-	-	-	-	532	-	250,532	5.8%
Senior Sukuk	-	-	-	500,000	-	-	-	-	2,517	-	502,517	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	105,411	-	105,411	-
Total Liabilities	12,394,133	3,488,823	2,869,366	801,909	461,052	2,365	300	-	269,899	77,546	20,365,393	-
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,462,290	-	2,462,290	-
TOTAL LIABILITIES AND EQUITY	12,394,133	3,488,823	2,869,366	801,909	461,052	2,365	300	-	2,732,189	77,546	22,827,683	
On-balance sheet profit sensitivity gap	(1,089,842)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,046,497	2,628,641	(1,182,462)	83,998	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,275,000	1,275,000	-
TOTAL PROFIT SENSITIVITY GAP	(1,089,842)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,046,497	2,628,641	(1,182,462)	1,358,998	1,275,000	

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

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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 31 March 2019	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	608,889	-	-	-	-	-	-	-	221,682	-	830,571	3.2%
Cash and placements with financial institutions	-	11,916	-	-	-	-	-	-	21	-	11,937	3.2%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	188,478	470,388	658,866	-
Financial assets at fair value through other comprehensive income	13,532	82,776	204,193	712,856	355,935	592,413	1,256,951	1,715,111	-	-	4,933,767	3.8%
Financial assets at amortised cost	-	273	441	-	-	-	-	102,596	-	-	103,310	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	24,853	24,853	-
Financing of customers:												
- non-impaired	10,147,771	825,748	431,461	69,027	96,119	219,542	968,977	2,437,430	73,276	-	15,269,351	6.0%
- impaired*	-	-	-	-	-	-	-	-	127,264	-	127,264	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(63,334)	-	(63,334)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,001,553	-	1,001,553	-
TOTAL ASSETS	10,770,192	920,713	636,095	781,883	452,054	811,955	2,225,928	4,255,137	1,548,940	495,241	22,898,138	

46. 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 31 March 2019	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	12,149,004	2,361,031	4,204,340	225,793	50,012	246	171	-	177,308	-	19,167,905	2.5%
Deposits and placements of banks and other financial institutions	-	35	402	1,424	1,611	1,225	2,050	-	-	-	6,747	3.7%
Bills and acceptances payable	-	-	-	-	-	-	-	-	15,678	-	15,678	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	48,162	48,162	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	470,867	-	-	235	-	471,102	5.0%
Subordinated sukuk	-	-	-	-	250,000	-	-	-	4,025	-	254,025	5.8%
Senior Sukuk	-	-	-	-	500,000	-	-	-	9,174	-	509,174	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	80,753	-	80,753	-
Total Liabilities	12,149,004	2,361,066	4,204,742	227,217	801,623	472,338	2,221	-	287,173	48,162	20,553,546	-
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,344,592	-	2,344,592	-
TOTAL LIABILITIES AND EQUITY	12,149,004	2,361,066	4,204,742	227,217	801,623	472,338	2,221	-	2,631,765	48,162	22,898,138	
On-balance sheet profit sensitivity gap	(1,378,812)	(1,440,353)	(3,568,647)	554,666	(349,569)	339,617	2,223,707	4,255,137	(1,082,825)	447,079	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROFIT SENSITIVITY GAP	(1,378,812)	(1,440,353)	(3,568,647)	554,666	(349,569)	339,617	2,223,707	4,255,137	(1,082,825)	447,079	-	

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

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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.

46. 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

- 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 (re-priced) over the residual maturity period or on maturity.

  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 (<1) 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.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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	
Increase/(decrease) in basis points	-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
Impact on Earnings:				
31 December 2019				
MYR	**(8,360)**	**8,360**	**(8,360)**	**8,360**
USD	**1,587**	**(1,587)**	**1,587**	**(1,587)**
Others*	**37**	**(37)**	**37**	**(37)**
31 March 2019				
MYR	(6,539)	6,539	(6,539)	6,539
USD	2,471	(2,471)	2,471	(2,471)
Others*	21	(21)	21	(21)

* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

46. 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 (cont'd.)

Increase/(decrease) in basis points	Group -50 Basis Points RM'000	Group +50 Basis Points RM'000	Bank -50 Basis Points RM'000	Bank +50 Basis Points RM'000
Impact on Equity:				
31 December 2019				
MYR	**(51,189)**	**51,189**	**(51,189)**	**51,189**
USD	**376**	**(376)**	**376**	**(376)**
Others*	**36**	**(36)**	**36**	**(36)**
31 March 2019				
MYR	(93,701)	93,701	(91,728)	91,728
USD	288	(288)	288	(288)
Others*	4	(4)	4	(4)

* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating in business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three (3) 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.

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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.)

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in US Dollar, Australian Dollar, Swiss Franc, Euro, the Great Britain Pound, and Japanese Yen. The "others" foreign exchange risk include mainly exposures to Canadian Dollar, United Arab Emirates Dirham, Qatari Rial and Singapore Dollar.

Group 31 December 2019	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	865,782	107,283	1,844	280	4,915	3,106	21,305	6,710	1,011,225
Cash and placements with financial institutions	13,877	40,048	-	-	-	-	-	-	53,925
Financial investments designated at fair value through profit and loss	139,684	169,109	-	-	-	-	-	-	308,793
Financial assets at fair value through other comprehensive income	4,596,572	8,252	-	-	-	-	-	-	4,604,824
Financial assets at amortised cost	103,162	-	-	-	-	-	-	-	103,162
Islamic derivative financial assets	21,859	-	-	-	-	-	-	-	21,859
Financing of customers	15,855,680	5,558	-	-	-	-	-	-	15,861,238
Other assets	40,358	1,016	-	-	-	296	-	-	41,670
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	-	568,768
Investment properties	53,063	-	-	-	-	-	-	-	53,063
Right-of-use assets	48,060	62	-	-	-	-	-	-	48,122
Intangible assets	82,538	-	-	-	-	-	-	-	82,538
Property, plant and equipments	56,092	-	-	-	-	-	-	-	56,092
Deferred tax asset	13,534	-	-	-	-	-	-	-	13,534
Total assets	22,459,029	331,328	1,844	280	4,915	3,402	21,305	6,710	22,828,813

46. 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 31 December 2019 (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	18,530,451	397,166	2,021	-	3,980	2,257	-	4,677	18,940,552
Deposits and placements of banks and other financial institutions	6,303	-	-	-	-	-	-	-	6,303
Bills and acceptances payable	8,413	1	-	-	-	-	-	30	8,444
Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	77,546
Other liabilities	53,090	200	-	-	67	(73)	-	-	53,284
Lease liabilities	51,590	69	-	-	-	-	-	-	51,659
Provision for taxation and zakat	9,508	20	-	-	-	-	-	-	9,528
Recourse obligation on financing sold to Cagamas	459,633	-	-	-	-	-	-	-	459,633
Subordinated sukuk	250,532	-	-	-	-	-	-	-	250,532
Senior sukuk	502,517	-	-	-	-	-	-	-	502,517
Total liabilities	19,949,583	397,456	2,021	-	4,047	2,184	-	4,707	20,359,998
On-balance sheet open position	2,509,446	(66,128)	(177)	280	868	1,218	21,305	2,003	2,468,815
Less: Islamic derivative financial assets	(21,859)	-	-	-	-	-	-	-	(21,859)
Add: Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	77,546
Net open position	2,565,133	(66,128)	(177)	280	868	1,218	21,305	2,003	2,524,502

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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 31 March 2019	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	658,195	144,508	57	286	2,665	2,886	13,760	8,214	830,571
Cash and placements with financial institutions	11,937	-	-	-	-	-	-	-	11,937
Financial investments designated at fair value through profit and loss	472,321	188,478	-	-	-	-	-	-	660,799
Financial assets at fair value through other comprehensive income	4,927,888	8,144	-	-	-	-	-	-	4,936,032
Financial assets at amortised cost	103,310	-	-	-	-	-	-	-	103,310
Islamic derivative financial assets	24,853	-	-	-	-	-	-	-	24,853
Financing of customers	15,327,960	2,482	-	-	453	-	-	-	15,330,895
Other assets	81,417	(85)	-	-	-	293	-	-	81,625
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	-	699,275
Investment properties	45,303	-	-	-	-	-	-	-	45,303
Intangible assets	84,684	-	-	-	-	-	-	-	84,684
Property, plant and equipments	58,361	-	-	-	-	-	-	-	58,361
Prepaid land lease payments	223	-	-	-	-	-	-	-	223
Deferred tax asset	17,742	-	-	-	-	-	-	-	17,742
Total assets	22,513,469	343,527	57	286	3,118	3,179	13,760	8,214	22,885,610

46. 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 31 March 2019 (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	18,535,852	597,380	55	-	5,010	2,181	-	3,640	19,144,118
Deposits and placements of banks and other financial institutions	6,747	-	-	-	-	-	-	-	6,747
Bills and acceptances payable	15,661	1	9	-	-	-	-	7	15,678
Islamic derivative financial liabilities	48,162	-	-	-	-	-	-	-	48,162
Other liabilities	87,340	(8,884)	-	-	66	(72)	-	-	78,450
Provision for taxation and zakat	6,650	20	-	-	-	-	-	-	6,670
Recourse obligation on financing sold to Cagamas	471,102	-	-	-	-	-	-	-	471,102
Deferred tax liabilities	65	-	-	-	-	-	-	-	65
Subordinated sukuk	254,025	-	-	-	-	-	-	-	254,025
Senior sukuk	509,174	-	-	-	-	-	-	-	509,174
Total liabilities	19,934,778	588,517	64	-	5,076	2,109	-	3,647	20,534,191
On-balance sheet open position	2,578,691	(244,990)	(7)	286	(1,958)	1,070	13,760	4,567	2,351,419
Less: Islamic derivative financial assets	(24,853)	-	-	-	-	-	-	-	(24,853)
Add: Islamic derivative financial liabilities	48,162	-	-	-	-	-	-	-	48,162
Net open position	2,602,000	(244,990)	(7)	286	(1,958)	1,070	13,760	4,567	2,374,728

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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 31 December 2019	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	865,782	107,283	1,844	280	4,915	3,106	21,305	6,710	1,011,225
Cash and placements with financial institutions	13,877	40,048	-	-	-	-	-	-	53,925
Financial investments designated at fair value through profit and loss	139,684	169,109	-	-	-	-	-	-	308,793
Financial assets at fair value through other comprehensive income	4,594,147	8,252	-	-	-	-	-	-	4,602,399
Financial assets at amortised cost	103,162	-	-	-	-	-	-	-	103,162
Islamic derivative financial assets	21,859	-	-	-	-	-	-	-	21,859
Financing of customers	15,851,785	5,558	-	-	-	-	-	-	15,857,343
Other assets	39,468	1,016	-	-	-	296	-	-	40,780
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	-	568,768
Investment in subsidiaries	13,159	-	-	-	-	-	-	-	13,159
Investment properties	53,063	-	-	-	-	-	-	-	53,063
Right-of-use assets	41,404	62	-	-	-	-	-	-	41,466
Intangible assets	82,427	-	-	-	-	-	-	-	82,427
Property, plant and equipments	56,064	-	-	-	-	-	-	-	56,064
Deferred tax asset	13,250	-	-	-	-	-	-	-	13,250
Total assets	22,457,899	331,328	1,844	280	4,915	3,402	21,305	6,710	22,827,683

46. 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 31 December 2019 (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	18,544,905	397,166	2,021	-	3,980	2,257	-	4,677	18,955,006
Deposits and placements of banks and other financial institutions	6,303	-	-	-	-	-	-	-	6,303
Bills and acceptances payable	8,413	1	-	-	-	-	-	30	8,444
Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	77,546
Other liabilities	52,122	200	-	-	67	(73)	-	-	52,316
Lease liabilities	43,754	69	-	-	-	-	-	-	43,823
Provision for taxation and zakat	9,252	20	-	-	-	-	-	-	9,272
Recourse obligation on financing sold to Cagamas	459,633	-	-	-	-	-	-	-	459,633
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Subordinated sukuk	250,532	-	-	-	-	-	-	-	250,532
Senior sukuk	502,517	-	-	-	-	-	-	-	502,517
Total liabilities	19,954,977	397,456	2,021	-	4,047	2,184	-	4,707	20,365,392
On-balance sheet open position	2,502,922	(66,128)	(177)	280	868	1,218	21,305	2,003	2,462,291
Less: Islamic derivative financial assets	(21,859)	-	-	-	-	-	-	-	(21,859)
Add: Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	77,546
Net open position	2,558,609	(66,128)	(177)	280	868	1,218	21,305	2,003	2,517,978

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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 31 March 2019	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	658,195	144,508	57	286	2,665	2,886	13,760	8,214	830,571
Cash and placements with financial institutions	11,937	-	-	-	-	-	-	-	11,937
Financial investments designated at fair value through profit and loss	470,388	188,478	-	-	-	-	-	-	658,866
Financial assets at fair value through other comprehensive income	4,925,623	8,144	-	-	-	-	-	-	4,933,767
Financial assets at amortised cost	103,310	-	-	-	-	-	-	-	103,310
Islamic derivative financial assets	24,853	-	-	-	-	-	-	-	24,853
Financing of customers	15,330,346	2,482	-	-	453	-	-	-	15,333,281
Other assets	83,323	(85)	-	-	-	293	-	-	83,531
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	-	699,275
Investment in subsidiaries	12,559	-	-	-	-	-	-	-	12,559
Investment properties	45,303	-	-	-	-	-	-	-	45,303
Intangible assets	84,560	-	-	-	-	-	-	-	84,560
Property, plant and equipments	58,360	-	-	-	-	-	-	-	58,360
Prepaid land lease payments	223	-	-	-	-	-	-	-	223
Deferred tax asset	17,742	-	-	-	-	-	-	-	17,742
Total assets	22,525,997	343,527	57	286	3,118	3,179	13,760	8,214	22,898,138

46. 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 31 March 2019 (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	18,559,639	597,380	55	-	5,010	2,181	-	3,640	19,167,905
Deposits and placements of banks and other financial institutions	6,747	-	-	-	-	-	-	-	6,747
Bills and acceptances payable	15,661	1	9	-	-	-	-	7	15,678
Islamic derivative financial liabilities	48,162	-	-	-	-	-	-	-	48,162
Other liabilities	83,046	(8,884)	-	-	66	(72)	-	-	74,156
Provision for taxation and zakat	6,577	20	-	-	-	-	-	-	6,597
Recourse obligation on financing sold to Cagamas	471,102	-	-	-	-	-	-	-	471,102
Subordinated sukuk	254,025	-	-	-	-	-	-	-	254,025
Senior sukuk	509,174	-	-	-	-	-	-	-	509,174
Total liabilities	19,954,133	588,517	64	-	5,076	2,109	-	3,647	20,553,546
On-balance sheet open position	2,571,864	(244,990)	(7)	286	(1,958)	1,070	13,760	4,567	2,344,592
Less: Islamic derivative financial assets	(24,853)	-	-	-	-	-	-	-	(24,853)
Add: Islamic derivative financial liabilities	48,162	-	-	-	-	-	-	-	48,162
Net open position	2,595,173	(244,990)	(7)	286	(1,958)	1,070	13,760	4,567	2,367,901

Foreign currency risk

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

	Group and Bank			
	31 December 2019		31 March 2019	
	RM'000 1% appreciation	RM'000 1% depreciation	RM'000 1% appreciation	RM'000 1% depreciation
Impact to profit after tax and reserves	**406**	**(406)**	2,273	(2,273)

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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.)

Interpretation of impact

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against reporting currency (MYR). The result implies that the Group and the Bank may be subjected to additional translation (loss)/ gain if MYR appreciated/ depreciated against other currencies or 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 the Bank's potential inability to liquidate positions quickly and with insufficient volumes, at a reasonable price.

The Group and the Bank monitor the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group's and the Bank's ability to maintain a stable liquidity profile is primarily due to 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 level. 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 are based largely on retention history (behavioral method) and in view of the ready availability of liquidity investments, the Group and the 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 tables depicted in the following pages are the analysis of assets and liabilities of the Group and the Bank as at 31 December 2019 based on remaining contractual maturities.

46. 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 31 December 2019	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	980,935	30,290	-	-	-	-	1,011,225
Cash and placements with financial institution	-	-	53,925	-	-	-	53,925
Financial investments designated at fair value through profit and loss	-	-	-	56,309	112,800	139,684	308,793
Financial assets at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,830,480	4,604,824
Financial assets at amortised cost	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	11,422,972	15,861,238
Other assets	-	1,381	-	-	39,688	822,718	863,787
Total assets	1,030,319	672,491	1,363,318	1,823,515	2,620,154	15,319,016	22,828,813
Liabilities							
Deposits from customers	8,217,263	4,214,031	3,520,052	1,396,715	1,499,877	92,614	18,940,552
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Other liabilities	-	15,122	2,577	2,564	52,997	41,211	114,471
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	459,633	459,633
Subordinated sukuk	-	-	-	637	-	249,895	250,532
Senior sukuk	-	-	-	2,765	-	499,752	502,517
Total liabilities	8,218,800	4,237,655	3,533,321	1,414,293	1,554,807	1,401,122	20,359,998
Net maturity mismatch	(7,188,481)	(3,565,164)	(2,170,003)	409,222	1,065,347	13,917,894	2,468,815
Commitments and contingencies							
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	521,022	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	218,985	1,657,539
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	1,200,000	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,940,007	6,596,494

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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

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

Group 31 March 2019	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	772,807	57,764	-	-	-	-	830,571
Cash and placements with financial institution	-	-	11,937	-	-	-	11,937
Financial investments designated at fair value through profit and loss	39,985	196,694	182,161	31,847	53,657	156,455	660,799
Financial assets at fair value through other comprehensive income	3,343	10,188	82,776	110,726	93,468	4,635,531	4,936,032
Financial assets at amortised cost	-	-	273	-	441	102,596	103,310
Islamic derivative financial assets	4,020	10,293	8,480	2,060	-	-	24,853
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	11,269,467	15,330,895
Other assets	-	1,922	-	-	79,102	906,189	987,213
Total assets	893,108	852,872	1,228,011	1,166,213	1,675,168	17,070,238	22,885,610
Liabilities							
Deposits from customers	7,563,601	4,626,866	2,385,657	1,931,167	2,323,382	313,445	19,144,118
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,310	6,747
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Islamic derivative financial liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Other liabilities	-	27,552	-	-	57,568	65	85,185
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	471,102	471,102
Subordinated sukuk	-	-	-	4,183	-	249,842	254,025
Senior sukuk	-	-	-	9,519	-	499,655	509,174
Total liabilities	7,565,902	4,664,210	2,409,045	1,947,278	2,382,915	1,564,841	20,534,191
Net maturity mismatch	(6,672,794)	(3,811,338)	(1,181,034)	(781,065)	(707,747)	15,505,397	2,351,419
Commitments and contingencies							
Contingent liabilities	12,249	55,909	15,210	29,644	130,694	468,156	711,862
Commitments	63,430	113,633	181,356	54,568	484,306	506,620	1,403,912
Islamic derivative financial instruments	833,563	1,015,362	798,704	1,397,864	375,000	1,275,000	5,695,493
Total commitments and contingencies	909,242	1,184,904	995,270	1,482,076	990,000	2,249,776	7,811,267

46. 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 31 December 2019	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	980,935	30,290	-	-	-	-	1,011,225
Cash and placements with financial institution	-	-	53,925	-	-	-	53,925
Financial investments designated at fair value through profit and loss	-	-	-	56,309	112,800	139,684	308,793
Financial assets at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,828,055	4,602,399
Financial assets at amortised cost	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	11,419,077	15,857,343
Other assets	(53)	1,381	-	-	38,851	828,798	868,977
Total assets	1,030,266	672,491	1,363,318	1,823,515	2,619,317	15,318,776	22,827,683
Liabilities							
Deposits from customers	8,224,917	4,220,831	3,520,052	1,396,715	1,499,877	92,614	18,955,006
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Other liabilities	-	14,480	2,577	3,062	52,415	32,877	105,411
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	459,633	459,633
Subordinated sukuk	-	-	-	637	-	249,895	250,532
Senior sukuk	-	-	-	2,765	-	499,752	502,517
Total liabilities	8,226,454	4,243,813	3,533,321	1,414,791	1,554,225	1,392,788	20,365,392
Net maturity mismatch	(7,196,188)	(3,571,322)	(2,170,003)	408,724	1,065,092	13,925,988	2,462,291
Commitments and contingencies							
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	521,022	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	218,985	1,657,539
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	1,200,00	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,940,007	6,596,494

Notes to the Financial Statements

31 DECEMBER 2019 (4 JAMADIL AWAL 1441H)

46. 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 31 March 2019	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	772,807	57,764	-	-	-	-	830,571
Cash and placements with financial institution	-	-	11,937	-	-	-	11,937
Financial investments designated at fair value through profit and loss	39,985	196,694	182,161	31,847	53,657	154,522	658,866
Financial assets at fair value through other comprehensive income	3,343	10,188	82,776	110,726	93,468	4,633,266	4,933,767
Financial assets at amortised cost	-	-	273	-	441	102,596	103,310
Islamic derivative financial assets	4,020	10,293	8,480	2,060	-	-	24,853
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	11,271,853	15,333,281
Other assets	(27)	6,855	-	-	76,101	918,624	1,001,553
Total assets	893,081	857,805	1,228,011	1,166,213	1,672,167	17,080,861	22,898,138
Liabilities							
Deposits from customers	7,574,122	4,637,723	2,388,144	1,931,131	2,323,342	313,443	19,167,905
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,310	6,747
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Islamic derivative financial liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Other liabilities	-	23,779	-	-	56,974	-	80,753
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	471,102	471,102
Subordinated sukuk	-	-	-	4,183	-	249,842	254,025
Senior sukuk	-	-	-	9,519	-	499,655	509,174
Total liabilities	7,576,423	4,671,294	2,411,532	1,947,242	2,382,281	1,564,774	20,553,546
Net maturity mismatch	(6,683,342)	(3,813,489)	(1,183,521)	(781,029)	(710,114)	15,516,087	2,344,592
Commitments and contingencies							
Contingent liabilities	12,249	55,909	15,210	29,644	130,694	468,156	711,862
Commitments	63,430	113,633	181,356	54,568	484,306	506,617	1,403,912
Islamic derivative financial instruments	833,563	1,015,362	798,705	1,397,864	375,000	1,275,000	5,695,493
Total commitments and contingencies	909,242	1,184,904	995,271	1,482,076	990,000	2,249,773	7,811,267

46. 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
31 December 2019							
By contractual maturity	**8,217,263**	**4,214,031**	**3,520,052**	**1,396,715**	**1,499,877**	**92,614**	**18,940,552**
By behavioural maturity	**2,182,468**	**1,451,705**	**1,428,728**	**581,395**	**640,718**	**12,655,538**	**18,940,552**
Difference	**6,034,795**	**2,762,326**	**2,091,324**	**815,320**	**859,159**	**(12,562,924)**	**-**
31 March 2019							
By contractual maturity	7,563,601	4,626,866	2,385,657	1,931,167	2,323,382	313,445	19,144,118
By behavioural maturity	2,250,953	1,638,380	1,272,610	662,915	556,931	12,762,329	19,144,118
Difference	5,312,648	2,988,486	1,113,047	1,268,252	1,766,451	(12,448,884)	-
Bank							
31 December 2019							
By contractual maturity	**8,224,917**	**4,220,831**	**3,520,052**	**1,396,715**	**1,499,877**	**92,614**	**18,955,006**
By behavioural maturity	**2,183,486**	**1,452,623**	**1,429,576**	**581,756**	**641,191**	**12,666,374**	**18,955,006**
Difference	**6,041,431**	**2,768,208**	**2,090,476**	**814,959**	**858,686**	**(12,573,760)**	**-**
31 March 2019							
By contractual maturity	7,574,122	4,637,723	2,388,144	1,931,131	2,323,342	313,443	19,167,905
By behavioural maturity	2,252,673	1,639,986	1,273,919	663,703	557,494	12,780,130	19,167,905
Difference	5,321,449	2,997,737	1,114,225	1,267,428	1,765,848	(12,466,687)	-

(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 depicted in the following pages will not agree to the balances reported in the statement of financial position as the Tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The cash flows of commitments and contingent liabilities are not presented on an undiscounted basis as the total outstanding contractual amounts do not represent future cash requirements since the Group and the Bank expect many of these contingencies to expire or be unconditionally cancelled without being called or drawn upon and many of the contingent liabilities are reimbursable by customers.

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46. 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 31 December 2019	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	8,217,558	4,217,208	3,528,046	1,413,059	1,528,402	136,189	19,040,462
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	5,077	6,540
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Other liabilities	-	15,122	-	-	38,162	-	53,284
Leases liabilities	-	-	2,803	2,721	5,868	47,162	58,554
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	507,331	507,331
Subordinated sukuk	-	-	-	7,887	7,250	257,145	272,282
Senior sukuk	-	-	-	16,515	13,750	527,252	557,517
Derivative liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Total financial liabilities	8,219,095	4,240,832	3,541,541	1,451,794	1,595,365	1,533,333	20,581,960

Group 31 March 2019	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 Restated	Total RM'000
Non-derivative liabilities							
Deposits from customers	7,565,166	4,638,056	2,399,406	1,957,731	2,390,741	350,592	19,301,692
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,653	7,090
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Other liabilities	-	27,552	-	-	50,898	-	78,450
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	534,982	534,982
Subordinated sukuk	-	-	7,250	4,183	7,250	271,592	290,275
Senior sukuk	-	-	13,750	9,519	13,750	554,655	591,674
Derivative liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Total financial liabilities	7,567,467	4,675,400	2,443,794	1,973,842	2,464,604	1,742,896	20,868,003

46. 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 31 December 2019	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	8,225,212	4,224,021	3,528,046	1,413,059	1,528,402	136,189	19,054,929
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	5,077	6,540
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Other liabilities	-	14,480	-	-	37,836	-	52,316
Leases liabilities	-	-	2,803	3,219	5,868	38,826	50,716
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	507,331	507,331
Subordinated sukuk	-	-	-	7,887	7,250	257,145	272,282
Senior sukuk	-	-	-	16,515	13,750	527,252	557,517
Derivative liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Total financial liabilities	8,226,749	4,247,003	3,541,541	1,452,292	1,595,039	1,524,997	20,587,621

Bank 31 March 2019	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 Restated	Total RM'000
Non-derivative liabilities							
Deposits from customers	7,575,687	4,648,938	2,401,910	1,957,695	2,390,701	350,592	19,325,523
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,653	7,090
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Other liabilities	-	23,779	-	-	50,377	-	74,156
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	534,982	534,982
Subordinated sukuk	-	-	7,250	4,183	7,250	271,592	290,275
Senior sukuk	-	-	13,750	9,519	13,750	554,655	591,674
Derivative liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Total financial liabilities	7,577,988	4,682,509	2,446,298	1,973,806	2,464,043	1,742,896	20,887,540

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46. 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.

47. 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's judgement and estimation, due to the low complexity of the financial instruments held.

47. 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;		
Group	**Quoted Market Price Level 1**	**Observable Inputs Level 2**	**Unobservable Inputs Level 3**	**Total**
31 December 2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-financial assets				
Investment properties	**-**	**-**	**53,063**	**53,063**
Financial assets				
Financial investments designated at fair value through profit or loss	**-**	**10,321**	**298,472**	**308,793**
Financial investments at FVOCI	**100,621**	**4,498,322**	**5,881**	**4,604,824**
Derivative financial assets	**-**	**21,859**	**-**	**21,859**
Total financial assets measured at fair value	**100,621**	**4,530,502**	**304,353**	**4,935,476**
Financial liabilities				
Derivative financial liabilities	**-**	**77,546**	**-**	**77,546**
Total financial liabilities measured at fair value	**-**	**77,546**	**-**	**77,546**
31 March 2019				
Non-financial assets				
Investment properties	-	-	45,303	45,303
Financial assets				
Financial investments designated at fair value through profit or loss	1,933	346,541	312,325	660,799
Financial investments at FVOCI	104,272	4,823,035	8,725	4,936,032
Derivative financial assets	-	24,853	-	24,853
Total financial assets measured at fair value	106,205	5,194,429	321,050	5,621,684
Financial liabilities				
Derivative financial liabilities	-	48,162	-	48,162
Total financial liabilities measured at fair value	-	48,162	-	48,162

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47. 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: (cont'd.)

		Valuation technique using;		
	Quoted Market Price	Observable Inputs	Unobservable Inputs	
Bank	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-financial assets				
Investment properties	**-**	**-**	**53,063**	**53,063**
Financial assets				
Financial investments designated at fair value through profit or loss	**-**	**10,321**	**298,472**	**308,793**
Financial investments at FVOCI	**98,196**	**4,498,322**	**5,881**	**4,602,399**
Derivative financial assets	**-**	**21,859**	**-**	**21,859**
Total financial assets measured at fair value	**98,196**	**4,530,502**	**304,353**	**4,933,051**
Financial liabilities				
Derivative financial liabilities	**-**	**77,546**	**-**	**77,546**
Total financial liabilities measured at fair value	**-**	**77,546**	**-**	**77,546**
31 March 2019				
Non-financial assets				
Investment properties	-	-	45,303	45,303
Financial assets				
Financial investments designated at fair value through profit or loss	-	346,541	312,325	658,866
Financial investments at FVOCI	102,007	4,823,035	8,725	4,933,767
Derivative financial assets	-	24,853	-	24,853
Total financial assets measured at fair value	102,007	5,194,429	321,050	5,617,486
Financial liabilities				
Derivative financial liabilities	-	48,162	-	48,162
Total financial liabilities measured at fair value	-	48,162	-	48,162

47. 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	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
At 1 April 2019	**321,050**	169,999	**321,050**	169,999
(Loss)/gain recognised in profit or loss	**(2,954)**	35,688	**(2,954)**	35,688
Purchases	**500**	-	**500**	-
Sales	**(14,779)**	(17,588)	**(14,779)**	(17,588)
Reclassification	**-**	123,847	**-**	123,847
Foreign exchange translation difference	**536**	9,104	**536**	9,104
At 31 December 2019	**304,353**	321,050	**304,353**	321,050

	Group and Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Total (loss)/gain recognised in profit or loss for financial instruments measured at fair value at the end of the financial year	**(2,954)**	35,688

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47. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as disclosed below.

Group 31 December 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
Financial assets					
Financial investments at amortised cost	**-**	**161,996**	**-**	**161,996**	**103,162**
Financing of customers	**-**	**9,355,448**	**5,279,521**	**14,634,969**	**15,861,238**
Financial liabilities					
Deposits from customers	**-**	**2,154,452**	**16,786,452**	**18,940,904**	**18,940,552**
Subordinated sukuk	**-**	**254,925**	**-**	**254,925**	**250,532**
Senior sukuk	**-**	**514,285**	**-**	**514,285**	**502,517**
31 March 2019					
Financial assets					
Financial investments at amortised cost	-	132,598	-	132,598	103,310
Financing of customers	-	9,097,526	3,941,698	13,039,224	15,330,895
Financial liabilities					
Deposits from customers	-	2,037,445	17,106,975	19,144,420	18,940,550
Subordinated sukuk	-	255,935	-	255,935	254,025
Senior sukuk	-	515,009	-	515,009	509,174

47. FAIR VALUE MEASUREMENTS (CONT'D.)

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

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as disclosed below. (cont'd.)

Bank 31 December 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
Financial assets					
Financial investments at amortised cost	**-**	**161,996**	**-**	**161,996**	**103,162**
Financing of customers	**-**	**9,355,448**	**5,275,625**	**14,631,073**	**15,857,343**
Financial liabilities					
Deposits from customers	**-**	**2,154,452**	**16,800,904**	**18,955,356**	**18,955,006**
Subordinated sukuk	**-**	**254,925**	**-**	**254,925**	**250,532**
Senior sukuk	**-**	**514,285**	**-**	**514,285**	**502,517**
31 March 2019					
Financial assets					
Financial investments at amortised cost	-	132,598	-	132,598	103,310
Financing of customers	-	9,097,526	3,944,085	13,041,611	15,333,281
Financial liabilities					
Deposits from customers	-	2,037,445	17,130,762	19,168,207	18,955,004
Subordinated sukuk	-	255,935	-	255,935	254,025
Senior sukuk	-	515,009	-	515,009	509,174

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47. 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 (2) parties under normal market conditions. However, for certain assets such as financing and deposits, the respective 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 depicted 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's and the Bank's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. The Group and the Bank do not intend to dispose off 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 & Senior sukuk

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for financing with similar risk profiles.

48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group and Bank	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount set off in the statement of financial position RM'000	Net amount presented in the statement of financial position RM'000	Amount not set off in the statement of financial position: Amount related to recognised financial instruments RM'000	Amount not set off in the statement of financial position: Amount related to financial collateral RM'000	Net amount RM'000
31 December 2019						
Derivative assets	**21,859**	**-**	**21,859**	**-**	**-**	**21,859**
Derivative liabilities	**(77,546)**	**-**	**(77,546)**	**-**	**-**	**(77,546)**
31 March 2019						
Derivative assets	24,853	-	24,853	-	-	24,853
Derivative liabilities	(48,162)	-	(48,162)	-	-	(48,162)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The amount not set off in the statement of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set off only in the event of default, insolvency or bankruptcy; and

(ii) cash or securities are received or cash pledged in respect of the transaction described above.

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49. CAPITAL AND OTHER COMMITMENTS

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

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Approved and contracted for	**6,125**	18,424
Approved but not contracted for	**158,187**	96,053
	164,312	114,477

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Approved and contracted for	**6,125**	18,424
Approved but not contracted for	**158,218**	96,163
	164,343	114,587

50. CAPITAL ADEQUACY

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

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Computation of total risk - weighted assets ("RWA")		
Total credit RWA	**13,089,369**	12,560,247
Total market RWA	**35,361**	31,021
Total operational RWA	**1,218,544**	1,190,113
Total RWA	**14,343,274**	13,781,381

50. CAPITAL ADEQUACY (CONT'D.)

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

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Computation of capital ratios		
Tier-I capital		
Share capital	**1,195,000**	1,195,000
Retained profits	**1,193,264**	1,094,766
Other Reserves		
Regulatory reserve	**62,676**	63,585
FVOCI reserve	**18,008**	(1,515)
Foreign exchange translation reserve	**(133)**	(417)
Less: Regulatory Adjustment		
Deferred tax assets	**(25,827)**	(26,607)
Investment property gain	**(5,542)**	(7,460)
Regulatory reserve	**(62,676)**	(63,585)
FVOCI reserve	**(9,905)**	-
Intangible asset (net of deferred tax liabilities)	**(70,244)**	(75,754)
Total Common Equity Tier-I Capital	**2,294,621**	2,178,013
Total Tier-I Capital	**2,294,621**	2,178,013
Tier-II capital		
Subordinated sukuk	**250,532**	254,025
Loss provision and regulatory reserve*	**127,785**	126,918
Add: Investment property gain	**2,494**	3,357
Total Tier-II Capital	**380,811**	384,300
Total Capital Base	**2,675,432**	2,562,313
Ratio (%)		
CET 1 Capital	**15.998%**	15.804%
Tier 1 Capital	**15.998%**	15.804%
Total Capital	**18.653%**	18.593%

* Tier 2 Capital for 2019 comprise collective allowance on non-impaired financing customers and regulatory reserve.

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50. CAPITAL ADEQUACY (CONT'D.)

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

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Computation of total risk - weighted assets ("RWA")		
Total credit RWA	**13,073,524**	12,560,708
Total market RWA	**35,361**	31,021
Total operational RWA	**1,206,121**	1,176,241
Total RWA	**14,315,006**	13,767,970
Computation of capital ratios		
Tier-I capital		
Share capital	**1,195,000**	1,195,000
Retained profits	**1,186,740**	1,087,939
Other Reserves		
Regulatory reserve	**62,676**	63,585
FVOCI reserve	**18,008**	(1,515)
Foreign exchange translation reserve	**(133)**	(417)
Regulatory Adjustment		
Deferred tax assets	**(25,543)**	(26,607)
Investment property gain	**(5,542)**	(7,460)
Regulatory reserve	**(62,676)**	(63,585)
FVOCI reserve	**(9,904)**	-
Investment in subsidiaries	**(13,159)**	(12,559)
Intangible asset (net of deferred tax liabilities)	**(70,134)**	(75,695)
Total Common Equity Tier-I Capital	**2,275,333**	2,158,686
Total Tier-I Capital	**2,275,333**	2,158,686
Tier-II capital		
Subordinated sukuk	**250,532**	254,025
Loss provision and regulatory reserve*	**127,785**	126,918
Add: Investment property gain	**2,494**	3,357
Total Tier-II Capital	**380,811**	384,300
Total Capital Base	**2,656,144**	2,542,986

* Tier 2 Capital for 2019 comprise collective allowance on non-impaired financing customers and regulatory reserve.

50. CAPITAL ADEQUACY (CONT'D.)

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

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Computation of capital ratios (cont'd.)		
Ratio (%)		
CET 1 Capital	**15.895%**	15.679%
Tier 1 Capital	**15.895%**	15.679%
Total Capital	**18.555%**	18.470%

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 (March 2019: 4.5%, 6.0% and 8.0% of total RWA).

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

	Group			
	31 December 2019		31 March 2019	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	**5,902,452**	**-**	6,302,655	-
20%	**1,818,548**	**363,710**	2,093,458	418,692
35%	**3,110,625**	**1,088,719**	2,932,351	1,026,323
50%	**1,195,617**	**597,808**	1,378,176	689,088
75%	**3,175,251**	**2,381,439**	2,954,416	2,215,812
100%	**8,592,299**	**8,592,299**	8,148,106	8,148,106
150%	**43,596**	**65,394**	41,484	62,226
Risk weighted assets for credit risk	**23,838,388**	**13,089,369**	23,850,646	12,560,247

Notes to the Financial Statements

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50. CAPITAL ADEQUACY (CONT'D.)

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

	Group			
	31 December 2019		31 March 2019	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
Risk weighted assets for market risk		**35,361**		31,021
Risk weighted assets for operational risk		**1,218,544**		1,190,113
Total risk weighted assets		**14,343,274**		13,781,381

	Bank			
	31 December 2019		31 March 2019	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	**5,902,452**	**-**	6,302,655	-
20%	**1,818,548**	**363,710**	2,093,458	418,692
35%	**3,110,625**	**1,088,719**	2,932,351	1,026,323
50%	**1,195,617**	**597,808**	1,378,176	689,088
75%	**3,175,251**	**2,381,439**	2,954,416	2,215,812
100%	**8,582,297**	**8,582,297**	8,147,888	8,147,888
150%	**39,701**	**59,551**	41,936	62,905
Risk weighted assets for credit risk	**23,824,491**	**13,073,524**	23,850,880	12,560,708
Risk weighted assets for market risk		**35,361**		31,021
Risk weighted assets for operational risk		**1,206,121**		1,176,241
Total risk weighted assets		**14,315,006**		13,767,970

50. CAPITAL ADEQUACY (CONT'D.)

Capital management

The issuance of subordinated sukuk which qualifies for Tier 2 capital amounting to RM250 million (issued in June 2016), had ensured that the Group's 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 periodic 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 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 have 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 (3) major business segments:

(i) Business banking - this segment comprises the full range of products and services offered to business customers in the region, ranging from large corporates and the public sector and also commercial enterprises. The products and services offered include long-term financing such as project financing, short-term credit (e.g Muamalat Cashline and trade financing), and fee-based services (e.g 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, fixed term 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.

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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 sufficient size to be reported separately.

Group 31 December 2019	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	**229,379**	**512,435**	**198,154**	**17,579**	**957,547**
Total income	**111,076**	**278,333**	**59,181**	**101,125**	**549,715**
(Allowance for)/writeback of impairment on financing	**15,024**	**(36,611)**	**-**	**-**	**(21,587)**
(Allowance for)/writeback of impairment losses on investments	**-**	**-**	**(2,466)**	**(600)**	**(3,066)**
Writeback of/(allowance for) impairment losses on other financial assets, net	**-**	**-**	**(139)**	**1,343**	**1,204**
Other expenses	**-**	**-**	**-**	**(7,329)**	**(7,329)**
Total net income	**126,100**	**241,722**	**56,576**	**94,539**	**518,937**
Total overhead expenses					**(378,624)**
Profit before zakat and taxation					**140,313**
Zakat					**(3,770)**
Taxation					**(37,737)**
Profit for the year					**98,806**
31 March 2019					
Revenue	306,011	657,759	328,309	41,512	1,333,591
Total income	144,223	390,332	83,220	102,580	720,355
Writeback of/(allowance for) impairment on financing	17,680	(11,333)	8	-	6,355
Writeback of/(allowance for) impairment on investments	-	-	1,801	(1,000)	801
Allowance for impairment on other financial assets, net	-	-	(309)	(4,521)	(4,830)
Other expenses	-	-	-	(10,723)	(10,723)
Total net income	161,903	378,999	84,720	86,336	711,958
Total overhead expenses					(470,770)
Profit before zakat and taxation					241,188
Zakat					(6,255)
Taxation					(55,439)
Profit for the year					179,494

51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Bank 31 December 2019	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	**229,379**	**512,435**	**194,692**	**17,579**	**954,085**
Total income	**111,076**	**278,333**	**55,474**	**101,125**	**546,008**
(Allowance for)/writeback of impairment on financing	**15,024**	**(36,611)**	**-**	**-**	**(21,587)**
(Allowance for)/writeback of impairment losses on investments	**-**	**-**	**(2,466)**	**-**	**(2,466)**
Writeback of/(allowance for) impairment losses on other financial assets, net	**-**	**-**	**(139)**	**1,343**	**1,204**
Other expenses	**-**	**-**	**-**	**(7,329)**	**(7,329)**
Total net income	**126,100**	**241,722**	**52,869**	**95,139**	**515,830**
Total overhead expenses					**(376,498)**
Profit before zakat and taxation					**139,332**
Zakat					**(3,706)**
Taxation					**(37,215)**
Profit for the year					**98,411**
31 March 2019					
Revenue	306,011	657,759	326,342	41,512	1,331,624
Total income	144,223	390,332	80,805	102,580	717,940
Writeback of/(allowance for) impairment on financing	17,680	(11,333)	4,930	-	11,277
Writeback of/(allowance for) impairment on investments	-	-	1,801	-	1,801
Allowance for impairment on other financial assets, net	-	-	(309)	(4,521)	(4,830)
Other expenses	-	-	-	(10,723)	(10,723)
Total net income	161,903	378,999	87,227	87,336	715,465
Total overhead expenses					(468,342)
Profit before zakat and taxation					247,123
Zakat					(6,195)
Taxation					(55,253)
Profit for the year					185,675

Notes to the Financial Statements

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52. SHARIAH DISCLOSURES

(a) Shariah governance

Overview

The Group's and the Bank's shariah governance structure are 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.

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 the Group and the Bank and relevant Shariah Authorities ("SA") committees.

This risk is managed through the Shariah Governance Framework ("the Framework"), which is endorsed by the SC and approved by the Board of Directors. 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 Group and the Bank remain consistent with Shariah principles and its requirements, the Bank has established its own internal SC and internal Shariah organisation, which consists of the Shariah Department, Shariah Audit under the Internal Audit Department, Shariah Review and Compliance under the Compliance Department, and Shariah Risk under the Risk Management Department.

Rectification Process of Shariah Non-Compliance Income ("SNCI") and Unidentified Funds

Policy on Management of Shariah Non-Compliance 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 transactions that breaches the governing Shariah principles and requirements as determined by the Group's and 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 relevent Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

52. SHARIAH DISCLOSURES (CONT'D.)

(a) Shariah governance (cont'd.)

(i) Shariah non-compliance income and events

31 December 2019	No. of event	RM
Shariah non-compliance income during the year	**5**	**200**
Monthly Nostro interest received	**3**	**62**

31 March 2019	No. of event	RM
Shariah non-compliance income during the year	-	-
Monthly Nostro interest received	13	286

Any reported SNCI will be utilised to fund charitable activities as guided by SC of the Bank.

(ii) Unidentified fund

During the Group's and the Bank's daily operations, there are certain funds received by the Group and the Bank where the source is not clear or uncertain. These funds are therefore not recognised as income and are retained in the Maslahah Ammah account. The utilisation of the funds follow the similar procedures set for the SNCI funds.

Examples of unidentified funds are cash excess discovered at branch counter and ATMs, and unidentified credit balances.

	31 December 2019 RM'000	31 March 2019 RM'000
At 1 April 2019	**1**	92
Sources of charity funds		
Unidentified credit balances during the year	**711**	55
Uses of charity funds		
Contribution to non-profit organisation	**-**	(146)
Undistributed charity funds as at 31 December 2019	**712**	1

(b) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contract is dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.

Notes to the Financial Statements

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53. SIGNIFICANT AND SUBSEQUENT EVENTS

Subsequent to the financial year ended 31 December 2019, there have been significant uncertainties noted around Malaysia's economic outlook stemming from the novel coronavirus ("COVID-19") pandemic and the sudden drop in global oil prices.

Following this, Bank Negara Malaysia has issued a directive to all financial institutions in the country to implement the automatic granting of a six (6) months moratorium on qualifying financing as a measure to provide short term relief to eligible customers.

As at the date of this report, based on the Group's and the Bank's assessment, there is no significant impact to the 2019 results of the Group and the Bank that warrants a change. The Group and the Bank will continuously monitor and assess any new developments and its impact on the Bank.

Basel II - Pillar 3 Disclosure

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Basel II - Pillar 3 Disclosure

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 December 2019.

Khairul Kamarudin
Chief Executive Officer

PILLAR 3 DISCLOSURE CONTENT

Basel II - Pillar 3 Disclosure

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
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	Institutions Offering Islamic Financial Services
IPRS	Islamic Profit Rate Swap
IRB Approach	Internal Ratings based Approach
MFRS 9	Malaysian Financial Reporting Standards
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 Programme
SU	Support Unit
VaR	Value at Risk

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 ("Bank Muamalat's" or "the Bank's") risk exposures and capital adequacy levels as well as on its capital and risk management practices.

In assessing its capital position, Bank Muamalat 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 December 2019 and should be read in conjunction with Bank Muamalat's audited financial statement for the year ended 31 December 2019.

Basel II - Pillar 3 Disclosure

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on Bank Muamalat 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 Group's and the Bank's 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

Bank Muamalat'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")

Bank Muamalat'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.

Basel II - Pillar 3 Disclosure

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Stress Test

Stress testing is an important tool used in assessing and determining appropriateness of capital levels to ensure its ability to absorb stress events in order to protect the depositors and other stakeholders.

Stress testing is performed to identify early warning signs and potential risk events that may adversely impact the Bank's risk profile. Stress testing is also used to determine the level of capital buffers that are considered adequate to ensure that the Bank does not breach the minimum regulatory ratios under stress scenarios and to formulate appropriate management actions.

The Bank employs two stress test approaches, namely sensitivity and scenario analyses. The stress testing supports management and decision making in the following areas:

i. Assessment of the Bank's material risk profile under stress events and estimate the potential impact and implications to the Bank;
ii. Assessment of capital adequacy in relation to the Bank's risk profile, which is integral to the ICAAP;
iii. Facilitate capital and liquidity contingency planning across a range of stressed conditions and aiding in the development and formulation of appropriate strategies for maintaining required level of capital and management of identified risks; and
iv. Embedded as an integral part of the strategic planning and management process.

The tables below present the capital adequacy ratios of the Group and the Bank.

Table 1: Capital adequacy ratios

	Group		Bank	
	31 December 2019	31 March 2019	31 December 2019	31 March 2019
Core Capital Ratio	**15.998%**	15.804%	**15.895%**	15.679%
Risk-weighted capital ratio	**18.653%**	18.593%	**18.555%**	18.470%

The following table represents the Group's and Bank's capital position as at 31 December 2019. Details on capital instruments, including share capital and reserves are found in Notes 25 to 26 of the financial statements.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Table 2: Capital structure

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Tier-I capital				
Share capital	**1,195,000**	1,195,000	**1,195,000**	1,195,000
Retained profits	**1,193,264**	1,094,765	**1,186,740**	1,087,939
Other Reserves				
Regulatory reserve	**62,676**	63,585	**62,676**	63,585
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	**18,008**	(1,515)	**18,008**	(1,515)
Foreign exchange translation reserve	**(133)**	(417)	**(133)**	(417)
Regulatory Adjustment				
Less: Regulatory reserve	**(62,676)**	(63,585)	**(62,676)**	(63,585)
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	**(9,905)**	-	**(9,904)**	-
Less: Investment property gain	**(5,542)**	(7,460)	**(5,542)**	(7,460)
Less: Deferred tax assets	**(25,827)**	(26,607)	**(25,543)**	(26,607)
Less: Investment in subsidiaries	**-**	-	**(13,159)**	(12,559)
Less: Intangible Asset (net of deferred tax liabilities)	**(70,244)**	(75,753)	**(70,134)**	(75,695)
Total Tier-I Capital	**2,294,621**	2,178,013	**2,275,333**	2,158,686
Tier-II capital				
Subordinated sukuk	**250,532**	254,025	**250,532**	254,025
Collective assessment allowance for non-impaired financing and regulatory reserve	**127,785**	126,918	**127,785**	126,918
Add: Investment property gain	**2,494**	3,357	**2,494**	3,357
Total Tier-II Capital	**380,811**	384,300	**380,811**	384,300
Total Capital	**2,675,432**	2,562,313	**2,656,144**	2,542,986

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 (31 March 2019: 4.5%, 6.0% and 8.0% of total RWA).

Basel II - Pillar 3 Disclosure

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 December 2019		31 March 2019	
	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	**13,089,369**	**1,047,149**	12,560,247	1,004,820
Market Risk	**35,361**	**2,829**	31,021	2,482
Operational Risk	**1,218,544**	**97,484**	1,190,113	95,209
Total	**14,343,274**	**1,147,462**	13,781,381	1,102,510

	31 December 2019		31 March 2019	
	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	**13,073,524**	**1,045,882**	12,560,708	1,004,857
Market Risk	**35,361**	**2,828**	31,021	2,482
Operational Risk	**1,206,121**	**96,490**	1,176,241	94,099
Total	**14,315,006**	**1,145,200**	13,767,970	1,101,438

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 December 2019	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	5,769,660	5,769,660	-	-
Public Sector Entities	254,601	254,434	50,887	4,071
Banks, Development Financial Institution & MDBs	372,996	372,996	104,058	8,325
Corporates	5,894,965	5,794,386	4,607,399	368,592
Regulator Retail	6,296,749	6,295,396	5,517,859	441,429
Residential Real Estate	3,746,935	3,746,935	1,497,600	119,808
Higher Risk Assets	-	-	-	-
Other Assets	333,973	333,972	215,264	17,220
Defaulted Exposures	122,432	122,432	100,978	8,078
	22,792,311	22,690,211	12,094,045	967,523
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,018,330	1,018,330	952,448	76,196
Derivative financial instruments	129,847	129,847	42,876	3,430
	1,148,177	1,148,177	995,324	79,626
Total Credit Exposures	23,940,488	23,838,388	13,089,369	1,047,149

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,597	(1,609)	14,639	1,171
Foreign Currency Risk	33,621	(54,857)	20,722	1,658
Equity Position Risk	-	-	-	-
			35,361	2,829
(iii) Operational Risk (Basic Indicators Approach)			1,218,544	97,484
(iv) Total RWA and Capital Requirements			14,343,274	1,147,462

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

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2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Group 31 March 2019	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	6,171,672	6,171,672	-	-
Public Sector Entities	246,087	245,943	49,189	3,935
Banks, Development Financial Institution & MDBs	302,181	302,181	91,038	7,283
Corporates	5,791,771	5,716,682	4,245,387	339,631
Regulator Retail	6,184,706	6,174,587	5,452,316	436,185
Residential Real Estate	3,676,698	3,676,698	1,488,010	119,041
Higher Risk Assets	-	-	-	-
Other Assets	324,745	324,745	202,763	16,222
Defaulted Exposures	141,053	141,053	124,614	9,969
	22,838,913	22,753,561	11,653,317	932,266
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	947,204	947,204	850,508	68,041
Derivative financial instruments	149,879	149,878	56,422	4,514
	1,097,083	1,097,082	906,930	72,554
Total Credit Exposures	23,935,996	23,850,643	12,560,247	1,004,820

	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,769	(1,815)	11,851	948
Foreign Currency Risk	5,031	(19,170)	19,170	1,534
Equity Position Risk	-	-	-	-
			31,021	2,482
(iii) Operational Risk (Basic Indicators Approach)			1,190,113	95,209
(iv) Total RWA and Capital Requirements			13,781,381	1,102,510

* 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 December 2019	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	5,769,660	5,769,660	-	-
Public Sector Entities	254,601	254,434	50,887	4,071
Banks, Development Financial Institution & MDBs	372,996	372,996	104,058	8,325
Corporates	5,888,645	5,788,066	4,599,131	367,930
Regulator Retail	6,296,749	6,295,396	5,517,859	441,429
Residential Real Estate	3,746,935	3,746,935	1,497,600	119,808
Higher Risk Assets	-	-	-	-
Other Assets	326,396	326,395	207,687	16,613
Defaulted Exposures	122,432	122,432	100,978	8,078
	22,778,414	22,676,314	12,078,200	966,254
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,018,330	1,018,330	952,448	76,196
Derivative financial instruments	129,847	129,847	42,876	3,430
	1,148,177	1,148,177	995,324	79,626
Total Credit Exposures	23,926,591	23,824,491	13,073,524	1,045,880

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,597	(1,609)	14,639	1,171
Foreign Currency Risk	33,621	(54,857)	20,722	1,658
Equity Position Risk	-	-	-	-
			35,361	2,829
(iii) Operational Risk (Basic Indicators Approach)			1,206,121	96,490
(iv) Total RWA and Capital Requirements			14,315,006	1,145,200

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

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2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank 31 March 2019	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	6,171,672	6,171,672	-	-
Public Sector Entities	246,087	245,943	49,189	3,935
Banks, Development Financial Institution & MDBs	302,181	302,181	91,038	7,283
Corporates	5,789,959	5,714,869	4,243,801	339,504
Regulator Retail	6,184,706	6,174,587	5,452,316	436,185
Residential Real Estate	3,676,698	3,676,698	1,488,010	119,041
Higher Risk Assets	-	-	-	-
Other Assets	326,792	326,792	204,810	16,385
Defaulted Exposures	141,053	141,053	124,614	9,969
	22,839,148	22,753,795	11,653,778	932,302
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	947,204	947,204	850,508	68,041
Derivative financial instruments	149,879	149,879	56,422	4,514
	1,097,083	1,097,083	906,931	72,555
Total Credit Exposures	23,936,231	23,850,878	12,560,708	1,004,856

	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,769	(1,815)	11,851	948
Foreign Currency Risk	5,031	(19,170)	19,170	1,534
Equity Position Risk	-	-	-	-
			31,021	2,482
(iii) Operational Risk (Basic Indicators Approach)			1,176,241	94,099
(iv) Total RWA and Capital Requirements			13,767,970	1,101,437

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

3.0 RISK MANAGEMENT

Overview

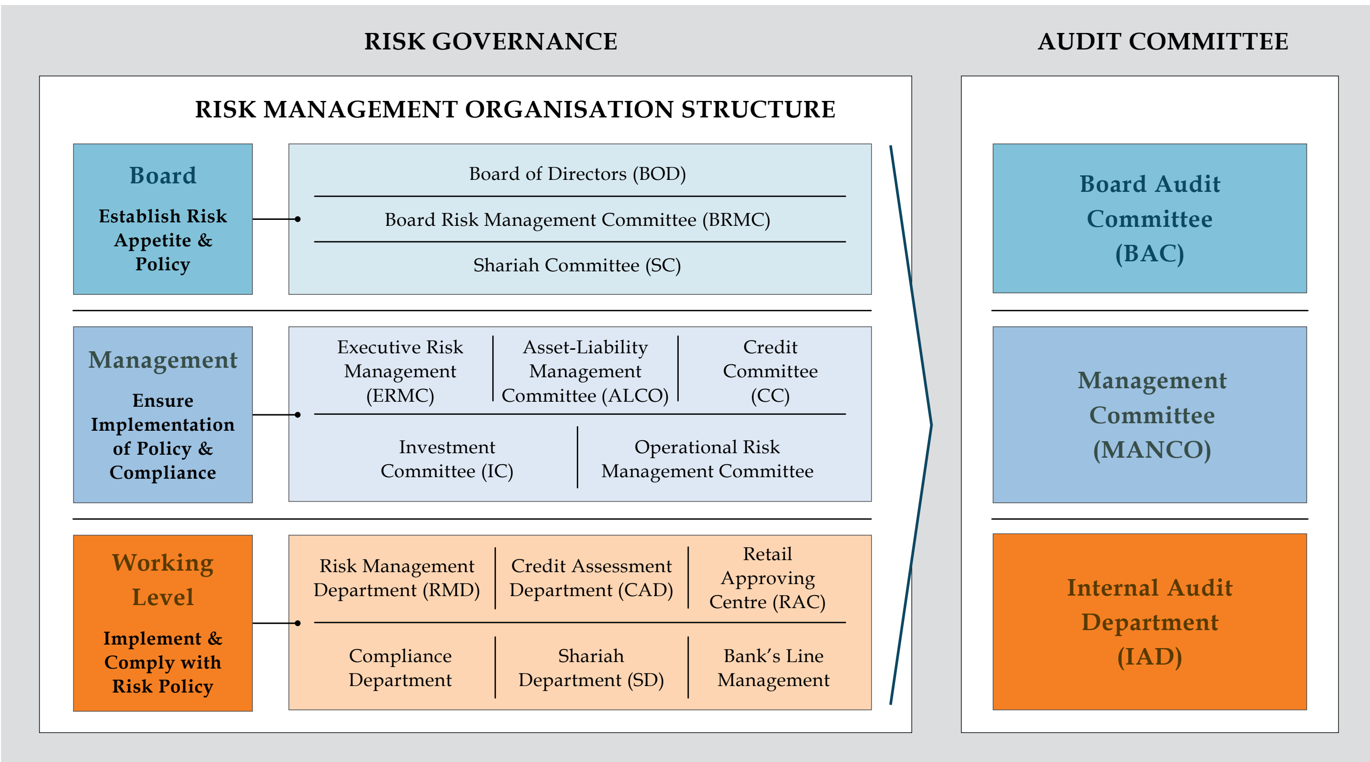
Risk is inherent in every aspect of our business activity and to manage this effectively, Bank Muamalat has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal 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



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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's and the 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 of defense • Perform independent assessment of the risk management 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.

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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 December 2019	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	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	735,234	4,604,824
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	453,074	15,861,238
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	41,670	41,670
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,229,978	22,575,464
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Islamic derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,243,833	29,171,958

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Group 31 March 2019	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	-	830,571	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	11,937	-	-	-	-	-	11,937
Investment accounts due from designated financial institutions	-	-	-	-	-	-	-	-
Financial investments at fair value through profit and loss	336,292	188,478	1,231	-	702	-	134,096	660,799
Financial investments at fair value through other comprehensive income	3,219,953	253,493	465,447	117,246	-	-	879,893	4,936,032
Financial assets at amortised cost	-	-	103,310	-	-	-	-	103,310
Islamic derivative financial assets	-	24,853	-	-	-	-	-	24,853
Financing of customers	977,260	157,529	2,409,672	1,400,791	-	9,872,140	513,503	15,330,895
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	699,275
Other assets	-	-	-	-	-	-	81,625	81,625
	5,232,780	1,466,861	2,979,660	1,518,037	702	9,872,140	1,609,117	22,679,297
Commitments and contingencies								
Contingent liabilities	44,441	93,147	132,596	341,636	23,453	6,541	70,048	711,862
Commitments	219	445,509	463,118	212,101	3,529	50,203	229,233	1,403,912
Derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	44,660	6,234,149	595,714	553,737	26,982	56,744	299,281	7,811,267
Total credit exposures	5,277,440	7,701,010	3,575,374	2,071,774	27,684	9,928,884	1,908,398	30,490,564

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 December 2019	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	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	732,809	4,602,399
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	449,179	15,857,343
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	40,780	40,780
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,222,768	22,568,254
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,236,623	29,164,748

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 March 2019	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	-	830,571	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	11,937	-	-	-	-	-	11,937
Investment accounts due from designated financial instituition	-	-	-	-	-	-	-	-
Financial investments at fair value through profit and loss	336,292	188,478	-	-	-	-	134,096	658,866
Financial investments at fair value through other comprehensive income	3,219,953	253,493	465,447	117,246	-	-	877,628	4,933,767
Financial assets at amortised cost	-	-	103,310	-	-	-	-	103,310
Islamic derivative financial assets	-	24,853	-	-	-	-	-	24,853
Financing of customers	977,260	157,529	2,411,355	1,400,791	-	9,872,140	514,206	15,333,281
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	699,275
Other assets	-	-	-	-	-	-	83,531	83,531
	5,232,780	1,466,861	2,980,112	1,518,037	-	9,872,140	1,609,461	22,679,391
Commitments and contingencies								
Contingent liabilities	44,441	93,147	132,596	341,636	23,453	6,541	70,048	711,862
Commitments	219	445,509	463,118	212,101	3,529	50,203	229,233	1,403,912
Derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	44,660	6,234,149	595,714	553,737	26,982	56,744	299,281	7,811,267
Total credit exposures	5,277,440	7,701,010	3,575,826	2,071,774	26,982	9,928,884	1,908,742	30,490,658

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	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
31 December 2019				
On Balance Sheet Exposures				
Cash and short-term funds	970,240	40,985	970,240	40,985
Cash and placements with financial institutions	53,925	-	53,925	-
Financial investment at fair value through profit and loss	139,684	169,109	139,684	169,109
Financial investments at fair value through other comprehensive income	4,596,572	8,252	4,594,147	8,252
Financial investments amortised cost	103,162	-	103,162	-
Islamic derivative financial assets	21,859	-	21,859	-
Financing of customers	15,861,238	-	15,857,343	-
Statutory deposits with Bank Negara Malaysia	568,768	-	568,768	-
Other assets	41,667	3	40,777	3
	22,357,115	218,349	22,349,905	218,349
Commitments and contingencies				
Contingent liabilities	698,672	-	698,672	-
Commitments	1,657,539	-	1,657,539	-
Derivative financial instruments	4,240,283	-	4,240,283	-
	6,596,494	-	6,596,494	-
Total credit exposures	28,953,609	218,349	28,946,399	218,349

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis (cont'd)

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
31 March 2019				
On Balance Sheet Exposures				
Cash and short-term funds	795,794	34,777	795,794	34,777
Cash and placements with financial institutions	11,937	-	11,937	-
Investment accounts due from designated financial institutions	-	-	-	-
Financial investment at fair value through profit and loss	472,321	188,478	470,388	188,478
Financial investments at fair value through other comprehensive income	4,927,888	8,144	4,925,623	8,144
Financial investments amortised cost	103,310	-	103,310	-
Islamic derivative financial assets	24,853	-	24,853	-
Financing of customers	15,330,895	-	15,333,281	-
Statutory deposits with Bank Negara Malaysia	699,275	-	699,275	-
Other assets	81,622	3	83,528	3
	22,447,895	231,402	22,447,989	231,402
Commitments and contingencies				
Contingent liabilities	711,862	-	711,862	-
Commitments	2,857,115	-	2,857,115	-
Derivative financial instruments	5,695,493	-	5,695,493	-
	9,264,470	-	9,264,470	-
Total credit exposures	31,712,365	231,402	31,712,459	231,402

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures of Financial Assets by Maturity Distribution

Table 10: Credit risk exposures of financial assets by remaining contractual maturity

Group 31 December 2019	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	**1,011,492**	**-**	**-**	**-**	**1,011,492**
Cash and placements with financial institutions	**53,925**	**-**	**-**	**-**	**53,925**
Financial investments at fair value through profit and loss	**56,309**	**112,800**	**139,684**	**-**	**308,793**
Financial investments at fair value through other comprehensive income	**866,862**	**907,482**	**2,528,637**	**301,843**	**4,604,824**
Financial investments amortised cost	**-**	**-**	**-**	**103,162**	**103,162**
Islamic derivative financial assets	**21,859**	**-**	**-**	**-**	**21,859**
Financing of customers	**2,878,082**	**1,560,184**	**5,155,270**	**6,267,702**	**15,861,238**
Statutory deposits with Bank Negara Malaysia				**568,768**	**568,768**
Other assets	**1,381**	**39,689**	**600**	**-**	**41,670**
Total On-Balance Sheet Exposures	**4,889,910**	**2,620,155**	**7,824,191**	**7,241,475**	**22,575,731**
31 March 2019					
On-Balance Sheet Exposures					
Cash and short-term funds	830,571	-	-	-	830,571
Cash and placements with financial institutions	11,937	-	-	-	11,937
Financial investments at fair value through profit and loss	450,687	53,657	151,266	5,189	660,799
Financial investments at fair value through other comprehensive income	207,033	93,468	2,920,420	1,715,111	4,936,032
Financial investments amortised cost	273	441	-	102,596	103,310
Islamic derivative financial assets	24,853	-	-	-	24,853
Financing of customers	2,612,928	1,448,500	4,909,639	6,359,828	15,330,895
Statutory deposits with Bank Negara Malaysia				699,275	699,275
Other assets	-	81,625	-	-	81,625
Total On-Balance Sheet Exposures	4,138,282	1,677,691	7,981,325	8,881,999	22,679,297

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures of Financial Assets by Maturity Distribution (cont'd)

Table 10: Credit Risk Exposures of financial assets by remaining contractual maturity (cont'd)

Bank 31 December 2019	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	**1,011,225**	**-**	**-**	**-**	**1,011,225**
Cash and placements with financial institutions	**53,925**	**-**	**-**	**-**	**53,925**
Financial investments at fair value through profit and loss	**56,309**	**112,800**	**139,684**	**-**	**308,793**
Financial investments at fair value through other comprehensive income	**866,862**	**907,482**	**2,526,212**	**301,843**	**4,602,399**
Financial investments amortised cost	**-**	**-**	**-**	**103,162**	**103,162**
Islamic derivative financial assets	**21,859**	**-**	**-**	**-**	**21,859**
Financing of customers	**2,878,082**	**1,560,184**	**5,155,269**	**6,263,808**	**15,857,343**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**568,768**	**568,768**
Other assets	**1,328**	**38,852**	**600**	**-**	**40,780**
Total On-Balance Sheet Exposures	**4,889,590**	**2,619,318**	**7,821,765**	**7,237,581**	**22,568,254**
31 March 2019					
On-Balance Sheet Exposures					
Cash and short-term funds	830,571	-	-	-	830,571
Cash and placements with financial institutions	11,937	-	-	-	11,937
Investment accounts due from designated financial institutions	-	-	-	-	-
Financial investments at fair value through profit and loss	450,686	53,657	149,334	5,189	658,866
Financial investments at fair value through other comprehensive income	207,033	93,468	2,918,155	1,715,111	4,933,767
Financial investments amortised cost	273	441	-	102,596	103,310
Islamic derivative financial assets	24,853	-	-	-	24,853
Financing of customers	2,612,928	1,448,500	4,909,639	6,362,214	15,333,281
Statutory deposits with Bank Negara Malaysia	-	-	-	699,275	699,275
Other assets	-	83,531	-	-	83,531
Total On-Balance Sheet Exposures	4,138,281	1,679,597	7,977,128	8,884,385	22,679,391

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.

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 MFRS 9 and BNM guidelines.

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Management Approach (cont'd.)

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.

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:

	Neither past due nor impaired				
Group **31 December 2019**	**Good** **RM'000**	**Satisfactory** **RM'000**	**Past due but not impaired** **RM'000**	**Impaired financing** **RM'000**	**Total** **RM'000**
Term financing					
- Home financing	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Leasing receivables	-	-	-	-	-
- Other term financing	6,933,843	37,520	46,147	65,275	7,082,785
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,320,099	265,775	218,039	209,166	16,013,079
Less:					
- Stage 1 – 12 Months ECL	-	-	-	-	(51,342)
- Stage 2 – Lifetime ECL not credit impaired	-	-	-	-	(13,766)
- Stage 3 – Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,320,099	265,775	218,039	122,432	15,861,237

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

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

Group 31 March 2019	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	4,055,671	241,430	140,918	105,797	4,543,816
- Syndicated financing	653,567	-	-	-	653,567
- Hire purchase receivables	552,016	13,805	11,580	4,232	581,633
- Leasing receivables	-	-	-	-	-
- Other term financing	6,601,041	51,929	37,655	69,655	6,760,280
Other financing	2,889,737	14,060	3,556	41,532	2,948,885
	14,752,032	321,224	193,709	221,216	15,488,181
Less:					
- Stage 1 – 12 Months ECL	-	-	-	-	(55,886)
- Stage 2 – Lifetime ECL not credit impaired	-	-	-	-	(7,448)
- Stage 3 – Lifetime ECL credit impaired	-	-	-	(93,952)	(93,952)
Total net financing	14,752,032	321,224	193,709	127,264	15,330,895

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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: (cont'd)

Bank 31 December 2019	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	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Leasing receivables	-	-	-	-	-
- Other term financing	6,929,949	37,520	46,147	65,275	7,078,891
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,316,205	265,775	218,039	209,166	16,009,185
Less:					
- Stage 1 – 12 Months ECL	-	-	-	-	(51,342)
- Stage 2 – Lifetime ECL not credit impaired	-	-	-	-	(13,766)
- Stage 3 – Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,316,205	265,775	218,039	122,432	15,857,343

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

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

	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
Bank	**Good**	**Satisfactory**			
31 March 2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Term financing					
- Home financing	4,055,671	241,430	140,918	105,797	4,543,816
- Syndicated financing	653,567	-	-	-	653,567
- Hire purchase receivables	552,016	13,805	11,580	4,232	581,633
- Leasing receivables	-	-	-	-	-
- Other term financing	6,603,427	51,929	37,655	69,655	6,762,666
Other financing	2,889,737	14,060	3,556	41,532	2,948,885
	14,754,418	321,224	193,709	221,216	15,490,567
Less:					
- Stage 1 – 12 Months ECL	-	-	-	-	(55,886)
- Stage 2 – Lifetime ECL not credit impaired	-	-	-	-	(7,448)
- Stage 3 – Lifetime ECL credit impaired	-	-	-	(93,952)	(93,952)
Total net financing	14,754,418	321,224	193,709	127,264	15,333,281

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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) 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	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
31 December 2019				
Term financing				
- Home financing	-	109,593	48,483	158,076
- Hire purchase receivables	-	5,023	3,891	8,914
- Other term financing	-	32,619	13,528	46,147
Other financing	-	4,522	380	4,902
Total	-	151,757	66,282	218,039

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

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

(ii) Past due but not impaired (cont'd)

Table 13: Past due but not impaired (cont'd)

Group and Bank	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
31 March 2019				
Term financing				
- Home financing	-	95,261	45,657	140,918
- Hire purchase receivables	-	7,612	3,968	11,580
- Other term financing	-	23,089	14,566	37,655
Other financing	-	2,696	860	3,556
Total	-	128,658	65,051	193,709

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

Group and Bank	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of transport vehicles	**8,914**	11,580
Purchase of landed properties of which:		
– residential	**156,458**	141,093
– non-residential	**11,983**	12,882
Purchase of fixed assets (excluding landed properties)	**-**	-
Personal use	**28,035**	25,350
Working capital	**4,248**	2,515
Other purpose	**8,401**	289
	218,039	193,709

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	31 December 2019 RM'000	31 March 2019 RM'000
Domestic	**218,039**	193,709
Labuan Offshore	**-**	-
	218,039	193,709

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

(iii) Impaired financing

A financing of customer is considered past due when any payment (whether principal and/or profit) due under the contractual terms are received late or missed.

Financing and advances are classified as credit-impaired when they fulfil any of the following criteria:

(a) principal or profit or both are past due for ninety (90) days or more; or
(b) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or
(c) where a financing is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the financing exhibits indications of significant credit weaknesses; or
(d) where a financing has been classified as rescheduled and restructured (''R&R"), the financing will be classified as credit-impaired until payments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months; or
(e) for payments scheduled on intervals of ninety (90) days or more, as soon as default occurs.

In addition, financing that is considered individually significant, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a financing is credit-impaired.

The financial effects of the adoption of MFRS 9 in relation to other areas on the Group's and the Bank's financial statements are disclosed in Note 2.4.

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 December 2019						
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 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	-	323	323
Purchase of transport vehicles	2,450	14	(14)	-	-	3,342	3,342
Purchase of landed properties of which:							
– residential	110,154	9,479	(885)	-	8,594	40,445	49,039
– non-residential	33,638	2,306	104	-	2,409	3,254	5,664
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	217	217
Personal use	33,883	448	166	-	614	58,069	58,683
Construction	-	-	-	-	-	1,626	1,626
Working capital	28,007	13,298	1,819	-	15,118	16,666	31,784
Other purpose	1,034	-	-	-	-	1,164	1,164
	209,166	25,545	1,190	-	26,735	125,106	151,842

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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 2019								
Group	Impaired Financing RM'000	Individual Assessment Allowance, at 1 April as previously stated RM'000	Effect of adopting MFRS 9 RM'000	Individual Assessment Allowance, at 1 April as restated 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	-	-	-	-	-	-	-	372	372
Purchase of transport vehicles	4,232	3,782	286	3,496	(1,569)	1,912	14	4,579	4,593
Purchase of landed properties of which:	-								
– residential	104,734	-	(4,448)	4,448	5,031	-	9,479	40,063	49,542
– non-residential	30,037	-	(826)	826	1,480	-	2,306	3,191	5,497
Purchase of fixed assets (excluding landed properties)	-	42	42	-	-	-	-	328	328
Personal use	50,088	(548)	(572)	24	424	-	448	68,879	69,327
Construction	-	22	(16,346)	16,368	(1,792)	14,576	-	1,756	1,756
Working capital	31,154	11,341	(54,943)	66,284	(2,770)	50,216	13,298	11,383	24,681
Other purpose	973	2,292	652	1,640	(1,235)	404	-	1,192	1,192
	221,216	16,931	(76,155)	93,086	(431)	67,110	25,545	131,741	157,286

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Bank	31 December 2019						
	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 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	-	323	323
Purchase of transport vehicles	2,450	14	(14)	-	-	3,342	3,342
Purchase of landed properties of which:							
– residential	110,154	9,479	(885)	-	8,594	40,445	49,039
– non-residential	33,638	2,306	104	-	2,409	3,254	5,664
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	217	217
Personal use	33,883	448	166	-	614	58,069	58,683
Construction	-	-	-	-	-	1,626	1,626
Working capital	28,007	13,298	1,820	-	15,118	16,666	31,784
Other purpose	1,034	-	-	-	-	1,165	1,165
	209,166	25,545	1,190	-	26,735	125,107	151,842

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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 2019								
Bank	Impaired Financing RM'000	Individual Assessment Allowance, at 1 April as previously stated RM'000	Effect of adopting MFRS 9 RM'000	Individual Assessment Allowance, at 1 April as restated 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	-	-	-	-	-	-	-	372	372
Purchase of transport vehicles	4,232	3,782	286	3,496	(1,569)	1,912	14	4,579	4,593
Purchase of landed properties of which:									
– residential	104,734	-	(4,448)	4,448	5,031	-	9,479	40,063	49,542
– non-residential	30,037	-	(826)	826	1,480	-	2,306	3,191	5,497
Purchase of fixed assets (excluding landed properties)	-	42	42	-	-	-	-	328	328
Personal use	50,088	(548)	(572)	24	424	-	448	68,879	69,327
Construction	-	23	(16,345)	16,368	(1,792)	14,576	-	1,756	1,756
Working capital	31,154	16,274	(50,010)	66,284	(2,770)	50,216	13,298	11,383	24,681
Other purpose	973	2,291	651	1,640	(1,235)	406	-	1,192	1,191
	221,216	21,864	(71,222)	93,086	(431)	67,110	25,545	131,741	157,286

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 December 2019						
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 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Domestic	**209,166**	**-**	**1,190**	**-**	**26,735**	**125,107**	**151,842**
Labuan offshore	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	209,166	**-**	**1,190**	**-**	**26,735**	**125,107**	**151,842**

	31 March 2019						
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
Domestic	221,216	93,086	(431)	67,110	25,545	131,741	157,286
Labuan offshore	-	-	-	-	-	-	-
	221,216	93,086	(431)	67,110	25,545	131,741	157,286

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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 December 2019						
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 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Domestic	**209,166**	**-**	**1,190**	**-**	**26,735**	**125,107**	**151,842**
Labuan offshore	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	209,166	**-**	**1,190**	**-**	**26,735**	**125,107**	**151,842**

	31 March 2019						
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
Domestic	221,216	93,086	(431)	67,110	25,545	131,741	157,286
Labuan offshore	-	-	-	-	-	-	-
	221,216	93,086	(431)	67,110	25,545	131,741	157,286

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 88.1 and 88.1% respectively as at 31 December 2019 (The Group and the Bank are at 96.6% and 96.6% respectively as at 31 March 2019). The financial effect of collateral held for other financial assets is not significant.

As at 31 December 2019, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM41,210,434 as compared against 31 March 2019 total amount of RM50,738,280. 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's repossessed by the Bank 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 do not occupy repossessed properties for its own business use.

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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

	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
Group											
31 December 2019											
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	5,783,743	-	-	-	-	-	-	-	-	-	5,783,743
Public Sector Entities	-	-	-	-	-	-	-	-	266,451	-	266,451
Banks, Development Financial Institutions & MDBs	40,946	-	55,272	-	98,196	-	-	107,836	178,581	9	480,840
Corporates	1,544,963	5,187	130,374	58,109	380,785	103,162	-	214,136	4,431,898	1,392	6,870,006
Regulatory Retail	-	-	-	-	-	-	-	-	6,392,378	-	6,392,378
Residential Mortgages	-	-	-	-	-	-	-	-	3,820,671	-	3,820,671
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	326,399	-	326,399
Total	7,369,652	5,187	185,646	58,109	478,981	103,162	-	321,972	15,416,378	1,401	23,940,488

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	Rating by Approved ECAIS 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
Group											
31 March 2019											
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	6,180,670	-	-	-	-	-	-	-	-	-	6,180,670
Public Sector Entities	-	-	-	-	-	-	-	-	255,707	-	255,707
Banks, Development Financial Institutions & MDBs	45,331	-	15,157	-	102,007	-	-	115,989	139,686	359	418,529
Corporates	1,986,326	40,095	188,252	75,751	315,416	354,261	3,343	26,903	3,732,276	757	6,723,380
Regulatory Retail	-	-	-	-	-	-	-	-	6,299,084	-	6,299,084
Residential Mortgages	-	-	-	-	-	-	-	-	3,731,834	-	3,731,834
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	326,791	-	326,791
Total	8,212,327	40,095	203,409	75,751	417,423	354,261	3,343	142,892	14,485,378	1,116	23,935,996

Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	Rating by Approved ECAIS 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
Bank											
31 December 2019											
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	**5,783,743**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,783,743**
Public Sector Entities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**266,451**	**-**	**266,451**
Banks, Development Financial Institutions & MDBs	**40,946**	**-**	**55,272**	**-**	**98,196**	**-**	**-**	**107,836**	**178,581**	**9**	**480,840**
Corporates	**1,544,963**	**5,187**	**130,374**	**58,109**	**380,785**	**103,162**	**-**	**214,136**	**4,418,001**	**1,392**	**6,856,109**
Regulatory Retail	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,392,378**	**-**	**6,392,378**
Residential Mortgages	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,820,671**	**-**	**3,820,671**
Higher Risk Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**326,399**	**-**	**326,399**
Total	**7,369,652**	**5,187**	**185,646**	**58,109**	**478,981**	**103,162**	**-**	**321,972**	**15,402,481**	**1,401**	**23,926,591**

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5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

					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
Bank											
31 March 2019											
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	6,180,670	-	-	-	-	-	-	-	-	-	6,180,670
Public Sector Entities	-	-	-	-	-	-	-	-	255,707	-	255,707
Banks, Development Financial Institutions & MDBs	45,331	-	15,157	-	102,007	-	-	115,989	139,686	359	418,529
Corporates	1,986,326	40,095	188,252	75,751	315,416	354,261	3,343	26,903	3,732,511	757	6,723,615
Regulatory Retail	-	-	-	-	-	-	-	-	6,299,084	-	6,299,084
Residential Mortgages	-	-	-	-	-	-	-	-	3,731,834	-	3,731,834
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	326,792	-	326,792
Total	8,212,327	40,095	203,409	75,751	417,423	354,261	3,343	142,892	14,485,614	1,116	23,936,231

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

		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
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Bank						
On and Off Balance-Sheet Exposures						
Credit Exposures (Using Corporate Risk Weights)						
31 December 2019						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		**-**	**-**	**-**	**-**	**266,451**
Insurance Companies, Securities Firms & Fund Managers		**-**	**-**	**-**	**-**	**-**
Corporates		**1,952,769**	**380,785**	**103,162**	**0**	**4,419,393**
Total		**1,952,769**	**380,785**	**103,162**	**0**	**4,685,844**
31 March 2019						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	255,707
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		2,317,327	315,416	354,261	3,343	3,733,268
Total		2,317,327	315,416	354,261	3,343	3,988,975

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5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

	Short term Ratings of Banking Institutions and Corporate by Approved 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
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Bank						
On and Off Balance-Sheet Exposures						
31 December 2019						
Banks, MDBs and FDIs		**107,836**	**-**	**-**	**-**	**-**
Credit Exposures (using Corporate Risk Weights)						
Corporates						
Total		**107,836**	**-**	**-**	**-**	**-**
31 March 2019						
Banks, MDBs and FDIs		115,989	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates		-	-	-	-	-
Total		115,989	-	-	-	-

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

	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
	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
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Bank							
31 December 2019							
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		5,783,743	-	-	-	-	-
Total		5,783,743	-	-	-	-	-
31 March 2019							
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		-	-	-	-	-	-
Total		-	-	-	-	-	-

	Ratings of Banking Institutions 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
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Group and Bank							
31 December 2019							
Banks, MDBs and FDIs	**96,219**	**98,196**	-	-	-	-	**178,590**
Total	**96,219**	**98,196**	-	-	-	-	**178,590**
Group and Bank							
31 March 2019							
Banks, MDBs and FDIs	60,487	102,007	-	-	-	-	140,046
Total	60,487	102,007	-	-	-	-	140,046

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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

Group 31 December 2019	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
Risk-Weights											
0%	5,783,743	-	-	-	-	-	-	-	118,709	5,902,452	-
20%	-	266,284	382,644	1,169,620	-	-	-	-	-	1,818,548	363,710
35%	-	-	-	-	-	3,110,625	-	-	-	3,110,625	1,088,719
50%	-	-	98,196	581,703	2,667	513,050	-	-	-	1,195,616	597,808
75%	-	-	-	-	3,163,608	11,643	-	-	-	3,175,251	2,381,439
100%	-	-	-	4,977,361	3,214,321	185,353	-	-	215,264	8,592,299	8,592,299
150%	-	-	-	33,167	10,430	-	-	-	-	43,597	65,394
Total	5,783,743	266,284	480,840	6,761,851	6,391,026	3,820,671	-	-	333,973	23,838,388	13,089,369

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)

Group 31 March 2019	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
Risk-Weights											
0%	6,180,670	-	-	-	-	-	-	-	121,984	6,302,655	-
20%	-	255,563	316,522	1,521,373	-	-	-	-	-	2,093,458	418,692
35%	-	-	-	-	-	2,932,351	-	-	-	2,932,351	1,026,323
50%	-	-	102,007	659,027	8,979	608,162	-	-	-	1,378,176	689,088
75%	-	-	-	-	2,941,123	13,292	-	-	-	2,954,416	2,215,812
100%	-	-	-	4,428,453	3,338,864	178,029	-	-	202,758	8,148,105	8,148,106
150%	-	-	-	41,484	-	-	-	-	-	41,484	62,226
Total	6,180,670	255,563	418,529	6,650,337	6,288,966	3,731,834	-	-	324,743	23,850,643	12,560,247

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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

Bank	Exposures after Netting and Credit Risk Mitigation										
31 December 2019	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%	5,783,743	-	-	-	-	-	-	-	118,709	5,902,452	-
20%	-	266,284	382,644	1,169,620	-	-	-	-	-	1,818,548	363,710
35%	-	-	-	-	-	3,110,625	-	-	-	3,110,625	1,088,719
50%	-	-	98,196	581,703	2,667	513,050	-	-	-	1,195,616	597,808
75%	-	-	-	-	3,163,608	11,643	-	-	-	3,175,251	2,381,439
100%	-	-	-	4,974,936	3,214,321	185,353	-	-	207,688	8,582,298	8,582,297
150%	-	-	-	29,271	10,430	-	-	-	-	39,701	59,551
Total	5,783,743	266,284	480,840	6,755,530	6,391,026	3,820,671	-	-	326,397	23,824,491	13,073,524

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)

Bank 31 March 2019	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
Risk-Weights											
0%	6,180,670	-	-	-	-	-	-	-	121,984	6,302,655	-
20%	-	255,563	316,522	1,521,373	-	-	-	-	-	2,093,458	418,692
35%	-	-	-	-	-	2,932,351	-	-	-	2,932,351	1,026,323
50%	-	-	102,007	659,027	8,979	608,162	-	-	-	1,378,176	689,088
75%	-	-	-	-	2,941,123	13,292	-	-	-	2,954,416	2,215,812
100%	-	-	-	4,426,188	3,338,863	178,029	-	-	204,806	8,147,886	8,147,888
150%	-	-	-	41,937	-	-	-	-	-	41,937	62,905
Total	6,180,670	255,563	418,529	6,648,525	6,288,965	3,731,834	-	-	326,790	23,850,878	12,560,708

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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 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 utilises 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 do 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 December 2019	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	5,769,660	-	5,769,660
Public Sector Entities	254,601	167	254,434
Banks, Development Financial Institution & MDBs	372,996	-	372,996
Corporates	5,894,965	100,581	5,794,384
Regulatory Retail	6,296,749	1,352	6,295,397
Residential Real Estate	3,746,935	-	3,746,935
Higher Risk Assets	-	-	-
Other Assets	333,973	-	333,973
Defaulted Exposure	122,432	-	122,432
	22,792,311	102,100	22,690,211
(b) Off-Balance Sheet Exposures			
Credit-related Off-balance Sheet Exposure	1,018,330	-	1,018,330
Derivative Financial Instruments	129,847	-	129,847
	1,148,177	-	1,148,177
Total Credit Exposures	23,940,488	102,100	23,838,388

* 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 2019	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	6,171,672	-	6,171,672
Public Sector Entities	246,087	144	245,943
Banks, Development Financial Institution & MDBs	302,181	-	302,181
Corporates	5,791,771	75,090	5,716,681
Regulatory Retail	6,184,706	10,119	6,174,587
Residential Real Estate	3,676,698	-	3,676,698
Higher Risk Assets	-	-	-
Other Assets	324,745	-	324,745
Defaulted Exposure	141,053	-	141,053
	22,838,912	85,353	22,753,560
(b) Off-Balance Sheet Exposures			
Credit-related Off-balance Sheet Exposure	947,204	-	947,204
Derivative Financial Instruments	149,879	-	149,879
	1,097,083	-	1,097,083
Total Credit Exposures	23,935,995	85,353	23,850,643

* After netting and credit risk mitigation

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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 December 2019	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	5,769,660	-	5,769,660
Public Sector Entities	254,601	167	254,434
Banks, Development Financial Institution & MDBs	372,996	-	372,996
Corporates	5,888,645	100,581	5,788,064
Regulatory Retail	6,296,749	1,352	6,295,397
Residential Real Estate	3,746,935	-	3,746,935
Higher Risk Assets	-	-	-
Other Assets	326,396	-	326,396
Defaulted Exposure	122,432	-	122,432
	22,778,414	102,100	22,676,314
(b) Off-Balance Sheet Exposures			
Credit-related Off-balance Sheet Exposure	1,018,330	-	1,018,330
Derivative Financial Instruments	129,847	-	129,847
	1,148,177	-	1,148,177
Total Credit Exposures	23,926,591	102,100	23,824,491

* 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 2019	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	6,171,672	-	6,171,672
Public Sector Entities	246,087	144	245,943
Banks, Development Financial Institution & MDBs	302,181	-	302,181
Corporates	5,789,959	75,090	5,714,869
Regulatory Retail	6,184,706	10,119	6,174,587
Residential Real Estate	3,676,698	-	3,676,698
Higher Risk Assets	-	-	-
Other Assets	326,792	-	326,792
Defaulted Exposure	141,053	-	141,053
	22,839,147	85,353	22,753,795
(b) Off-Balance Sheet Exposures			
Credit-related Off-balance Sheet Exposure	947,204	-	947,204
Derivative Financial Instruments	149,879	-	149,879
	1,097,083	-	1,097,083
Total Credit Exposures	23,936,230	85,353	23,850,878

* After netting and credit risk mitigation

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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 December 2019			31 March 2019		
The commitments and contigencies 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	**231,450**	**231,450**	**205,352**	203,424	203,424	169,198
Trade-related contingencies	**38,679**	**7,736**	**1,494**	83,279	16,656	7,763
Transaction related contingencies	**428,543**	**214,272**	**201,091**	425,159	212,580	199,194
Commitments						
Credit extension commitment:						
- Maturity within one year	**879,658**	**175,932**	**171,477**	624,707	124,941	123,594
- Maturity exceeding one year	**777,881**	**388,941**	**373,034**	779,205	389,603	350,760
Islamic derivative financial instruments						
Foreign exchange related contracts	**2,965,283**	**58,660**	**28,638**	3,545,493	63,942	39,235
- Maturity within one year	**2,965,283**	**58,660**	**28,638**	3,545,493	63,942	39,235
- Maturity exceeding one year	**-**	**-**	**-**	-	-	-
Profit rate related contract	**1,275,000**	**71,188**	**14,238**	2,150,000	85,938	17,188
- Maturity within one year	**75,000**	**188**	**38**	875,000	2,188	438
- Maturity exceeding one year	**1,200,000**	**71,000**	**14,200**	1,275,000	83,750	16,750
Total off-balance sheet exposures	**6,596,494**	**1,148,179**	**995,324**	7,811,267	1,097,084	906,932

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.

Table 20: Islamic derivative financial assets/(liabilities)

	31 December 2019			31 March 2019		
	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	**1,294,988**	**2,784**	**(19,088)**	1,322,983	13,765	(7,963)
- Currency swaps						
Less than one year	**1,642,880**	**19,064**	**(4,299)**	1,858,525	8,835	(12,946)
- Currency spot						
Less than one year	**27,415**	**11**	**(66)**	363,985	2,253	(708)
- Dual currency investment option	**-**	**-**	**-**	-	-	-
	2,965,283	**21,859**	**(23,453)**	3,545,493	24,853	(21,617)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	**75,000**	**-**	**(916)**	950,000	-	(2,123)
Hedged IPRS	**1,200,000**	**-**	**(53,178)**	1,200,000	-	(24,422)
Total	**4,240,283**	**21,859**	**(77,547)**	5,695,493	24,853	(48,162)

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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:

Table 20: Islamic derivative financial assets/(liabilities)

	31 December 2019			31 March 2019		
	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
IPRS	**1,200,000**	**-**	**(53,178)**	1,200,000	-	(24,422)

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 nine-month period ended 31 December 2019, the Group and the Bank:

(i) Recognised a net loss of RM28,755,380 (31 March 2019: net loss of RM22,110,559) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM31,261,694 (31 March 2019: net gain of RM33,297,224); and
(ii) There is no recorded gain from derecognition of fair value of hedged items attributable to hedged risk (31 March 2019: RM2,101,533) as a result of 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 the Bank's strategic, business plan and risk appetite.

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 31 December 2019 were:

- Embark on the enhancement of Fund Transfer Pricing ("FTP") Framework as a mechanism for distributing revenue between profit centres and to improve profitability through improved pricing;
- 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 and Banking Book Policy Statement ("TBPS").

The Bank defines and segregates its trading and banking book positions as outlined under the TBPS. The policy covers the definition of trading and banking book for financial instruments, classification, performance, limit monitoring, position valuation and hedging requirements.

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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 MFRS 9 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	Long Position RM' 000	Short Position RM' 000	Risk Weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
31 December 2019				
Benchmark Rate Risk	**1,597**	**(1,609)**	**14,639**	**1,171**
Foreign Currency Risk	**33,621**	**(54,857)**	**20,722**	**1,658**
Total	**35,218**	**(56,466)**	**35,361**	**2,829**

Group and Bank	Long Position RM' 000	Short Position RM' 000	Risk Weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
31 March 2019				
Benchmark Rate Risk	1,769	(1,815)	11,851	948
Foreign Currency Risk	5,031	(19,170)	19,170	1,534
Total	6,800	(20,985)	31,021	2,482

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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 BNM's prior 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	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/(Losses) RM'000
31 December 2019			
Publicly Traded			
Investment in Unit Trust Funds	**-**	**-**	**-**
Investment in Quoted Shares	**104,077**	**104,077**	**(28,216)**
Total	**104,077**	**104,077**	**(28,216)**
Cumulative realised gains arising from sales and liquidations in the reporting period			**1,051**

Group and Bank	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/(Losses) RM'000
31 March 2019			
Publicly Traded			
Investment in Unit Trust Funds	-	-	-
Investment in Quoted Shares	102,007	102,007	(28,181)
Total	102,007	102,007	(28,181)
Cumulative realised gains arising from sales and liquidations in the reporting period			2,332

8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK ("RORBB")

Rate of Return Risk ("RoR") Management

Rate of return risk refers to the variability of the Bank's assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. The Bank actively manages the following risks:

Table 23: Rate of return risks

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

Rate of Return Risk Measurement

The Bank measures various parallel rate shocks scenarios (up to 100 basis points as per Basel II recommendations) and its impact on earnings and equities by assessing key assumptions which incorporates the Bank's balance sheet profile, business strategies, economic outlook and behavioural analysis of non-maturity deposits. Among the various analyses that are carried out are:

1. Earning at Risk ("EaR")

The focus of this analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Bank by undermining its capital adequacy and reducing market confidence.

2. Economic Value of Equity ("EVE")

Economic value of a bank can be viewed as the present value of the Bank's expected net repricing balance weighted by duration, which can be defined as the expected repricing balance on assets minus the expected repricing balance on liabilities plus the expected net repricing balance on off-balance-sheet position. The sensitivity of a bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

3. Value at Risk ("VaR")

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

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.

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8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK ("RORBB") (CONT'D)

Rate of Return Risk Measurement (cont'd)

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.

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	**-50 Basis Points RM'000**	**+50 Basis Points RM'000**	**-50 Basis Points RM'000**	**+50 Basis Points RM'000**
Impact on Earnings:				
31 December 2019				
MYR	**(8,360)**	**8,360**	**(8,360)**	**8,360**
USD	**1,587**	**(1,587)**	**1,587**	**(1,587)**
Others*	**37**	**(37)**	**37**	**(37)**
31 March 2019				
MYR	(6,539)	6,539	(6,539)	6,539
USD	2,471	(2,471)	2,471	(2,471)
Others*	21	(21)	21	(21)
Impact on Equity:				
31 December 2019				
MYR	**(51,189)**	**51,189**	**(51,189)**	**51,189**
USD	**376**	**(376)**	**376**	**(376)**
Others*	**36**	**(36)**	**36**	**(36)**
31 March 2019				
MYR	(93,701)	93,701	(91,728)	91,728
USD	288	(288)	288	(288)
Others*	4	(4)	4	(4)

* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

8.4 LIQUIDITY RISK

Liquidity and Funding Risk

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

In view of this, it is the Bank's priority to manage and maintain a stable source of financial resources towards fulfilling the above expectation. The Bank, through active balance sheet management, ensures that sufficient cash and liquid assets availability are in place to meet the short and long term obligations as they fall due.

Generally, liquidity risk can be divided into two types, which are:

- **Funding Liquidity Risk**

  Refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost.

- **Market Liquidity Risk**

  Refers to the Bank's potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

As stated in the policy, the Bank's liquidity risk magnitude segregated into the following:

Table 25: Liquidity risk indicators

Magnitude	Indicators
Low	Earnings and capital exposure from the liquidity risk profile is negligible.
Moderate	Earnings or capital exposure from the liquidity risk profile is manageable.
High	Funding sources and liability structure suggest current or potential difficulty in maintaining long-term and cost-effective liquidity.

The Bank monitors the maturity profile of its assets and liabilities so that adequate liquidity is maintained at all times. The Bank's ability to maintain a stable liquidity profile relies primarily on its ability to grow and retain its customer deposit base. The Bank's marketing strategy is therefore focused on ensuring a balanced mix of deposits, hence, reducing concentration or over-reliance on a specific source of deposit or funding.

Stability of the deposit base minimizes the Bank's dependency on volatile short-term deposits. Considering the effective maturities of deposits based on retention history (behavioral method/ analysis) and availability of liquid investments, the Bank is able to ensure sufficient liquidity.

The Asset & Liability Working Committee (ALCO) meets on a monthly basis to review the Bank's liquidity gap profile and deliberates on appropriate strategies to manage and mitigate the risk exposure. In addition, liquidity stress test is periodically conducted to address strategic issues concerning liquidity risk.

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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 three levels as follows:

Contigency Level	Trigger/Status
Level 1	Abnormal event that interrupts normal business operations at a minimal level.
Level 2	Disruption event tantamount or escalates into a crisis e.g. massive or continuous withdrawal of deposits in a particular branch or area, difficulties in borrowing from interbank market.
Level 3	Critically threatens the operations, staffs, shareholders' value, stakeholders, brand, reputation of which a crisis management is necessary to be put in place.

The Bank's Liquidity Crisis Management is outlined in the Liquidity Crisis Contigency Plan ("LCCP") Policy. 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. The Bank has implemented minimum levels to ensure the LCR and NSFR levels are maintained in compliance with minimum threshold and timelines on implementation are as below:

Ratio	Minimum Level	Full Implemetation – Effective Date
LCR	100%	1st January 2019
Moderate	100%	1st July 2019

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 December 2019	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	981,202	30,290	-	-	-	-	-	1,011,492
Cash and placements with financial institutions	-	-	53,925	-	-	-	-	53,925
Financial investments at fair value through profit and loss	-	-	-	56,309	112,800	139,684	-	308,793
Financial investments at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,528,637	301,843	4,604,824
Financial investments at amortised cost	-	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	5,155,270	6,267,703	15,861,239
Other assets	-	1,381	-	-	39,688	62,256	760,459	863,784
TOTAL ASSETS	1,030,586	672,491	1,363,318	1,823,515	2,620,154	7,885,847	7,433,167	22,829,078
LIABILITIES AND EQUITY								
Deposits from customers	8,217,263	4,214,031	3,520,052	1,396,715	1,499,877	51,927	40,687	18,940,552
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	-	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	10,279	42,898	77,546
Other liabilities	-	15,122	2,577	2,564	52,997	41,209	-	114,469
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	459,633	-	459,633
Subordinated sukuk	-	-	-	637	-	249,895	-	250,532
Senior sukuk	-	-	-	2,765	-	499,752	-	502,517
Total Liabilities	8,218,800	4,237,655	3,533,321	1,414,293	1,554,807	1,317,535	83,585	20,359,996
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,468,815	2,468,815
NET MATURITY MISMATCH	(7,188,214)	(3,565,164)	(2,170,003)	409,222	1,065,347	6,568,312	4,880,767	267
Commitments and contingencies								
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	520,220	802	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	126,883	92,103	1,657,539
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	500,000	700,000	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,147,103	792,904	6,596,494

Basel II - Pillar 3 Disclosure

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 2019	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	772,807	57,764	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	-	11,937	-	-	-	-	11,937
Financial investments at fair value through profit and loss	39,985	196,694	182,161	31,847	53,657	151,266	5,189	660,799
Financial investments at fair value through other comprehensive income	3,343	10,188	82,776	110,726	93,468	2,920,420	1,715,111	4,936,032
Financial investments at amortised cost	-	-	273	-	441	-	102,596	103,310
Islamic derivative financial assets	4,020	10,293	8,480	2,060	-	-	-	24,853
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	4,909,639	6,359,828	15,330,895
Other assets	-	1,922	-	-	79,102	18,343	887,846	987,213
TOTAL ASSETS	893,108	852,872	1,228,011	1,166,213	1,675,168	7,999,668	9,070,570	22,885,610
LIABILITIES AND EQUITY								
Deposits from customers	7,563,601	4,626,866	2,385,657	1,931,167	2,323,382	279,829	33,617	19,144,119
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,310	-	6,747
Bills and acceptances payable	-	-	15,678	-	-	-	-	15,678
Islamic derivative financial liabilities	2,301	9,792	7,675	2,393	1,579	5,308	19,114	48,162
Other liabilities	-	27,552	-	-	57,568	-	65	85,185
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	471,102	-	471,102
Subordinated sukuk	-	-	-	4,183	-	249,842	-	254,025
Senior sukuk	-	-	-	9,519	-	499,655	-	509,174
Total Liabilities	7,565,902	4,664,210	2,409,045	1,947,278	2,382,915	1,512,046	52,796	20,534,192
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,351,418	2,351,418
NET MATURITY MISMATCH	(6,672,794)	(3,811,338)	(1,181,034)	(781,065)	(707,747)	6,487,622	6,666,356	-
Commitments and contingencies								
Contingent liabilities	12,249	55,909	15,210	29,644	130,694	466,527	1,630	711,863
Commitments	63,430	113,633	181,356	54,568	484,306	1,589,287	370,535	2,857,115
Islamic derivative financial instruments	833,563	1,015,362	798,705	1,397,864	375,000	575,000	700,000	5,695,493
Total commitments and contingencies	909,242	1,184,904	995,270	1,482,075	990,000	2,630,814	1,072,164	9,264,471

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 December 2019	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	980,935	30,290	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	-	53,925	-	-	-	-	53,925
Financial investments designated at fair value through profit and loss	-	-	-	56,309	112,800	139,684	-	308,793
Financial investments at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,526,212	301,843	4,602,399
Financial investments at amortised cost	-	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	5,155,269	6,263,808	15,857,343
Other assets	(53)	1,381	-	-	38,851	55,317	773,481	868,977
TOTAL ASSETS	1,030,266	672,491	1,363,318	1,823,515	2,619,317	7,876,482	7,442,294	22,827,683
LIABILITIES AND EQUITY								
Deposits from customers	8,224,917	4,220,831	3,520,052	1,396,715	1,499,877	51,927	40,687	18,955,006
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	-	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	10,279	42,898	77,546
Other liabilities	-	14,480	2,577	3,062	52,415	32,877	-	105,411
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	459,633	-	459,633
Subordinated sukuk	-	-	-	637	-	249,895	-	250,532
Senior sukuk	-	-	-	2,765	-	499,752	-	502,517
Total Liabilities	8,226,454	4,243,813	3,533,321	1,414,791	1,554,225	1,309,203	83,585	20,365,392
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,462,291	2,462,291
NET MATURITY MISMATCH	(7,196,188)	(3,571,322)	(2,170,003)	408,724	1,065,092	6,567,279	4,896,418	-
Commitments and contingencies								
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	520,220	802	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	126,883	92,102	1,657,538
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	500,000	700,000	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,147,103	792,904	6,596,494

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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 2019	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	772,807	57,764	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	-	11,937	-	-	-	-	11,937
Investment accounts due from designated financial institutions	-	-	-	-	-	-	-	-
Financial investments designated at fair value through profit and loss	39,985	196,694	182,161	31,847	53,657	149,334	5,189	658,867
Financial investments at fair value through other comprehensive income	3,343	10,188	82,776	110,726	93,468	2,918,155	1,715,110	4,933,766
Financial investments at amortised cost	-	-	273	-	441	-	102,597	103,311
Islamic derivative financial assets	4,020	10,293	8,480	2,060	-	-	-	24,852
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	4,909,639	6,362,214	15,333,280
Other assets	(27)	6,855	-	-	76,101	18,343	900,279	1,001,553
TOTAL ASSETS	893,081	857,805	1,228,011	1,166,213	1,672,167	7,995,471	9,085,389	22,898,137
LIABILITIES AND EQUITY								
Deposits from customers	7,574,122	4,637,723	2,388,144	1,931,131	2,323,342	279,827	33,616	19,167,905
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,312	-	6,749
Bills and acceptances payable	-	-	15,678	-	-	-	-	15,678
Islamic derivative financial liabilities	2,301	9,792	7,675	2,393	1,579	5,308	19,114	48,162
Other liabilities	-	23,779	-	-	56,974	-	-	80,753
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	471,101	-	471,101
Subordinated sukuk	-	-	-	4,183	-	249,842	-	254,025
Senior sukuk	-	-	-	9,519	-	499,655	-	509,175
Total Liabilities	7,576,423	4,671,294	2,411,532	1,947,242	2,382,281	1,512,045	52,730	20,553,547
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,344,590	2,344,590
NET MATURITY MISMATCH	(6,683,342)	(3,813,489)	(1,183,521)	(781,029)	(710,114)	6,483,426	6,688,069	-
Commitments and contingencies								
Contingent liabilities	12,249	55,909	15,210	29,644	130,694	466,527	1,630	711,863
Commitments	63,430	113,633	181,356	54,568	484,306	1,589,287	370,535	2,857,115
Islamic derivative financial instruments	833,563	1,015,362	798,705	1,397,864	375,000	575,000	700,000	5,695,493
Total commitments and contingencies	909,242	1,184,904	995,270	1,482,075	990,000	2,630,814	1,072,164	9,264,471

9.0 OPERATIONAL RISK MANAGEMENT ("ORM") DISCLOSURES

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which includes wide spectrum of risks such as fraud, physical damage, business disruption, transaction failures, legal, regulatory breaches including fiduciary breaches and Shariah non-compliance as well as employee health and safety hazards.

The objective of operational risk management is to effectively manage these risks in order to avoid or reduce any possible financial or non-financial losses arising from operational lapses.

In relation to operational risk management, the Operational and Shariah Risk Management Section ("OSRMS"), Operational Risk Management Committee ("ORMC"), Internal Audit, Compliance, as well as the business and support units play a significant role in the overall integrated risk management framework.

The management of operational risks is targeted at preventing and managing loss events and potential risks by using operational risk tools, namely, Risk and Control Self Assessment ("RCSA"), Key Risk Indicator (KRI), Incident Management and Data Collection ("IMDC"), Scenario Analysis ("SA") and Stress Test ("ST").

The risk management processes and controls are established in line with the Bank's operational risk management framework, internal policies, regulatory requirements and standard operating procedures as guidance.

The Muamalat Operational Risk Solution ("MORiS")

The **MORiS** is a web-based application that is used as a tool in risk identification and assessment. It also acts as a centralized loss incidents database by capturing and storing loss-related data and is used to track risk exposures against established key risk indicators ("KRI") overtime.

Its key objective is to improve monitoring and reporting of risk activities in branches and the head office through the Risk & Control Self-Assessment ("RCSA"), Incident Management Data Collection ("IMDC"), and Key Risk Indicator ("KRI").

Business Continuity Management ("BCM")

The Bank adopts the BNM's Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that would enable the Bank to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

BCM Methodology

The Bank develops the Business Continuity Plan ("BCP") by way of completing the Risk Assessment ("RA") and Business Impact Analysis ("BIA"). RA is a tool used to identify potential threats for all business functions. 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 infrastructures. The RA and BIA sessions are conducted annually with the business units.

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9.0 OPERATIONAL RISK MANAGEMENT ("ORM") DISCLOSURES (CONT'D.)

ORM Minimum Capital Requirement

The Group and the Bank adopt the Basic Indicator Approach ("BIA") to determine the minimum capital requirement for its operational risk. Under this approach, the Group and the Bank set aside a fixed percentage (α or alpha factor) of 15% of positive annual average gross income, averaged over the previous three years. The Group's and the Bank's minimum capital is presented in table below:

Table 27: ORM minimum capital requirement

	31 December 2019		31 March 2019	
	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	1,218,544	97,484	1,190,113	95,209
Bank	1,206,121	96,490	1,176,241	94,099

10.0 SHARIAH GOVERNANCE DISCLOSURES

Overview

Bank Muamalat'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 has been 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 Bank Muamalat and relevant Shariah Authorities ("SA") committees."

Shariah risk management and governance in Bank Muamalat are in accordance with 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.

In ensuring the operations and business activities of the Bank remain consistent with Shariah principles and regulatory requirements, the Bank has established its own internal Shariah Committee and internal Shariah Organs, which consist of Shariah Department, Shariah Audit, Shariah Review and Compliance, and Shariah Risk Management.

Shariah Governance Structure

Internal Shariah Control

Shariah compliance management is driven top down from the Board through the Shariah Committee ("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.

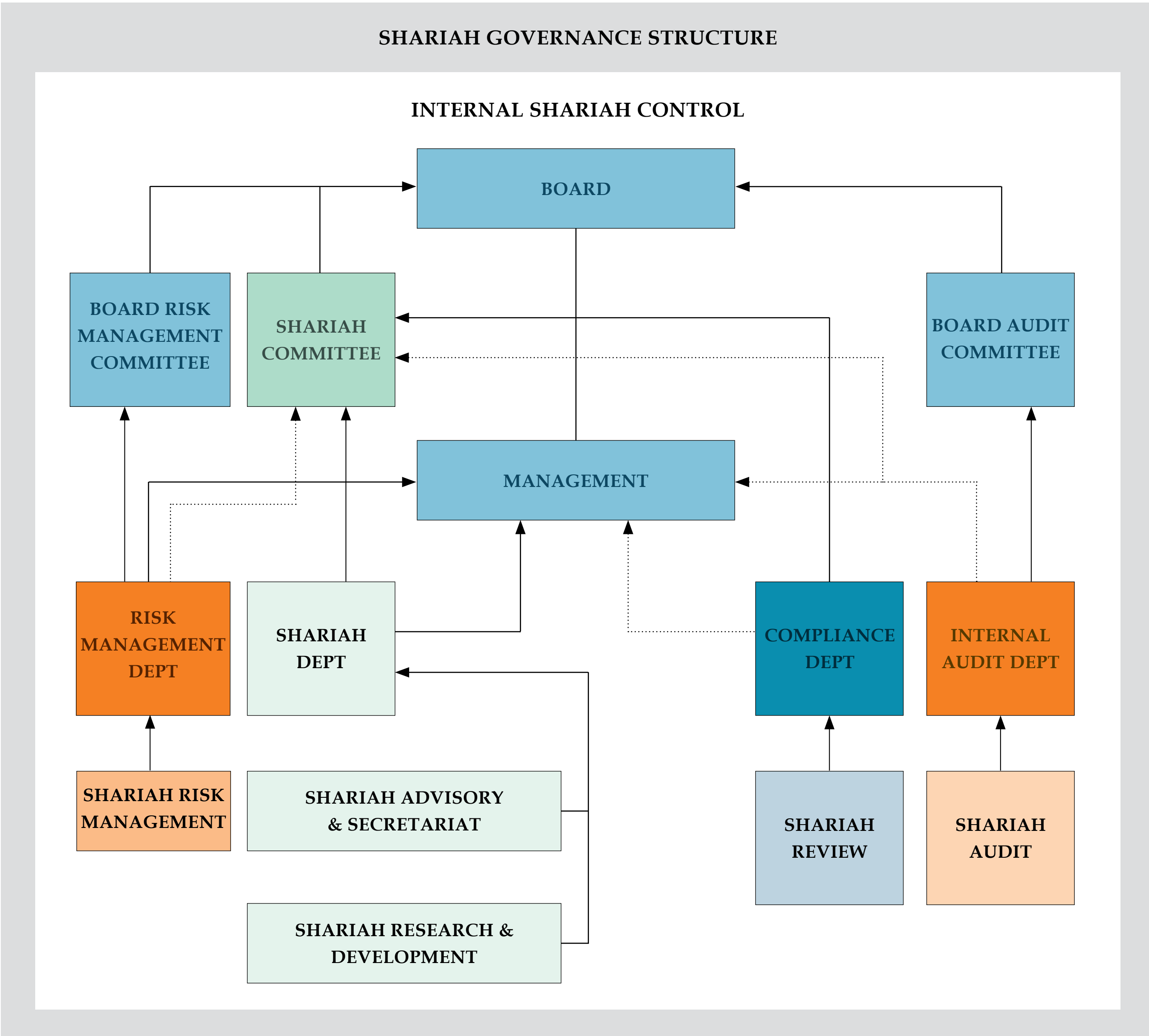
In ensuring that the compliance management functions are able to provide an independent evaluation of its overall business decision and strategies, the functions are segregated to the business operating units.

Basel II - Pillar 3 Disclosure

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 December 2019	31 March 2019
Event - 5 plus monthly Nostro interest received (31 December 2019: RM 61.79)	Event - NIL plus monthly Nostro interest received (31 March 2019: RM286.03)

There were a total of five (5) Shariah non-compliant events recorded and deliberated in SC meeting, of which two (2) events were with financial impact, while the other three (3) events have no financial impact. The Shariah non-compliant events with financial impact are recorded with insignificant amount and do not tantamount to Shariah non-compliant income.

The Bank has taken its corrective as well as preventive measures in order to avoid recurrence in the future. All of the events together with the rectification plans were presented to the Board of Directors and SC and reported to BNM in accordance with the Shariah non-compliance reporting requirement prescribed by BNM.

Any financial amount reported as SNCI will be utilised to fund approved charitable activities as guided by SC of the Bank.

Unidentified fund / Shubhah

During the Bank's daily operations, there are certain funds received by the Bank where the source is not clear or uncertain. These funds cannot be recognised as income and must be retained in the Maslahah Ammah account. The utilisation of these funds follows similar procedures set for the SNCI funds.

Examples of unidentified funds are cash excess identified at teller and automated teller machines ("ATM"), and unidentified credit balance in the General Ledger.

The total earnings prohibited by Shariah and the unidentified funds during the financial year were recorded at RM710,864 (31 March 2019: RM55,165).

Corporate Information

AS AT 1 SEPTEMBER 2020

Board of Directors

Chairman

Datuk Seri Tajuddin Atan

Members

Dato' Sri Che Khalib Mohamad Noh

Dato' Ibrahim Taib

Iwan Rashman Gulamoydeen

Dato' Haji Kamil Khalid Ariff

Dr. Azura Othman

Ghazali Haji Darman

Md Khairuddin Haji Arshad

Company Secretary

Norhashema Saleh (MAICSA7021781)

Julaida Jufri (LS0009358)

Registered Office

30th Floor, Menara Bumiputra
Jalan Melaka
50100 Kuala Lumpur
Wilayah Persekutuan

Tel : 603-2050 8797
Fax : 603-2693 3367

Auditors

Ernst & Young
Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur

Branch Network

AS AT 1 SEPTEMBER 2020

Customer Careline No: 03-2600 5500
Ar-Rahnu services is incorporated in all branches

REGIONAL OFFICE CENTRAL

1st & 2nd Floor, No D32 & D33,
Jalan Medan Pusat Bandar 4,
Seksyen 9,
43650 Bandar Baru Bangi, Selangor
Fax: +603-8925 5894

WILAYAH PERSEKUTUAN

Jalan Melaka

Menara Bumiputra,
Jalan Melaka PO Box 10407,
50913 W.P Kuala Lumpur
Fax: +603-2031 4231

Jalan Ipoh
● 1 ● 1

Ground Floor, Wisma TCT,
No. 516-1,
Batu 3, Jalan Ipoh,
51200 Kuala Lumpur
Fax: +603-4043 1467

Sungai Besi
● 1 ● 1

No. 2 & 2A, Jalan Tasik Utama 7,
Medan Niaga Tasik Damai,
Sungai Besi,
57000 Kuala Lumpur
Fax : +603-9058 7067/9058 1476

Jalan TAR
● 1 ● 1

No. 399, Ground Floor,
Bangunan UMNO Lama,
Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur
Fax: +603-2697 8020

Putrajaya
● 1 ● 1

No. 2 & 4, Ground & 1st Floor,
Jalan Diplomatik 2,
Pusat Komersial Diplomatik,
Precinct 15,
62050 Putrajaya
Fax: +603-8889 2053

Taman Melawati
● 1 ● 1

Lot G-3A, B-1-3 & G-05,
Melawati Corporate Office,
Taman Melawati,
53100 Kuala Lumpur
Fax: +603-4161 8467

Alam Damai
● 1 ● 1

No 6,
Jalan Alam Damai 1,
Alam Damai, Cheras,
Kuala Lumpur
Fax: +603-9101 8023

SELANGOR

Bandar Baru Bangi
● 1 ● 1

Ground, 1st & 2nd Floor, 32 & 33,
Jalan Medan Pusat Bandar 4, Seksyen 9,
43650 Bandar Baru Bangi,
Selangor
Fax: +603-8925 5884/5894

Batu Caves
● 1 ● 1

No. 3A & 3A-1 (Ground & Level 1) &
No. 5 (Ground Floor),
Prima Samudera,
Jalan Samudera Utara 11,
Taman Samudera,
68100 Batu Caves,
Selangor
Fax: +603-6186 2387

Glenmarie, Shah Alam
● 1 ● 1

No. 2, Jalan Presiden F U1/F,
Accentra Glenmarie,
Seksyen U1,
40150 Shah Alam,
Selangor
Fax: +603-5569 1435

Kajang
● 1 ● 1

Ground, 1st & 2nd Floor,
No. 2-1-G/1/2,
Jalan Prima Saujana 2/1,
Prima Saujana,
43000 Kajang,
Selangor
Fax: +603-8734 1604

Klang
● 1 ● 1

No. 46 & 48,
Jalan Kelicap 42A/Ku1,
Klang Bandar Diraja,
Off Jalan Meru,
41050 Klang,
Selangor
Fax: +603-3344 4146

Petaling Jaya
● 1 ● 1

No. B-29-1 & 2, Block B, Jaya One,
72A, Jalan Universiti,
46200 Petaling Jaya,
Selangor
Fax: +603-7954 1196/1255

Puncak Alam
● 1 ● 1

No. 31 Jalan Niaga Bestari 3,
Puncak Bestari,
Bandar Puncak Alam,
42300 Selangor
Fax: +603-3393 8014

Rawang
● 1 ● 1

No. 9 & 11,
Jalan Bandar Baru Rawang 1,
Bandar Baru Rawang,
48000 Rawang, Selangor
Fax: +603-6092 1677

Legend: ● ATM ● CICO ● CDM

Branch Network

AS AT 1 SEPTEMBER 2020

PKNS, Shah Alam
● 1 ● 1

G-1, 2 & 3 Ground Floor,
Kompleks PKNS,
40000 Shah Alam,
Selangor
Fax: +603-5510 6611

Laman Seri
● 1 ● 1

Ground & 1st Floor No. G03A & 103A,
Laman Seri Business Park,
No. 7, Jalan Sukan, Seksyen 13,
40100 Shah Alam, Selangor
Fax: +603-5510 0239

Subang Jaya
● 1 ● 1

Ground & 1st Floor,
No. 1, Jalan USJ Sentral 2,
USJ Sentral,
47500 Subang Jaya,
Selangor
Fax: +603-8022 1729/8022 1730

Universiti Islam Antarabangsa (UIA)
● 2 ● 1

Lot AHC 1-3 & Lot AHC 2-1,
Azman Hashim Complex,
Universiti Islam Antarabangsa
Malaysia, Jalan Gombak,
53100 Kuala Lumpur
Fax: +603-6187 8579

Ampang Point
● 1 ● 1

No. 23 & 23-A,
Jalan Mamanda 7/1,
Off Jalan Ampang,
68000 Ampang, Selangor
Fax: +603-4270 0215

Muamalat Beyond Affluent Banking

No. 23-A, Jalan Mamanda 7/1,
Off Jalan Ampang,
68000 Ampang, Selangor
Fax: +603-4270 0787

REGIONAL OFFICE NORTHERN

Ground, 1st & 2nd Floor,
No. 27 & 28, Jalan Todak 2,
Bandar Sunway, Seberang Jaya,
13700 Perai, Butterworth,
Pulau Pinang
Fax: +604-384 1476

PERAK

Ipoh
● 1 ● 1

Ground & Mezzanine Floor,
Wisma Maju UMNO,
Jalan Sultan Idris Shah,
30000 Ipoh, Perak
Fax: +605-243 4997

Parit Buntar
● 1 ● 1

No. 40 & 42,
Jalan Wawasan 4,
Taman Wawasan Jaya,
Pusat Bandar Baru,
34200 Parit Buntar,
Perak
Fax: +605-716 7204

Seri Manjung
● 1 ● 1

Ground & 1st Floor,
No. 392, Taman Samudera,
32040 Seri Manjung,
Perak
Fax: +605-688 4931

Taiping
● 1 ● 1

98-100, Ground & 1st Floor,
Jalan Kota,
34000 Taiping, Perak
Fax: +605-807 8375

KEDAH

Alor Setar
● 1 ● 1

Ground & Mezzanine Floor,
Lot No. 2242 & 1009,
Menara Dewan Perhimpunan Melayu
Kedah,
(DPMK) Lebuhraya Darul Aman,
05100 Alor Setar, Kedah
Fax: +604-734 0248

Kulim
● 2 ● 1

No. 6, Bangunan Al-Ikhwan,
Pusat Perniagaan Putra,
Jalan Kilang Lama,
09000 Kulim, Kedah
Fax: +604-490 7714

Sungai Petani
● 1 ● 1

No. 21, Lot 88,
Jalan Perdana Heights 2/2,
Perdana Heights,
08000, Sungai Petani,
Kedah
Fax: +604-421 5007

Souq Al-Bukhary
● 1 ● 1

Ground Floor,
Bazaar Souq Al-Bukhary,
No. 3, Jalan Tun Abdul Razak,
05200 Alor Setar, Kedah
Fax: +604-731 5546

Legend: ● ATM ● CICO ● CDM

PULAU PINANG

Bayan Baru ● 1 ● 1

No. 58 & 60,
Taman Sri Tunas,
Jalan Tengah,
11950 Bayan Baru, Pulau Pinang
Fax: +604-6308 111

Seberang Jaya ● 1 ● 1

Ground, 1st & 2nd Floor,
No. 27 & 28, Jalan Todak 2,
Bandar Sunway,
Seberang Jaya,
13700 Perai, Butterworth,
Pulau Pinang
Fax: +604-399 3797/398 0306

Lebuh Pantai ● 1 ● 1

No. 64, Lebuh Pantai,
10300, Georgetown,
Pulau Pinang
Fax: +604-261 1700

PERLIS

Kangar ● 2 ● 1

No. 11 & 13,
Jalan Bukit Lagi,
01000 Kangar,
Perlis
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 ● 1 ● 1

B-114 & B-116,
Lorong Tun Ismail 9,
Sri Dagangan 2,
25000 Kuantan Pahang
Fax: +609-516 1675

Mentakab ● 1 ● 1

6 & 7, Jalan Tun Abd Razak,
28400 Mentakab,
Pahang
Fax: +609-277 4940

Pekan ● 1 ● 1

G-02, Ground Floor,
Bangunan UMNO (Bahagian Pekan),
Jalan Teng Que,
26600 Pekan, Pahang
Fax: +609-422 3751

Temerloh ● 1 ● 1

Ground & 1st Floor,
C-8, Jalan Tengku Ismail,
28000 Temerloh, Pahang
Fax: +609-2960 478

TERENGGANU

Kuala Terengganu ● 1 ● 1

1, Jalan Air Jerneh,
20300 Kuala Terengganu,
Terengganu
Fax: +609-622 3543

Kampung Raja ● 2 ● 1

Lot 5678 & 5679, Taman D'Lahar,
Gong Kepas, Kampung Raja,
22200 Besut, Terengganu
Fax: +609-697 5566

Kemaman ● 1 ● 1

C-G-09 & C-01-09,
Block C, Persiaran COAST,
Pusat Perniagaan COAST Kemaman,
24000, Kemaman,
Terengganu
Fax: +609-8587 471

KELANTAN

Jalan Sultan Yahya Petra ● 1 ● 1

Ground Floor,
Lot PT 265 & PT 266,
Wisma Nik Kob,
Jalan Sultan Yahya Petra,
15200 Kota Bharu,
Kelantan
Fax: +609-747 3230

Kota Bharu ● 1 ● 1

Ground & First Floor,
Bangunan Perbadanan Menteri Besar
Kelantan (PMBK), Jalan Kuala Krai,
15150 Kota Bharu,
Kelantan
Fax: +609-744 4622

Jeli ● 1 ● 1

Ground & 1st Floor,
No. PT 4646, Lot 2003,
PN 3523,
17600 Bandar Jeli, Kelantan
Fax: +609-944 8228

Kok Lanas ● 2 ● 1

Ground & 1st Floor,
Lot PT 5080, Kompleks Perniagaan
Saidina Ali,
Jalan Kuala Krai, Kok Lanas,
16450 Kota Bharu, Kelantan
Fax: +609-788 6828

Tanah Merah ● 1 ● 1

No. 692, 693 & 694,
Kompleks Perniagaan Humaira,
Pusat Bandar Tanah Merah,
17500 Tanah Merah, Kelantan
Fax: +609-954 4550

Gua Musang ● 1 ● 1

Ground Floor,
PT 13772, 13773 & 13774,
Bandar Baru Gua Musang,
18300 Gua Musang,
Kelantan
Fax: +609-912 2069

Legend: ● ATM ● CICO ● CDM

Branch Network

AS AT 1 SEPTEMBER 2020

REGIONAL OFFICE SOUTHERN

Lot 1 & 2,
Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor
Fax: +607-228 1550

JOHOR

Batu Pahat ● 1 ● 1

Ground & 1st Floor, No. 24 & 25,
Jalan Kundang, Taman Bukit Pasir,
83000 Batu Pahat, Johor
Fax: +607-432 4945

Johor Bahru ● 1 ● 1

Ground & 1st Floor,
Lot 1 & 2, Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor
Fax: +607-224 0811

Johor Jaya ● 1 ● 1

149, Jalan Mutiara Emas 10/19,
Taman Mount Austin,
81100 Johor Bahru
Fax: +607-355 8106

Kluang ● 1 ● 1

No. 1, Jalan Persiaran Dato' Haji Ismail Hassan,
86000 Kluang, Johor
Fax: +607-774 4419

Kulai Jaya ● 1 ● 1

No. 32 Jalan Sri Putra 1,
Bandar Putra,
81000 Kulai, Johor
Fax: +607-662 1570

Segamat ● 1 ● 1

No. 37 & 38,
Jalan Genuang Perdana,
Taman Genuang Perdana,
85000 Segamat, Johor
Fax: +607-943 3042

Taman Universiti ● 1 ● 1

Ground & 1st Floor,
No. 28, Jalan Kebudayaan 5,
Taman Universiti,
81300 Skudai, Johor
Fax: +607-520 5503

Universiti Tun Hussein Onn Malaysia ● 1 ● 1

Ground Floor,
Bangunan Pusat Khidmat Pelajar,
Universiti Tun Hussein Onn Malaysia,
86400 Parit Raja,
Batu Pahat, Johor
Fax: +607-453 6125

Kota Tinggi ● 1 ● 1

No. 23, 25 & 27,
Jalan Seri Warisan
Kota Heritage Mall,
81900 Kota Tinggi, Johor
Fax: +607-882 5229

Muar ● 1 ● 1

No. 8 & 9, Pusat Dagangan Bakri,
Jalan Bakri, 84000 Muar, Johor
Fax: +607-954 2311

MELAKA

Taman Cheng Baru ● 1 ● 1

No.92, Jalan Cheng Baru 1,
Taman Cheng Baru,
75250 Melaka
Fax: +606-312 5091/5092

Melaka ● 1 ● 1

395, Taman Sinn,
Jalan Semabuk,
75050 Melaka
Tel: +606-282 8171
Fax: +606-286 7518

KIOSK

Sungai Udang ● 1

No. 11, Jalan Kerambit 1,
Bandar Baru Sungai Udang,
76300 Sungai Udang, Melaka
Fax: +606-351 5703

NEGERI SEMBILAN

Seremban ● 1 ● 1

Wisma Great Eastern,
No. 105, 107 & 109,
Jalan Yam Tuan,
70000 Seremban,
Negeri Sembilan
Fax: +606-762 7218

Port Dickson ● 1 ● 1

No 3 & 3A,Jalan Remis 2,
Medan Remis, Telok Kemang,
71050 Negeri Sembilan
Fax: +606-646 2331

Legend: ● ATM ● CICO ● CDM

Gemas ● 1 ● 1

No. 16, Jalan DS 1/1,
Dataran Satria 1,
73400 Gemas,
Negeri Sembilan
Fax: +607-948 2106

EAST MALAYSIA REGIONAL OFFICE

C-06-02, Block C,
Aeropod Commercial Square,
Jalan Aeropod, Off Jalan Kepayan,
88200 Kota Kinabalu,
Sabah
Fax: +6088-233 530

SARAWAK

Bintulu ● 1 ● 1

No. 252, Lot 73, Parkcity Commercial Centre
Jalan Tanjung Batu, 97000 Bintulu,
Sarawak
Fax: +6086-337 461

Kuching ● 2 ● 1

Ground Floor, Lot 456,457 & 458,
Al-Idrus Commercial Centre, Jalan Satok, 93400, Kuching, Sarawak
Fax: +6082-418 692

Miri ● 1 ● 1

433-434 Ground & First Floor
Jalan Bendahara
98000 Miri
Sarawak
Fax: +6085-418 111

SABAH

Kota Kinabalu ● 1 ● 1

C-06-01 & C-07-01, Block C,
Aeropod Commercial Square,
Jalan Aeropod, Off Jalan Kepayan,
88200 Kota Kinabalu,
Sabah
Fax: +6088-239 128

Labuan ● 2 ● 1

Ground & 1st Floor, Block B, Lot U0471E,
Lazenda Centre, Jalan OKK Abdullah,
87007 Wilayah Persekutuan Labuan
Fax: +6087-424 204

Tawau ● 1 ● 1

Lot 69 & 70,
Groud & 1st Floor,
Kubota Square, Jalan Kubota,
91000 Tawau,
Sabah
Fax: +6087-771 493

Sandakan ● 1 ● 1

Unit No. 95 to 97,
Ground Floor, Lot 265 to 267,
First Floor, East Coast,
Sejati Walk,
90000, Sandakan,
Sabah
Fax: +6089-669 519

Legend: ● ATM ● CICO ● CDM

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W W W . M U A M A L A T . C O M . M Y

بنك معاملات
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