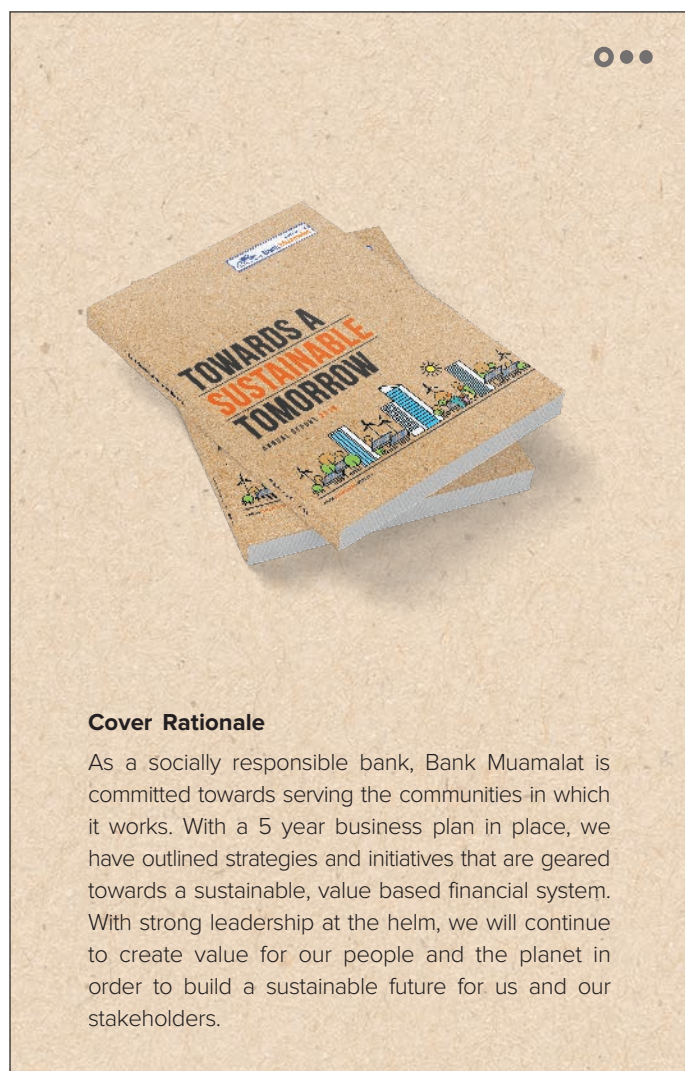


TOWARDS A SUSTAINABLE TOMORROW

ANNUAL REPORT **FY2019**



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These reports are available on our website, www.muamalat.com.my.

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ABOUT THIS REPORT



“

WE AT BANK MUAMALAT MALAYSIA BERHAD (“BANK MUAMALAT” OR “THE BANK”) BELIEVE IN KEEPING OUR STAKEHOLDERS INFORMED OF OUR OPERATIONS AND PERFORMANCE. THIS IS THE MAIN PURPOSE IN PRODUCING OUR ANNUAL REPORT. IN LINE WITH THIS OBJECTIVE, OUR ANNUAL REPORT PROVIDE CONCISE ACCOUNTS OF THE FINANCIAL LANDSCAPE IN WHICH WE OPERATE, THE CHALLENGES WE FACE, OUR STRATEGIES TO OVERCOME THESE CHALLENGES, AND HOW WE HAVE PERFORMED BASED ON THESE.

”

Our annual report explains the performance for the financial year and is guided by best practices set out under Bursa Malaysia Securities Berhad ("Bursa Malaysia")'s Main Market Listing Requirements as well as local and international reporting standards. Given the gradual shift globally and in Malaysia, towards integrated reporting which focuses on how an organisation creates value for its stakeholders, we continue the ongoing journey of transformation towards a more comprehensive format of presenting data. In our Sustainability Statement, which is based on the Global Reporting Initiative ("GRI") Sustainability Reporting Standards, we will provide a report on how we can deliver sustainable value to stakeholders.

We strive to demonstrate how our initiatives create value in the short, medium and long term to embed integrated thinking within our daily business practices

Through this Sustainability Statement, we aim to demonstrate our unwavering commitment to our stakeholders through enhanced operations and reporting, towards the economic, environmental and social ("EES") advancement of the country. We believe that as an Islamic Financial Institution (IFI), it is our responsibility to look after the best interests of the communities and businesses whilst addressing the environmental challenges that make up our whole banking ecosystem.

We are pleased to disclose the Bank's material topics, which are guided by the GRI Standards: 102, 103, 201, 202, 204, 205, 302, 307, 401, 402, 404, 405, 406, 413, 418, 419, FS7, FS13 and FS14. We believe that our six high priority material matters as reported in our FY2018 Annual Report remain pertinent to us. In addition to that, this year we ensure that we not only report thoroughly on our six high priority material topics but also the other nine material topics which were prioritised in the materiality matrix. The full list of material topics is listed below:

 Customer Experience	 Digital Banking
 Responsible Financing	 Procurement Practices
 Ethics and Integrity	 Energy Consumption
 Compliance	 Community Development
 Training and Education	 Employment
 Economic Performance	 Diversity and Equal Opportunity
 Entrepreneur Development	 Non-Discrimination
	 Financial Inclusion

All information included in this report refers to the financial year ended 31 March 2019 ("FY2019"), unless stated otherwise, covering all our operations within Malaysia. The report has been published annually with the most recent report covering all operations as at 31 March 2018. However, any changes to our reporting cycle will be subjected to revision of the financial year from our shareholder.

Our integrated reporting continues to shed light into our strategy, governance and performance in a way that reflects the social and environmental context within which we operate. We will continue to improve our data management system and data collection producing thereby more detailed disclosure in subsequent reports. Our commitment is based on the firm belief that transparent communication is key to delivering value to our stakeholders. Moving forward, we strive to demonstrate how our initiatives create value in the short, medium and long term to embed integrated thinking within our daily business practices.

This report has been produced with the primary intention of answering questions our stakeholders may have regarding our values, strategies and direction. We welcome stakeholder feedback on any aspect of our report. Please contact us at vbi_bmmb@muamalat.com.my

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AT A GLANCE



KEY FACTS AT A GLANCE

RM241.2 million

Profit before tax was the highest recorded in Bank Muamalat's history of profitability



CASA Ratio
Stands at

27.9%



New subscription for
Mobile Apps increased
by **34.0%**



1.43%

lowest Gross Impaired
Financing since the
Bank's establishment



The 1st Full Fledged Islamic
Bank to introduce Islamic premier
banking services called

**Muamalat Beyond
Premier Banking**



Awarded the highest number
of New Accounts for All ASNB
Products during

**The ASNB Starz
Awards Night
2018**

ABOUT BANK MUAMALAT

Bank Muamalat is one of three independent full-fledged Islamic financial institutions in Malaysia. The Bank's origins date back to 1 October 1999 when the Islamic banking assets and liabilities of three local banks, namely Bank Bumiputra Malaysia, Bank of Commerce (Malaysia) and BBMB Kewangan, were merged. As at Mar-19, the Bank ranks 10th out of 16 Islamic banks in the country in terms of asset size. The Bank has two shareholders, DRB-HICOM and Khazanah Nasional Berhad, each holding 70% and 30% equity respectively.

Bank Muamalat's network spans across 64 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 pioneering Islamic bank in the country, Bank Muamalat is supported by highly qualified Shariah scholars with extensive experience in Islamic jurisprudence. This group provides counsel on issues pertaining to Shariah products and services, including activities to raise Islamic capital.

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

The Bank employs a total of 1,869 dedicated staff, comprising 51% women and 49% men.



64
branches



1,869
dedicated staff
bankwide

MISSION



To Ethically Deliver Best Value to
Stakeholders, Society and Environment.



STAKEHOLDERS



ENVIRONMENT



SOCIETY

VISION



To Become The Preferred Islamic
Financial Services Provider.



VALUE



CARE



RESPECT



INTEGRITY



INNOVATIVE

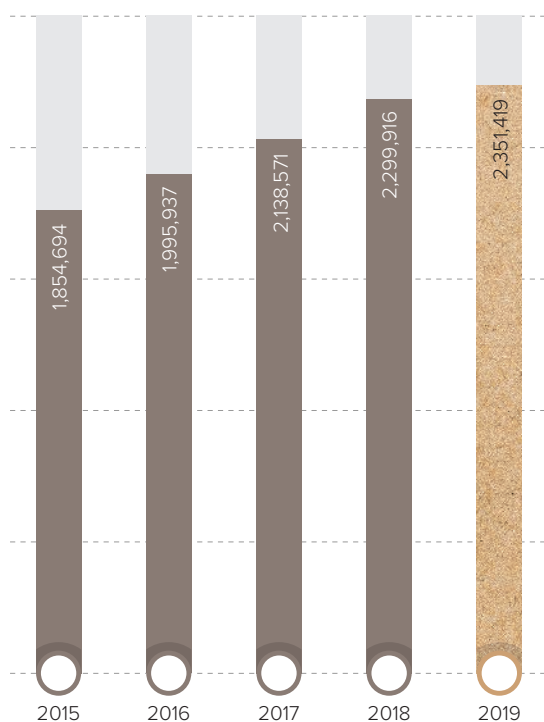


**SERVICE
ORIENTED**

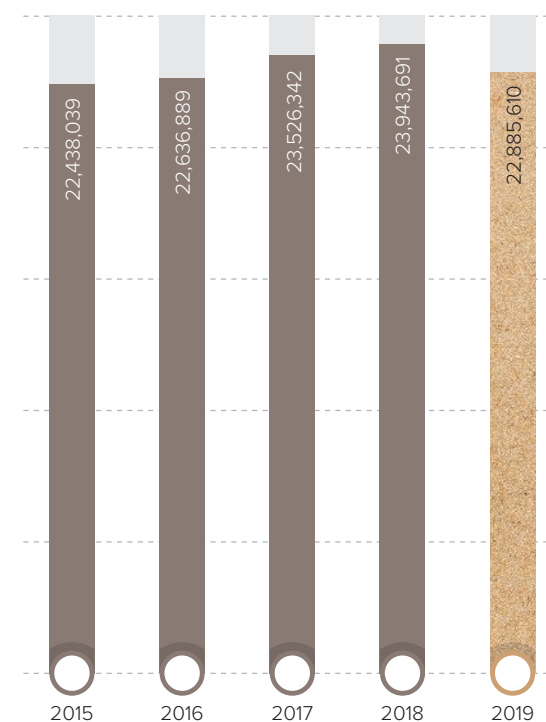


10 YEARS FINANCIAL HIGHLIGHTS

TOTAL SHAREHOLDERS FUND (RM'000)

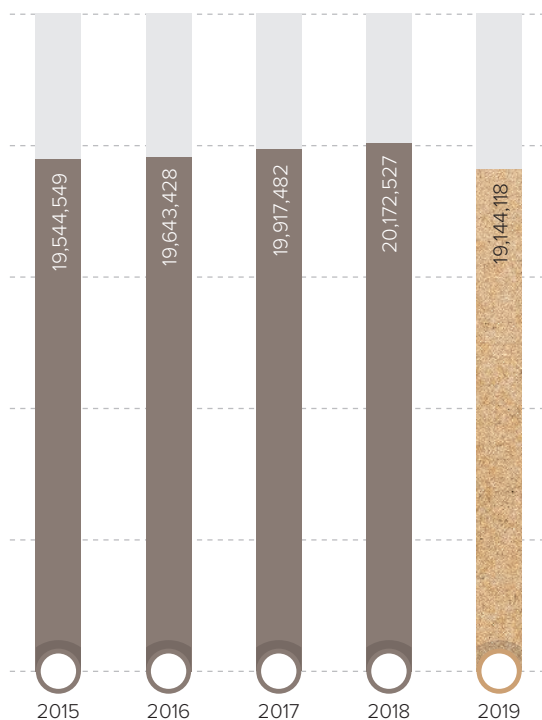


TOTAL ASSETS (RM'000)

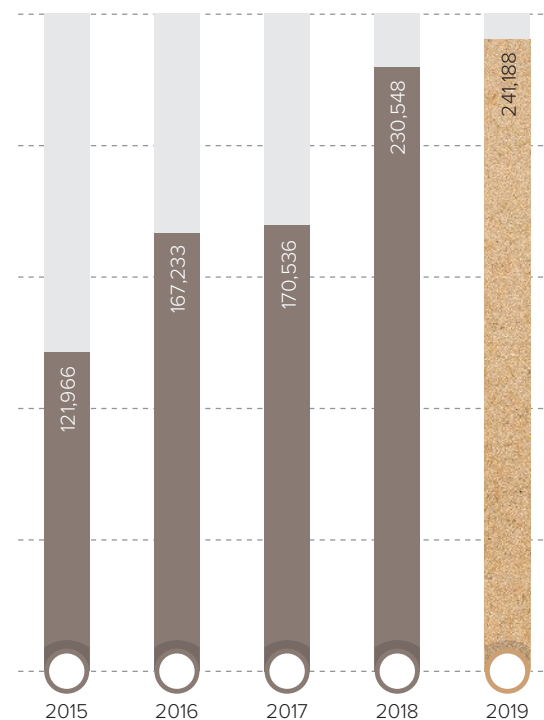


	Jan 2009 – Mar 2010	2011 Restated	2012 Restated	2013	
Total Shareholders Fund (RM'000)	1,319,131	1,348,286	1,401,004	1,598,476	
Profit/(Loss) Before Tax (RM'000)	142,061	186,785	103,006	235,963	
Profit/(Loss) After Tax (RM'000)	98,834	120,433	69,244	167,936	
Total Assets (RM'000)	16,733,420	18,659,940	20,504,037	21,071,590	
Total Deposits (RM'000)	14,920,856	16,216,173	18,151,087	18,744,179	
Total Financing (RM'000)	7,037,126	7,495,007	9,064,271	10,352,626	
No. of Branches	49	51	58	59	
No. of Service Centres/Kiosk	6	4	2	7	
No. of Offshore Branches/Labuan	1	1	1	1	
No. of Staff	1,584	1,763	1,929	2,099	
Return on Asset (%) – PreTax	0.73	1.06	0.53	1.14	
Return on Equity (%) – PreTax	11.24	15.24	7.49	15.73	

TOTAL DEPOSITS (RM'000)



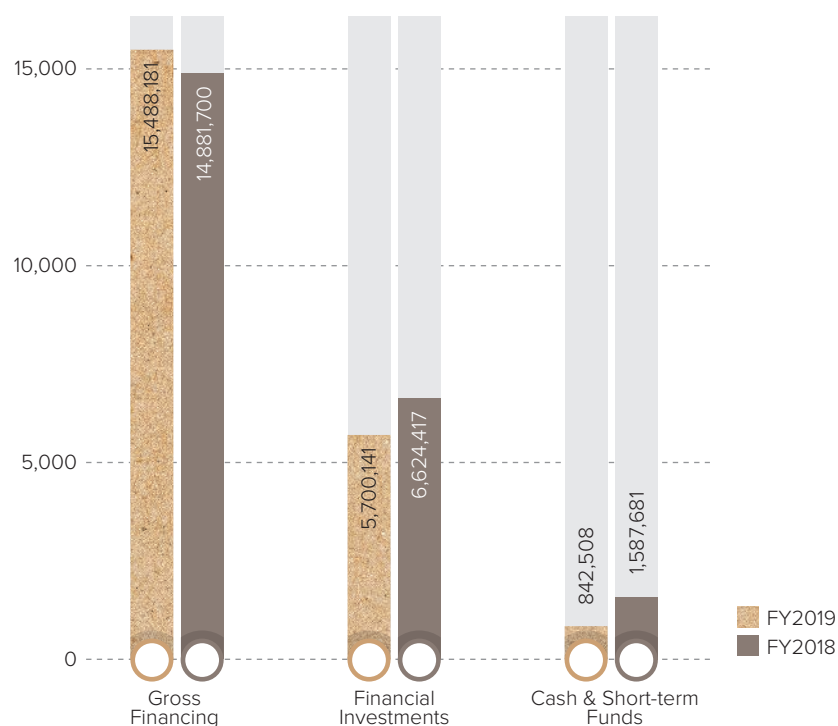
PROFIT/(LOSS) BEFORE TAX (RM'000)



	2014	2015	2016	2017	2018	2019
	1,745,576	1,854,694	1,995,937	2,138,571	2,299,916	2,351,419
	208,294	121,966	167,233	170,536	230,548	241,188
	151,564	89,280	131,909	149,907	181,625	179,494
	20,061,690	22,438,039	22,636,889	23,526,342	23,943,691	22,885,610
	17,629,228	19,544,549	19,643,428	19,917,482	20,172,527	19,144,118
	11,899,691	13,414,670	14,512,877	14,918,272	14,687,846	15,330,895
	59	59	61	62	63	64
	7	7	1	1	1	1
	1	1	1	1	1	1
	2,135	1,987	1,703	1,733	1,636	1,869
	1.01	0.57	0.74	0.74	0.97	1.03
	12.46	6.78	8.69	8.25	10.39	10.37

ASSETS PERFORMANCE

ASSET PORTFOLIO (RM'000)



GROSS FINANCING FY2019

15,488,181

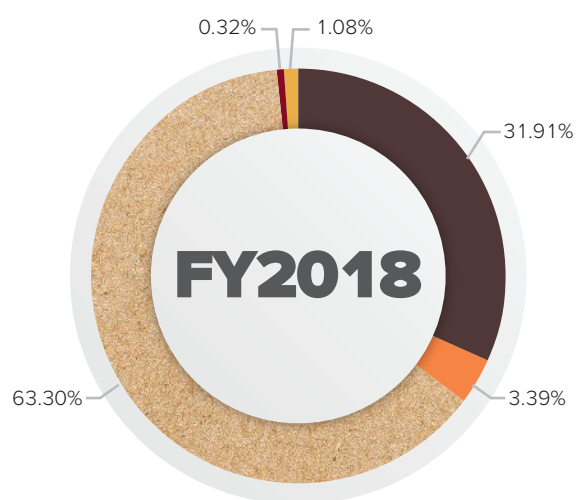
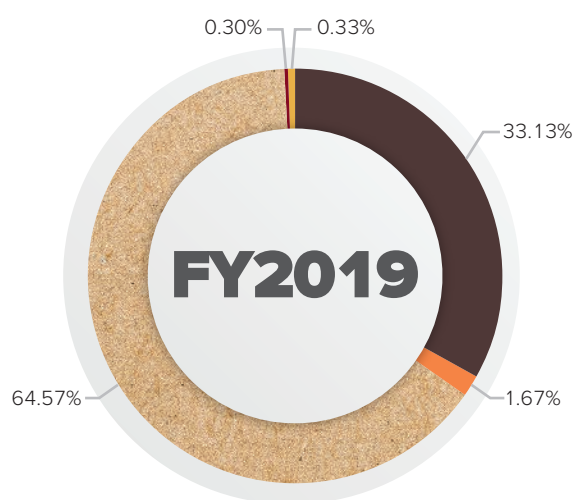
FINANCIAL INVESTMENTS FY2019

5,700,141

CASH & SHORT-TERM FUNDS FY2019

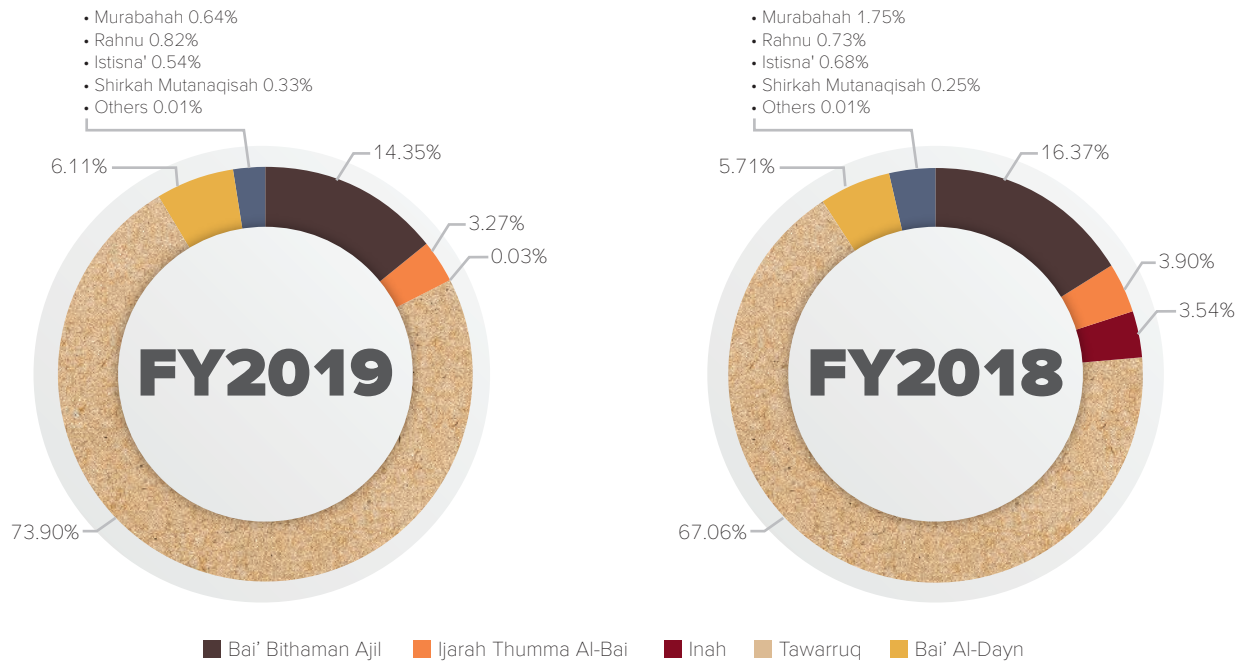
842,508

FINANCING BY BUSINESS SEGMENT



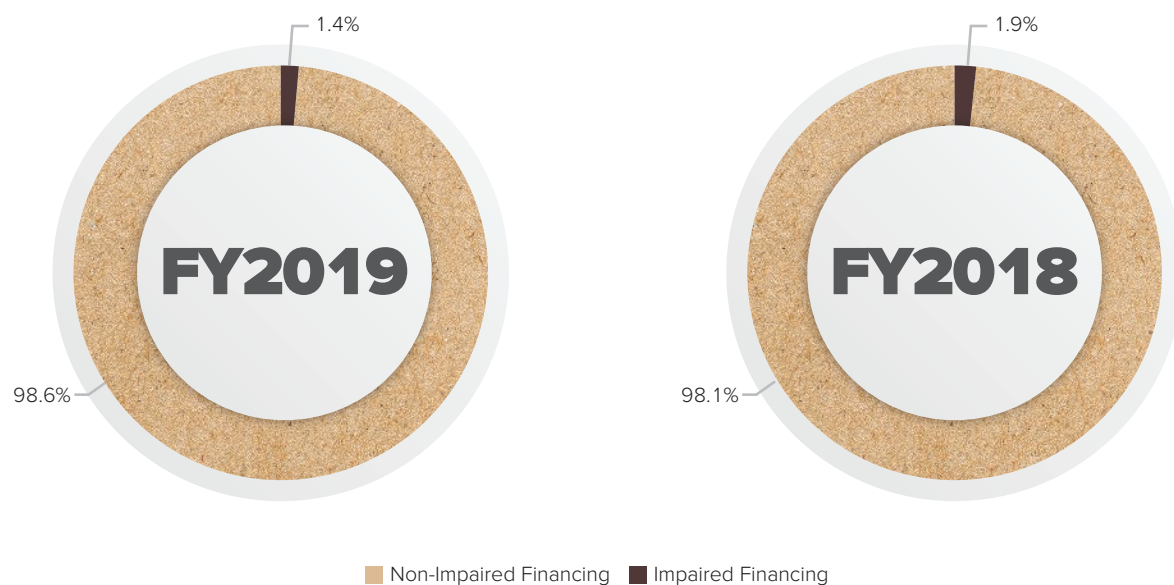
■ Corporate ■ Commercial ■ Consumer ■ SME ■ Treasury & Investment

FINANCING BY ISLAMIC CONTRACT



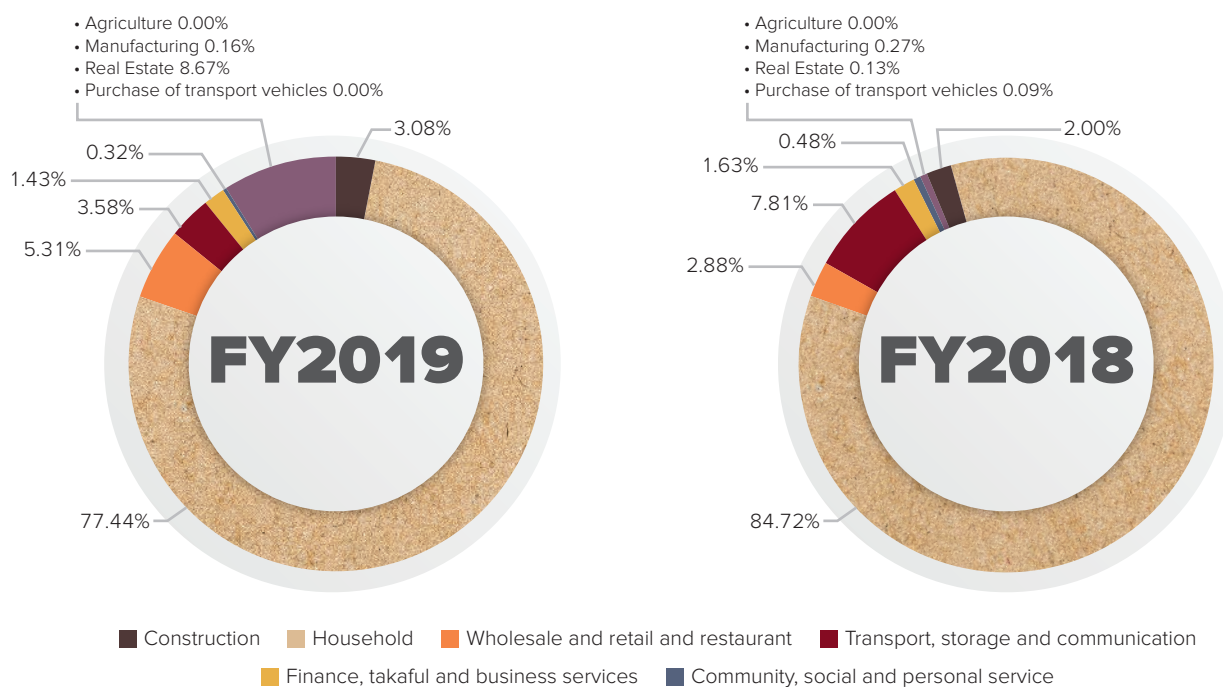
ASSET QUALITY

	Gross Impaired Financing	Gross Impaired Financing Ratio	Financing Loss Reserve Ratio	Non Impaired Financing Ratio
FY2019	221.2	1.4%	74.2%	0.83%
FY2018	285.4	1.9%	68.5%	1.04%

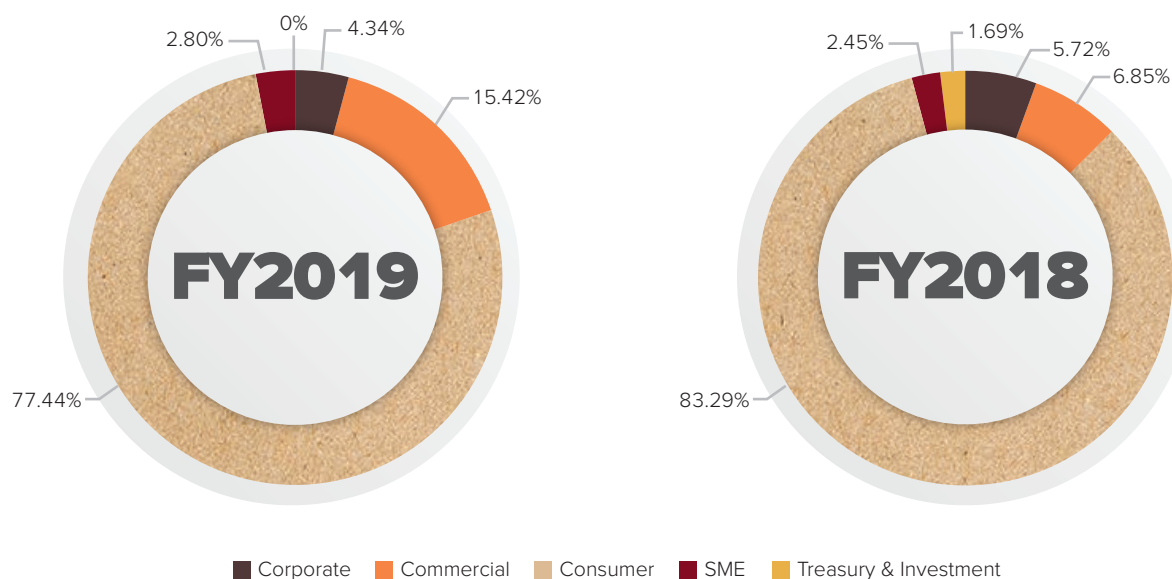


► ASSETS PERFORMANCE

IMPAIRED FINANCING BY SECTOR



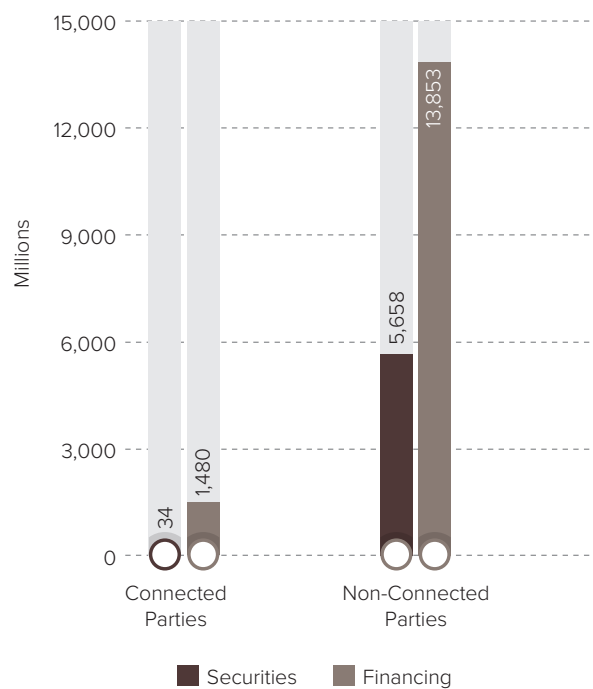
IMPAIRED FINANCING BY BUSINESS SEGMENT



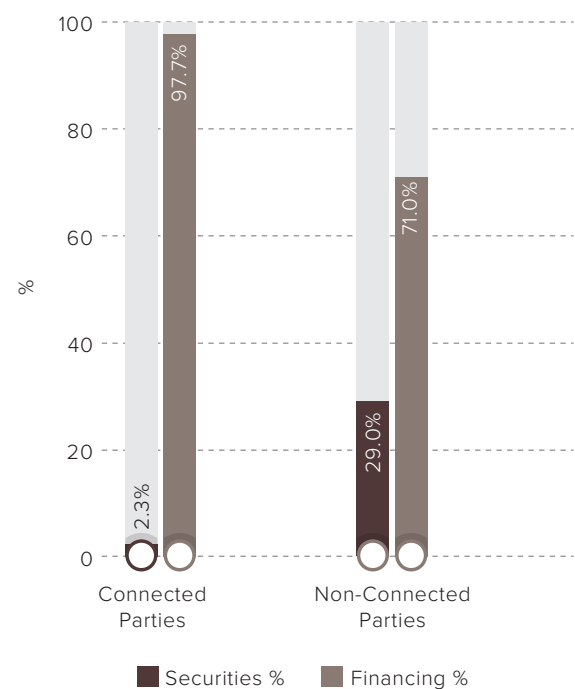
CONNECTED PARTIES

As at end of FY2019, connected parties exposures accounted for 6.1% of the total outstanding credit exposures of RM25 billion. The amount stood at 63.1% against the Bank Muamalat's capital base of RM2.40 billion. Both measurements were well below the threshold limit set by Bank Negara Malaysia.

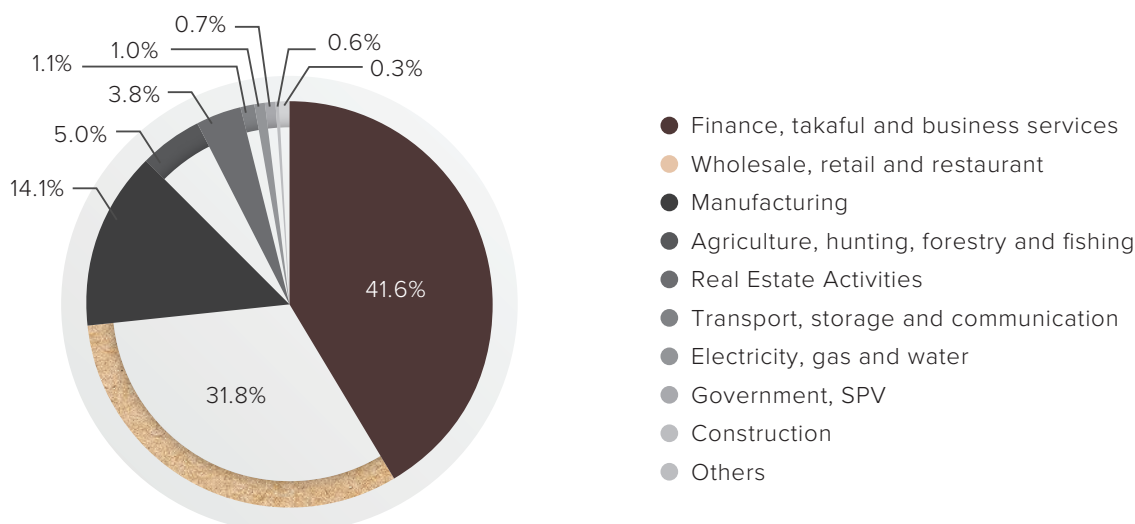
Connected Parties Exposure by Financial Instrument as at March 2019 (RM'Million)



Connected Parties VS Non-Connected Parties Exposure as at March 2019



Connected Parties Exposure by Sector as at March 2019



CALENDAR OF EVENTS FY2019

SIGNIFICANT DEALS *and* COLLABORATIONS

April 2018

4 – 7 April 2018

Malaysia International Halal Showcase ("MIHAS")



6 April 2018

Wakaf Selangor Muamalat ("WSM") contributes a Bus Clinic to the Royal Malaysian Armed Forces

10 April 2018

Recording Takbir Raya

14 April 2018

DRB-HICOM "Anugerah Anak-Anak Cemerlang"

19 – 22 April 2018

"Minggu Amanah Saham Malaysia (MASAM)"

20 April 2018

Reflex and Donate Programme

May 2018



6 May 2018

Program Sunnah Berkuda

7 May 2018

Launch of Muamalat Chatbot and M-Mall

13 May 2018

Cycle Challenge at Teluk Panglima Garang

21 May 2018

Doa Selamat Lambaian Kaabah

21 May 2018

"Kursus Lambaian Kaabah"



22 May 2018

Lambaian Kaabah 2018

23 May 2018

Visit by Officials from San Diego University



26 May 2018

"Break Fast & Furious" at Sime Darby Convention Centre

31 May 2018

Distribution of Bubur Lambuk

June 2018

4 June 2018

DRB-HICOM Programme: Pengagihan Bubur Lambuk

5 June 2018

Iftar and Khatam Al Quran



7 June 2018

Iftar at Masjid Jamek, KL

July 2018



2 July 2018

Staff Raya Celebration

10 July 2018

Corporate Raya Celebration

20 July 2018

Reflex and Donate Programme

26 July 2018

Vendor Engagement Programme

August 2018

3 August 2018

Doa Selamat, Kulim Branch



13 August 2018

Muamalat Beyond Official Launch



17 – 19 August 2018

Karnival Kewangan: Utara



29 August 2018

Program Negaraku



30 – 31 August & 1 – 2 September 2018

Muamalat Merdeka Coral Conservation Dive

27 August 2018

Forum Perdana Ehwat Islam – Langkawi

September 2018

6 September 2018

Launch of Bank Muamalat Auditorium
by Y.Bhg. Tan Sri Munir Majid
Lecture Series: Risk Culture and
Governance

October 2018



2 October 2018

General Council for Islamic Banks And
Financial Institutions ("CIBAFI")



3 October 2018

The Global Islamic Finance Forum
("GIFF") 2018

► CALENDAR OF EVENTS FY2019



11 October 2018

Majlis Penyerahan Sumbangan WSM, Klinik Waqaf An-Nur, Pasir Gudang, Johor



14 October 2018

Avillion Culture Ride, Port Dickson

16 October 2018

Signing Ceremony between Bank Muamalat and Yayasan Pengaman

25 October 2018

Program Hari Bersama PPZ-MAIWP bertempat di Bank Muamalat Malaysia Berhad bagi Kempen Potongan Gaji Zakat 2018 (Skim Thohir)

26 October 2018

Anniversary 1 tahun Surau As-Sakinah

November 2018

1 November 2018

10 Years' Service Anniversary

4 November 2018

An Evening with Sheikh Assil Alhakeem – Rizq Ar-Rahman

8 November 2018

Muamalat English carnival at Sekolah Kebangsaan Seri Permaisuri

14 November 2018

Introduction Session with GABV Representative



15 November 2018

GABV Asia Pacific Chapter Meeting



16 November 2018

GABV Asia Pacific Chapter Meeting



22 November 2018

Back To School Programme 2018

22 November 2018

Forum Perdana Ehwat Islam, Dewan Sri Negeri, Kedah

24 November 2018

Program Menembak bersama Media

25 November 2018

Muar Branch Launch

December 2018

11 December 2018

Talk on GABV with Malaysian Takaful Association ("MTA")

January 2019**25 January 2019**

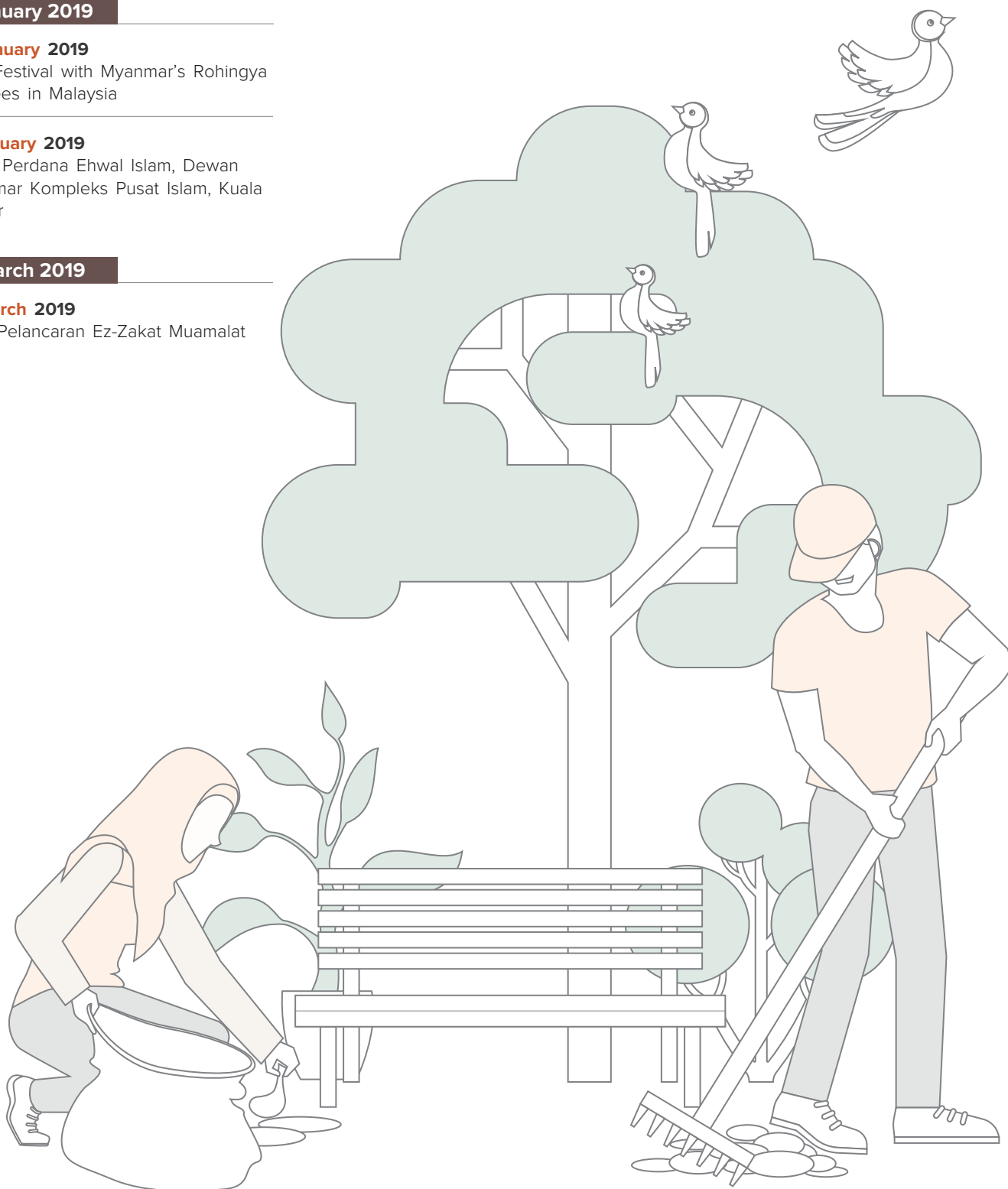
Food Festival with Myanmar's Rohingya Refugees in Malaysia

31 January 2019

Forum Perdana Ehwai Islam, Dewan Mukhtamar Kompleks Pusat Islam, Kuala Lumpur

March 2019**25 March 2019**

Majlis Pelancaran Ez-Zakat Muamalat



OUR LEADERSHIP



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CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS

I am pleased to present the Annual Report of Bank Muamalat Malaysia Berhad for the financial year ended 31 March 2019, which was another year of profitable growth for the bank.



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

The International Monetary Fund ("IMF") recognises the growth of Islamic Finance as an opportunity to strengthen financial inclusion efforts, deepen financial markets and develop new funding sources. IMF has also announced its plan to incorporate Islamic Finance in its sector assessments to improve regulation of this growing sector. Against this backdrop, Bank Muamalat, as a prominent leader of Islamic Finance, is well-positioned to play its role in catalysing the industry and national development priorities.

Growth and innovation drive your competitiveness and success.

As of December 2018, the Islamic banking sector grew 10.5% compared to 9.4% in 2017, accounting for 36.6% of total banking sector financing. While leveraging on this growth momentum, we did not lose focus on our strategic business plan (2017-2021). We continued to build on our strong fundamentals and tap emerging sector opportunities.



For further information about Tan Sri Dato' Dr. Mohd Munir Abdul Majid please go to page 108, Board of Directors' Profile

During the year, we improved our asset quality to 1.4% from 1.9% in the preceding year, which reflects our prudent credit management practices. We also delivered a healthy 4.6% growth y-o-y, of profit before tax ("PBT") at RM241.2 million. Our positive performance is a result of harnessing digital technologies; offering unique investment solutions; delivering service excellence; supporting the needs of local communities; and fulfilling our social responsibility.

In keeping with our aspiration to become the Preferred Islamic Financial Services Provider in Malaysia, we introduced new innovative products and services during the year. Bank Muamalat became the first domestic full-fledged Islamic Financial Institution to provide premier banking facilities for our loyal and preferred customers.

Graced by the Malaysian celebrity and icon, Dato' Sri Siti Nurhaliza binti Tarudin, this new service demonstrates our commitment to enhancing our value proposition and delivering differentiated banking experience. Our premier banking customers can benefit from personalised services through dedicated Relationship Managers, who will assist customers to optimise their investment portfolios.

Our decision to participate in this niche market is based on the demand for ethical and shariah-compliant financial solutions from a growing affluent sector. We are confident of the potential of this segment that seeks Islamic products coupled with socially responsible banking.

Going forward, we will continue to enhance our suite of innovative solutions to benefit both our current customers, as well as a large non-customer base who may not have established any banking relationship with us.

Digitalisation will keep you relevant. The evolving needs of the increasing number of digital-savvy customers are redefining banking. Customers want to feel empowered with access to banking anywhere, anytime. The growing demand for digital solutions is also putting new pressures on banks to deliver superior customer experience.

In FY2019, we took steps to strengthen our digital infrastructure as well as our talent to support the implementation of various customer excellence initiatives. A significant development was to introduce QR-Pay in June 2018. We take pride as one for the first banks to introduce this cashless payment solution, with over 800 merchants to date.

Masjid Jamek Kuala Lumpur became the first mosque to implement E-derma, our QR code and facilitate cashless donations through i-Muamalat application. As of March 2019, 466 QR code customers were onboarded.

We also implemented the Customer Relationship Management ("CRM") through Omni Channel to gain new customer insights and continuously enhance our digital banking experience. CRM helps to assist and simplify sale and marketing process plus manage Turn Around Time ("TAT") when tracking issues.

Governance is hygiene and critical for survival. At Bank Muamalat, we continue to uphold highest standards of corporate governance. The Board maintains close oversight of the bank's performance drivers. We review and deliberate on all aspects of our business to ensure a seamless approach to monitoring and managing transparency, accountability and growth.

During the year, we observed a Compliance Awareness Week as part of the Bank's "Risk Awareness Culture" programme. Our aim has been to instil compliance culture among staff by raising greater awareness of regulation, risk, accountability and professional conduct. Throughout the week, experts from government bodies and private institutions had shared their knowledge on a number of important regulatory issues involving e-Payment initiatives, foreign account taxes, corporate governance, Shariah governance, ethics, risk assessment and compliance.

Going forward, we will continue to enhance our suite of innovative solutions to benefit both our current customers, as well as a large non-customer base who may not have established any banking relationship with us

► CHAIRMAN'S STATEMENT

People are instrumental to performance and growth. Our employees are our greatest assets. It is with their unswerving commitment and positive contributions that we have been able to report remarkable results against our business plan and its targets.

Our priority is to empower our people by equipping them with the skills of the future. Our efforts are focussed on mapping the current and future needs of our employees in terms of their knowledge, skills, and capacity. As we progress in the Fourth Industrial Revolution (IR 4.0), our commitment is to develop talent that will help propel the bank's next phase of growth.

In 2018, we enlisted 63 employees (Assistant Managers from Branches) for the ABM Certification Programme. With 12 comprehensive modules, the curriculum helped improve the competencies of our employees, in addition to enhancing their professional credentials.

Beyond fiduciary duties, Value Creation is the responsibility of businesses. Our commitment to social responsibility as well as our corporate direction is premised on the Principles of Value-based Intermediation ("VBI"), which have been integrated into our business model. We take a value-based approach to designing and delivering our products and services. This includes adopting sustainable practices to manage the wider impact on the economy, environment and society.

In October 2018, the VBI Core Group finalised the Strategy Paper and developed implementation tools, which will help banks to focus on creating value and impact. We also actively participated in the forums and platforms organised by GABV. For instance, we hosted the GABV 2nd APAC Meeting in Kuala Lumpur, where we welcomed delegates from GABV to share knowledge and exchange insights in our country.

As the first Islamic Bank to join GABV, we are

committed to accelerating our efforts as a Value-Based and Socially Responsible Intermediary. Other than focusing on the Army, we expanded our business towards other uniformed bodies such as the Police. During the year, we established a partnership with Yayasan Pengaman to expand our product offerings to enhance financial well-being and security of the Royal Malaysia Police's ("PDRM") current and future retirees.



We also continued to fulfil our corporate social responsibility ("CSR") by supporting various community causes. We channelled RM2.5 million towards environmental, health, cultural and religious causes, contributing to more than a thousand members of the community.

Reputation is built through demonstrated leadership. While we strive for excellence in everything that we do, our greater objective is to create value for our customers by providing solutions that best meet their current and future needs. A testimony to this commitment is our recognition by *Amanah Saham Nasional Berhad* ("ASNB"), where we won in six categories for achieving the highest number of new accounts for ASNB products, the highest number of ASNB transactions, MyASNB Portal and Customer Information File ("CIF") Update Award.

We also clinched awards in recognition of our expertise and commitment to excellence. Bank Muamalat was handed the Best Alternative Investment Asset for Wealth and Society in Malaysia (Shariah Compliant Gold Investment) Award for the year 2018. This award is primarily for our Gold-I product, which has a strong position among local banks and requires only a minimum of RM10 to open the Gold-I account.

Future-proof strategies will allow us to progress seamlessly.

The domestic banking sector will remain resilient, but it is expected to tighten due to the introduction of various measures to accommodate Malaysia's economic growth plans. Next year, in July 2020, the implementation of the Net Stable Funding Ratio ("NSFR") could heighten competition for deposits, resulting in higher funding cost. In response to the changes, we have already initiated efforts to comply with the NSFR requirement, which led us to expand our customer base for alternative and more affordable funding sources.

We are also mindful of the sector's transition to IR 4.0 and rapid advancements in the digital as well as IT space. To meet the challenges, we are continuously building our capacity and skills to effectively respond to fast-changing expectations of customers.

Overall, Bank Maumalat is well-positioned to remain agile in the marketplace, with a focus on improving our innovation capabilities as well as our efficiencies to effectively respond to the fast-changing customer and regulatory landscape. The Bank's strategic plan over the next 3 years is to deliver sustainable performance with a strategic emphasis on creating positive impact on the economy, community and environment.

Contributions of Stakeholders to our business help create value.

In September 2018, our Independent Director on the Board, Dato Azmi Bin Abdullah, retired from his position after 9 years of service and valuable contribution to the business. On behalf of the Board members, I wish to thank him for his commitment, counsel and cooperation during his tenure.

At this point, let me thank my fellow board members on their hard work and support through the course of the year.

I would also like to acknowledge the leadership of our CEO and his senior executives, who have demonstrated their ability to improve our performance year on year and for strengthening our position in the marketplace.

My sincere gratitude goes out to our dedicated workforce for their support and excellent service to the bank and our customers. I also thank our customers and other stakeholders who continue to believe in us and partnering us in achieving meaningful growth.

Last but not least, I wish to express gratitude to our shareholders for support and belief in the Bank, and to Bank Negara Malaysia for guidance and understanding.



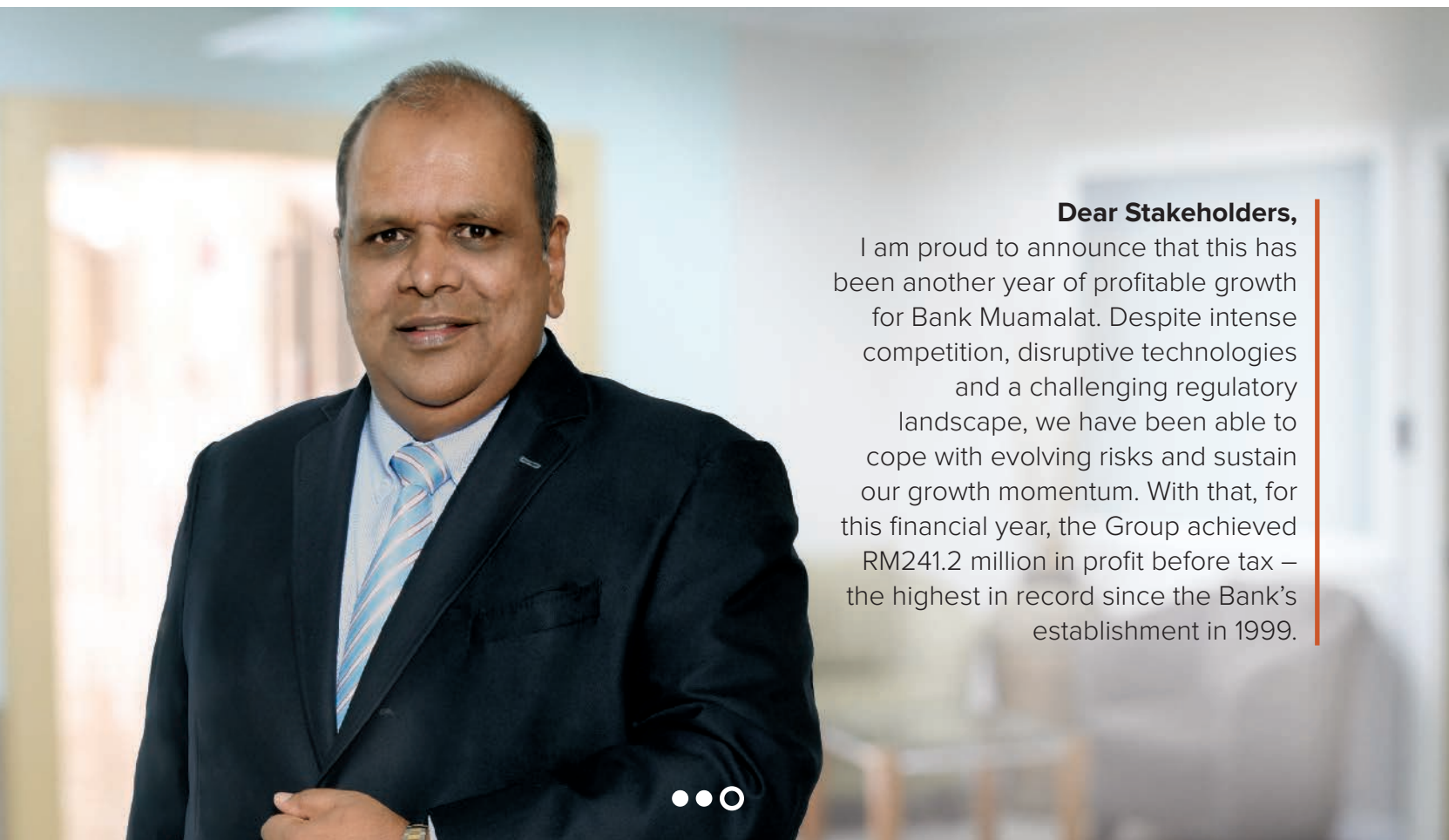
1st Bank
Cashless Payment
Solution
800
merchants

Profit Before Tax
(PBT)



4.6%
Growth

CHIEF EXECUTIVE OFFICER'S STATEMENT



Dear Stakeholders,

I am proud to announce that this has been another year of profitable growth for Bank Muamalat. Despite intense competition, disruptive technologies and a challenging regulatory landscape, we have been able to cope with evolving risks and sustain our growth momentum. With that, for this financial year, the Group achieved RM241.2 million in profit before tax – the highest in record since the Bank's establishment in 1999.



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

Chief Executive Officer

STRIVING FOR GROWTH

For the financial year ending March 2019, the Bank's revenue grew from RM1,219.81 million to RM1,333.6 million, while also achieving a profit-before-tax of RM241.2 million. The RM10.6 million growth (4.6% y-o-y) from FY2018 was supported by RM113.8 million of revenue, but was also offset by higher provisions (RM51.1 million) and cost of funds (RM38.7 million). Our gross non-performing financing (NPF) decreased to 1.43%, which is the lowest-ever recorded by the Group.

Our profitable growth was driven by higher investment and securities income and higher fee-based income, both growing at 33.2% and 72.9% respectively. In terms of deposit performance, the total deposits of the Bank were valued at RM19.14 billion, in comparison to RM20.17 billion in the previous reporting year. Additionally, the current account saw a growth of 4.2% while the overall CASA grew 6.7% to RM5.34 billion.



For further information about Dato' Haji Mohd Redza Shah Abdul Wahid please go to page 116, Board of Directors' Profile

Our Consumer Banking segment remains our largest revenue contributor, delivering around 65% of financing to the Group. Revenue from this segment grew by 1.9%, which was mainly driven by higher growth financing income. Non-funded income contributed 5.9% to the total revenue, while Ar-rahnu's outstanding financing increased by 16% to RM126.7 million in FY2019.

On the other hand, revenue from Business Banking rose by 3.3%, contributing 35% of financing to the Bank. The segment's growth is largely due to an increase in funded as well as non-funded income, which grew 24.3% (RM41 million) on the back of a 26.5% higher trade finance income (2.9 million). The Treasury Capital Market ("TCM") also experienced a 31.3% revenue increase that was driven by growth in non-funded income, therefore contributing to 24.6% of the Group's overall revenue.

Our profitable growth was driven by higher investment and securities income and higher fee-based income

The Group's appointment as an official ASNB agent last year proved fruitful, with ASB Outstanding (RM755.2 million), ASB Financing Income (RM17.3 million), and ADA ASB Deposits Account (RM103.0 million) significantly contributing to our overall financial performance. Additionally, our role as an ASNB agent had garnered two recognitions from the ASNB Starz Award Night 2018, namely the Highest No. of New Accounts for all ASNB Products; and the Highest No. of ASNB Transactions by an Agent.

TAPPING INTO DIGITAL

Digital and disruptive technologies continue to challenge the banking sector. Many banks are already embracing the adoption and application of modern tools, particularly the well-established banks that have large capital and market penetration. The digital movement has intensified competition from non-banking entities that can provide seamless payment options, such as e-wallets and e-remittance. Additionally, there are also non-banks that are introducing wealth management opportunities i.e. takaful products.

Technological change is key to delivering sustainable growth and stay ahead of the competition. This is why harnessing digital is one of the main pillars of our 5-year business plan. Driven by the Bank's digital unit, we are leveraging on emerging technologies that help us innovate the market, such as fintech partnerships, big data, mobile technologies, advanced analytics and blockchain technology.

This year, we increased focus on the digital delivery of our financial services and products, thus meeting the increasing preference for online and cashless solutions. In June 2018, we launched a QR code through our mobile app that enables users to seamlessly e-derna to 466 mosques and suraus, as well as e-purchase from 398 registered merchants. We also introduced the Hi Muamalat Chatbot app, which allows internal staff to conveniently access information on Standard Operating Procedures ("SOP"), frameworks and guidelines.

As we venture deeper into digital, we face increased cybersecurity risks. Banks are common targets for cyberattacks due to their key role in payments and settlements. It is crucial that we continuously enhance our data security capabilities to protect our stakeholders against attacks and breaches. In FY2019, we strengthened our IT infrastructure with security solutions that mitigate malware and persistent threats, prevent data leakage, and reinforce the Bank's firewall. Our mobile apps also include biometric recognition for higher security and easier customer access. Furthermore, we raised the cybersecurity awareness for clients (internal and external) and employees via emails, website posts, and e-learning programmes.

► CHIEF EXECUTIVE OFFICER'S STATEMENT

CHAMPIONING CUSTOMER EXPERIENCE

Competition for deposits has intensified. Banking and non-banking players are competing for low-cost deposits to manage the cost of funding, therefore, capturing a good portfolio of customers has been challenging. To mitigate this, we are continuously campaigning with customers to understand their evolving expectations and introduce features to meet their needs.

We aim to add the human touch in the midst of the digitalisation era. We are focused on delivering customers with ease of access, usage and a seamless banking experience via enhanced apps, internet banking solutions and operational-based systems. For instance, customers are now able to conduct gold transactions online via a Muamalat Gold-i account. Likewise, existing customers can easily open an account online through the Current Accounts and Savings Accounts ("CASA") online opening account feature.

To increase our market share, we are expanding into niche, targeted markets. We are focusing on selective growth across different areas, particularly by penetrating the Millennial and Y-generation market. To do this, we are expanding our customer reach via digital and innovative platforms.

During the year, we promoted the Investment Account Platform ("IAP") through digital banking and e-marketing tools, with continuous marketing on social media channels such as Facebook, Google, WeChat, and Instagram. Our sales touchpoints were also diversified, which now includes telemarketing to promote and cross-sell products to existing customers. During the year, we also introduced our corporate banking and payroll solutions to the Royal Malaysia Police, which includes financial planning advisories and financing facilities.

In August 2018, Bank Muamalat became the first full-fledged Islamic bank to provide premier banking to distinguished clients. We introduced Muamalat Beyond Premier Banking, which improves value proposition by delivering a differentiated banking experience. This provides personalised services to high net-worth clientele through dedicated Relationship Managers.

As a value-based bank, we take pride in preserving customer loyalty and trust by ensuring transparency in all transactions and proactively protect their privacy. Our front liners are trained to address issues in a professional and ethical manner, with responsible departments making frequent visits to branches in an effort to better understand how to serve our customers better. The team's progress is tracked and evaluated through continuous assessment, with high performers receiving service rewards. By embedding a customer-centric culture, we have improved our overall customer satisfaction rating according to feedback obtained via customer service touchpoint systems, surveys and calls.

GROWING THE PEOPLE

Emerging technologies and agile banking environments create a constant shift in skills requirements. Bank Muamalat personnel can no longer thrive with just financial knowledge - we need to future-proof our workforce. Our staff needs to be reskilled and upskilled to prepare them for the changes in the financial environment, which involves both the shifting digital and operational landscape.



Group
Profit Before Tax
RM 241.2
million

Revenue



RM 1,333.6
million

Bank Muamalat became the first full-fledged Islamic bank to provide premier banking to distinguished clients. We introduced Muamalat Beyond Premier Banking, which improves value proposition by delivering a differentiated banking experience

To do so, we are investing in proactive training and development programmes that develop the skills of our people. We are managing our reliance on certain individuals by identifying and developing internal talent to meet the needs of the Bank. The continuous training initiative is designed to promote a productive, digital culture among our employees. Each year, employees need to enrol themselves in a mandatory IT online training course. This is to provide employees with updates and awareness in the fast-changing pace of disruptive technology.

We also help our people grow to achieve their career goals. We have programmes and policies that attract, retain and develop high-quality talent. In FY2019, we carried out several professional development programmes to inspire future leaders. For instance, in September 2018, 5 Management Committee ("MANCO") members completed the Chartered Institute of Islamic Finance ("CIIF") Chartered and Fellowship masterclass. Additionally, we formalised a succession planning policy that allows managerial level staff, such as Branch Managers ("BM") and Assistant Branch Managers ("ABM"), to select a promising successor for training.

Our role as a responsible employer extends beyond work-related investments. Under the Bank's corporate wellness initiatives, we help to care the physical and mental well-being of our people. This year, our corporate wellness initiatives include lifestyle modification programmes, health talks, structured fitness programmes, and corporate sporting events.

STRENGTHENING RISK CULTURE

In FY2019, we focused on cultivating a strong risk and compliance work culture. In August 2018, the compliance department implemented a Compliance Week, which held many programmes and talks to raise staff awareness.

We are currently embedding risk mitigation measures into the development strategies of each business/support units. To further strengthen our compliance culture, we will enhance the Anti-Money Laundering Act ("AMLA") and Fraud Monitoring System, as well as develop risk profiling for business units to increase their ability to cushion impact in various scenarios.



► CHIEF EXECUTIVE OFFICER'S STATEMENT



Furthermore, we provide continuous training to designated compliance officers to ensure a better understanding and implementation of the compliance function. There will also be stronger oversight on compliance officers across all branches and business units, which includes clear expectations and their accountabilities.

TRANSITIONING INTO SUSTAINABILITY

At Bank Muamalat, we recognise that long-term growth is only possible with sustainable practices. If we do not take into account various sustainability risks – economic, environmental and social – we put the future of our business at risk. These are not only essential to the longevity of our business, but also to create and deliver long-term value for our stakeholders.

Future strategies, action plans and initiatives are designed to balance profits with social and environmental value. As a Global Alliance for Banking on Values member, we learn from the work of fellow GABV members, who are well-established in value-based banking. This year, we hosted the 2nd Asia Pacific Chapter meeting for Asia Pacific GABV members. The discussion, which was held in Kuala Lumpur, revolved around strategies to foster growth in the value-based outcomes of banks.

We are continuously involved in VBI activities by Bank Negara Malaysia (BNM), that gives equal weight to both economic growth and ethical values. For example, under the VBI initiative, we participated in a value-based scorecard to assess our true value creation. We have also increased transparency by developing a benchmark in our Risk Appetite Statement (“RAS”), which ensures the Bank’s overall financing activities is within the appetite accordingly.

Our 5-year strategic business plan includes strategies to create a sustainable and responsible working culture. Through various awareness programmes and activities, we will transform all staff members to fully embrace sustainability. In addition, we are planning to create an additional ‘credit’ assessment process to evaluate our customers’ Environmental, Social and Governance (“ESG”) impacts based on their business activities, which will also be applied to our supply chain. Our sustainability transformation will be measured by our triple bottom line (“TBL”) targets, which are closely monitored by the GABV.

One of the underpinning thrust in becoming a VBI bank is premised on our involvement in fostering the growth of local entrepreneurs, particularly small and medium enterprises (“SMEs”). We are dedicated to SMEs development by offering collaboration schemes with government agencies, such as Majlis Amanah Rakyat (“MARA”), Credit Guarantee Corporation (“CGC”), SME Corporation and more. Aligned with the government’s aim to create successful local entrepreneurs, we offer a combination of products, services and initiatives that suit their development needs.

Our sustainability journey also involves leveraging digital opportunities. We are continuously enhancing the data system in profiling, demographic and behavioural information to include value-based criteria. Similarly, we are embracing financial inclusion by delivering digital services to untapped and underserved local communities. To minimise environmental impact, we promote a paperless work environment through customised solutions, such as online account opening and an option to upload documents directly into portals cutting down

physical paper submissions. This reporting year, our value-based efforts were rewarded with the Best Alternative Investment Asset for Wealth and Society in Malaysia (Shariah Compliant Gold Investment) Award by The Wealth and Society International Advisory Council.

Next year, we will continue to focus on our mission statement – To Ethically Deliver Best Value to the Stakeholders, Society and Environment. We will only make decisions based on strong ethical values to further inculcate and instil a culture based on VBI, both internally and externally. We will focus on the returns of the real economy and will continue to dedicate efforts to support positive social and environmental impact.

LOOKING AHEAD

Overall, uncertain global economic conditions and worsening US-China trade tensions could lead to further rate cuts, which might force banks to make conservative assumptions on loan/financing growth, net interest/profit margin (“NIM”) and credit costs. The challenging operating environment is expected to continue into the following year, with larger corporates paring down on borrowing and financing, therefore resulting in increased pressure to meet financing growth targets.

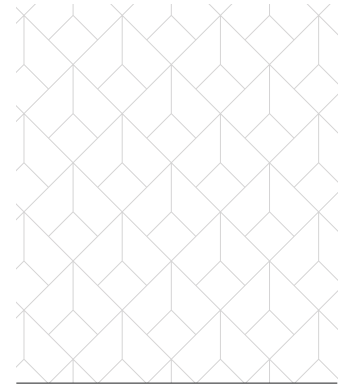
Sustaining the NIM is also expected to be challenging in a slow financing growth environment could push banks to engage in price-based competition. We are expecting a further rise in impaired financing, with cautions placed on the property, manufacturing and wholesale-retail sectors. However, the capital positions of most banks are expected to remain strong, with capital buffers to remain above regulatory requirements.

ACKNOWLEDGEMENTS

I would like to express my gratitude to the people empowering the business – the senior management team and all our employees. Their commitment drives our mission. Dedicated teams coming together with skills, experience, and passion – this is how we create values for those we serve. I look forward to our many years together, working to create positive impact, enhance our risk culture, instil ethical principles, cultivate skills and embrace challenges in meeting customers’ needs.

Additionally, thank you to our Chairman and Board Members, for their leadership, guidance and trust. It has been a great year working alongside each of you. Finally, I extend my deepest gratitude to our shareholders for their confidence in the Group; and to our customers for their continued trust and loyalty in our service.

Our value-based efforts were rewarded with the Best Alternative Investment Asset for Wealth and Society in Malaysia (Shariah Compliant Gold Investment) Award by The Wealth and Society International Advisory Council



CASA Grew
6.7%
 to
RM 5.34
 billion

Financing for
Ar-Rahnu Increased
16.0%
 to
RM 126.7
 million



CHAIRMAN OF SHARIAH COMMITTEE'S STATEMENT

In the Name of Allah, the Most Gracious, the Most Merciful. *Assalamualaikum Warahmatullahi Wabarakatuh*

Alhamdulillah, all praise to Allah SWT, the salutations and greetings to our Prophet Muhammad SAW and his entire family, companions, tabi'in and tabi'i al-tabi'in.



By way of this Annual Report FY2019, we can share our activities and the transparency of Bank Muamalat Malaysia Berhad in line with keeping up the Islamic da'wah via promoting an Islamic banking system.

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



TN. HJ. AZIZI CHE SEMAN
Chairman, Shariah Committee



For further information about YBhg. Tn. Hj. Azizi Che Seman please go to page 117, Shariah Committee Profile

The fact that Shariah compliance is the core and essence of Islamic banking; the Bank has to ensure that its banking and commercial activities are in line with Shariah principles and guidelines. One of the main challenges faced by the Bank is the review of the Bank's current product offerings to assure compliance to the Policy Documents for Shariah contracts issued by BNM throughout the year. With the assistance of Shariah Governance Framework ("SGF") organs within Bank Muamalat, we believe that we have played our role to oversee Shariah matters related to Bank Muamalat's business operations and activities. While we move forward, we have in tandem, to also abide to the new Shariah Governance guidelines which will be issued by BNM soon.

Allah S.W.T said, meaning:

"The only statement of the [true] believers when they are called to Allah and His Messenger to judge between them is that they say, "We hear and we obey." And those are the successful"

[Surah An-Nur: 51]

As the Shariah Committee of Bank Muamalat, we have given our utmost dedication to assure the quality of our services and demonstrated our commitment to ensure Shariah compliance in the products, process, documentations, marketing, IT systems and other related matters. Moreover, since BNM has adopted the value-based intermediation principle to be applied, we have constantly and consistently advised the Bank according to the important legal principle of *maqasid Syariah* where the Bank will serve better, the *ummah globally*.

As mentioned in the Quran:

"And We have not sent you, [O Muhammad], except as a mercy to the world."

[Surah al-Anbiya: 107]

During the FY2019, the Shariah Committee endorsed new products and services offered by Bank Muamalat, among others; a new collaboration with Permodalan Nasional Berhad (PNB) which saw the Bank appointed as PNB's agent, to encourage people with affordable investment to invest in Muamalat Gold-i Account product and ASB Term Financing, to introduce a number of social and wealth management services to customers such as estate planning, takaful, home Quran and muslims' jenazah management. The wealth management services were also extended to serve the affluent customers with 'Muamalat Beyond'.

In the context of economic development, Islam presents integrated and proactive approaches for developing and promoting wakaf institutions particularly in collaboration with financial institutions as a new initiative. Being an ethical bank, Bank Muamalat, after a long journey of cooperation with Perbadanan Wakaf Selangor ("PWS") in collecting and managing Wakaf Selangor Muamalat ("WSM"), is now collaborating with Perbadanan Wakaf Negeri Sembilan ("PWNS") and Majlis Agama Islam Kelantan ("MAIK") for the same means and objective under the name Wakaf Negeri Sembilan Muamalat ("WNSM") and Wakaf MAIK Muamalat ("WMM"). Going forward, Bank Muamalat will also initiate new collaborations with other states for their respective wakaf development.

We would like to extend our warmest congratulations to the Board of Directors and the Management for their genuine concern and unyielding passion in ensuring not only the productivity and profitability of Bank Muamalat, but also in assuring the dictates and requirements 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 each and every issue would be accordingly resolved.

In-sha-Allah, with an excellent banking system, we are able to channel da'wah and call out and attract the people into using Islamic banking and moving 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

Regards

**Chairman
Shariah Committee**

OUR STRATEGY



Industry and Market Overview	036
Business Model	042
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Principal Risks and Uncertainties.....	046

INDUSTRY AND MARKET OVERVIEW

MACROECONOMIC *review* & OUTLOOK

GLOBAL

2018 Review

Global economic growth softened to 3.6% in 2018, mainly attributed to slowdown in growths throughout the major advanced economies, emerging markets and developing economies. The reignited trade war between the world's two major economic powers, the US and China that had elevated since July 2018 contributed to the slowing global growth. Other contributing factors were the weakened position of the German auto manufacturers due to new fuel emission standards, soft domestic demand in Italy after sovereign and financial risks, as well as weakening sentiment in the global financial markets.

In 1Q2019, momentum in global activity remained soft against a difficult backdrop that included intensified US-China trade and technology tensions as well as prolonged uncertainty on Brexit. However, there were positive surprises to growth in advanced economies, although activities in the emerging market and developing economies remained weak. Growth was better than expected in the US and Japan at 3.1% and 0.9%, respectively, and one-off factors that had hurt growth in the Eurozone area in 2018 (notably, adjustments to new auto emissions standards) appeared to fade as anticipated.

Among emerging market and developing economies, 1Q2019 gross domestic product ("GDP") in China was stronger than forecast (actual 6.4% y-o-y vs. forecast of 6.3%) but indicators for 2Q2019 suggest weakening activity. On the other hand, activity in emerging Asia, as well as in Latin America has disappointed. Despite the upside surprises in headline GDP for some countries, data still signify subdued global final demand, notably in fixed investment.

Trade volume growth declined to around 0.5% y-o-y in 1Q2019 after dropping below 2% in 4Q2018, with slowdown particularly notable in emerging Asia. Global trade values also dropped -2.4% y-o-y. Weak trade prospects, which reflected trade tensions, created headwinds for investment, e.g. business sentiment and surveys of purchasing managers indicate weak outlook for manufacturing and trade, with pessimistic views on new orders. Favourably, the sentiment for the services sector has been relatively resilient, supporting employment growth, which in turn has helped shore up consumer confidence.

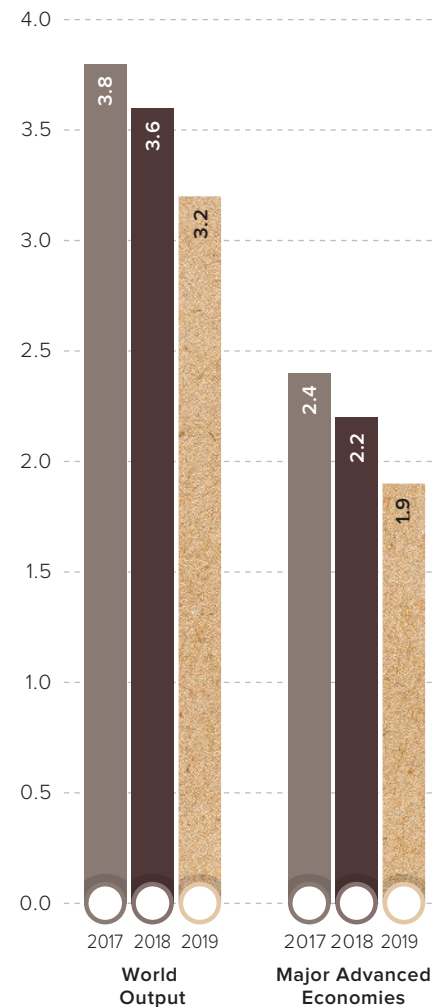
GLOBAL GDP IN 2018

Global economic
growth in 2019E

3.2%

GDP of Major
Advanced
Economies
growth in 2019E

1.9%

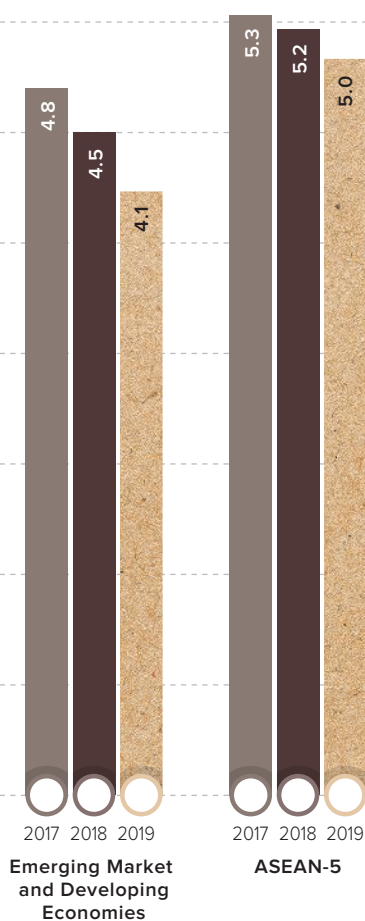


GDP of Emerging Market and Developing Economies growth in 2019E

4.1%

GDP of ASEAN-5 growth in 2019E

5.0%



GLOBAL REAL GDP (% change)	2017	2018	2019E
World Output	3.8	3.6	3.2
Major Advanced Economies	2.4	2.2	1.9
US	2.2	2.9	2.6
Eurozone	2.4	1.9	1.3
Germany	2.2	1.4	0.7
France	2.3	1.7	1.3
Italy	1.7	0.9	0.1
Spain	3.0	2.6	2.3
Japan	1.9	0.8	0.9
UK	1.8	1.4	1.3
Canada	3.0	1.9	1.5
Emerging Market and Developing Economies	4.8	4.5	4.1
Brazil	1.1	1.1	0.8
Russia	1.6	2.3	1.2
India	7.2	6.8	7.0
China	6.8	6.6	6.2
Singapore	3.6	3.5	2.3
ASEAN-5	5.3	5.2	5.0
Indonesia	5.1	5.2	5.2
Thailand	3.9	4.5	3.5
Malaysia	5.9	4.7	4.7
Philippines	6.7	6.4	6.5
Vietnam	6.8	6.9	6.5

Source: Overview of World Economic Outlook Projections by IMF

► INDUSTRY AND MARKET OVERVIEW

OUTLOOK FOR 2019

Global growth is forecast at 3.2% in 2019, increasing to 3.5% in 2020, against the backdrop of subdued global growth. With the ongoing trade war between the US and China not nearing any conclusive deal in the near term, global technology supply chains threatened by the prospect of US sanctions, Brexit-related uncertainty continuing and rising geopolitical tensions roiling energy prices, the global economic uncertainties are expected to sustain in 2019.

Global economic outlook continues to be affected by escalating trade tensions and heightened uncertainty, with widespread trade protectionism expected to have prolonged adverse impact on the global economy. The slowdown in global trade coincides with a downturn in the global semiconductor and ICT industry, with forecast of declining global sales in the near term.

Mitigating factors could come in the way of global central banks' willingness to provide policy support, e.g. the US Federal Reserve citing uncertainties condition that have increased the case for a policy rate cut, while issuing dovish forward guidance, and the European Central Bank planning to ease policy if inflation fails to accelerate. Nevertheless, some analysts opine that the impending slowdown in global trade cycle is unlikely to be fully mitigated by mere easing of monetary policies. As such, the outlook for global trade activity continues to be mired with uncertainty and the threat of increased trade tariffs by both the US and China.

MALAYSIA

2018 Review

Malaysia's GDP growth was back on downtrend mode, easing to 4.5% y-o-y in 1Q2019, after accelerating to 4.7% in 4Q2018 (and full year 2018). The moderated growth was resulted from slowdown in both domestic and external demands. On aggregate, the growth performance of domestic demand slowed to 4.4% in 1Q2019 from 5.7% in 4Q2018, reflecting pessimism among businesses amidst uncertainties caused by the ongoing US-China trade war. Decline in production is projected due to depressed new orders, particularly from the external side.

Nevertheless, private consumption registered commendable growth of 7.6% (4Q2018: 8.4%), above the long-term average of 7.0%, despite moderating slightly, partly attributed to the normalisation of spending following the reinstatement of the Sales and Services Tax (SST) in September 2018 after a three-month tax holiday period from abolishment of the Goods and Services Tax (GST) in June 2018. On the other hand, sluggish momentum in public sector investment at -13.2% has brought down the overall gross fixed capital formation (GFCF), which mirrored the prudent stance taken by the government.

Malaysia's exports slowed to 0.1% in 1Q2019, mainly due to the current cyclical slowdown in the technology sector and hampered demand in major export markets, including China, the US and the EU. Meanwhile, imports decreased at a faster rate (-1.4%) compared to exports.

Growth of the agriculture sector jumped to 5.6% (4Q2018: -0.1%), i.e. its first expansion after three consecutive quarters, supported by recovery in the palm oil and rubber outputs. On the other hand, the mining sector maintained its negative growths, attributed to unfavourable crude oil and natural gas productions due to unscheduled facilities shutdown. Growth of the manufacturing sector also eased to 4.2% (4Q2018: 5.0%), as the export-oriented electrical and electronics (E&E) sub-sector moderated from tepid external demand. The construction sector also expanded at a much slower pace of 0.3% (4Q2018: 2.6%), mainly due to decline in non-residential segment and moderation in civil engineering sub-sectors. The services sector's growth dropped to 6.4% from 6.8% in 4Q2018, dragged by slower wholesale and retail trade.

Malaysia GDP by Demand and Sectors (%, change)	2017	2018	1Q2019
Real GDP	5.9	4.7	4.5
By Demand:			
Domestic Demand	6.5	5.7	4.4
Private Consumption Expenditure	7.0	8.0	7.6
Government Consumption Expenditure	5.4	3.3	6.3
Gross Fixed Capital Formation	6.2	1.4	(3.5)
External Demand:			
Exports of Goods and Services	18.9	2.2	0.1
Imports of Goods and Services	19.9	1.3	(1.4)
By Sectors:			
Agriculture, Forestry & Fishing	7.2	0.1	5.6
Mining & Quarrying	1.0	(2.6)	(2.1)
Manufacturing	6.0	5.0	4.2
Construction	6.7	4.2	0.3
Services	6.2	6.8	6.4

Source: Dept. of Statistics Malaysia

OUTLOOK FOR 2019

BNM forecasts Malaysia's full year GDP to grow 4.3%-4.8% in 2019, against the backdrop of a challenging global environment. The external sector is expected to register a more moderate expansion in tandem with the moderation in global growth. Private sector activity will remain as the anchor of growth amid continued rationalisation in the public sector, while inflation is projected to be broadly stable compared to 2018.

All major sectors are expected to expand in 2019, albeit at a softer pace for the services, manufacturing and construction sectors. The services and manufacturing sectors are predicted to moderate against global trade slowdown. Similarly, the construction sector is expected to trend downwards following subdued residential and non-residential sub-sectors amid the oversupply of residential and commercial properties. On the other hand, the commodity-related sectors are projected to chart positive growths, mainly driven by recovery in natural gas production and higher palm oil output as palm oil yield improves and mature oil palm areas expand.

The ongoing economic slowdown in major economies, including in China and Eurozone could result in lower trade performance for Malaysia, with exports forecasted to grow at a slower pace of 3.4% (2018: 6.8%), while imports are projected to expand by 4.5% (2018: 4.9%). With the economy undergoing a phase of heightened headwinds, coupled with benign inflationary pressures, BNM is highly expected to retain its accommodative monetary policy stance.

► INDUSTRY AND MARKET OVERVIEW

BANKING SECTOR

review & OUTLOOK

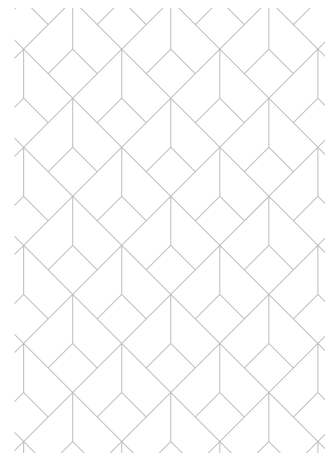
2018 REVIEW

Malaysia's banking system loan/financing growth continued to decelerate in 1Q2019, down to 4.9% y-o-y at end-March 2019 from 5.6% y-o-y at end-December 2018. The slowdown was mainly contributed by the business segment, with weaker growth of 4.1% y-o-y at end-March 2019 vs. 5.4% at end-December 2018. Momentum for household segment also eased to 5.3% at end-March 2019 from 5.6% y-o-y at end-December 2018.

Overall business segment growth was affected by slowdown in the following sub-segments: (i) utility (+3.3% at end-March 2019 vs. +12.1% at end-December 2018); (ii) construction (+8% vs. +13.8%); (iii) real estate (-2.3% vs. +1.5%); and (iv) finance (+5.7% vs. +8.1%). On a positive note, there was improved momentum for two major business sub-segments: (i) manufacturing (+9.8% vs. +8.5%); and general commerce (+8.2% vs. +7.4%). Meanwhile, moderated growth for household segment was resulted from weaker performance of: (i) residential mortgages (+7.1% vs. +7.6%); (ii) auto (-0.6% vs. -0.2%); and (iii) personal (+6.5% vs. 7.8%), with credit card being the only sub-segment that recorded growth (+2.5% vs. +2.1%).

Liquidity in the banking system continued to improve as excess liquidity improved to 11.3% to RM213 billion. System deposits followed the moderating theme of loans/financings, slowing to 5.8% y-o-y, with moderation coming from the drop in state governments' deposits' of -8% y-o-y. Nevertheless, loan/financing-to-fund ("LTF") ratio and loan/financing-to-deposit ratio ("LDR") were relatively stable at 82% and 89%, respectively.

In terms of asset quality, the banking sector's gross impaired loan/financing ("GIL/F") only increased 0.4% in 1Q2019 to RM24.6 billion at end-March 2019. This was largely in line with 0.5% q-o-q loan/financing growth in 1Q2019. Thus the industry's GIL/F ratio stayed at an all-time low of 1.46% at end-March 2019 (on par with end-December 2018 level). The system's net impaired loan/financing ratio was also sustained at an all-time low of 0.92% at end-March 2019.



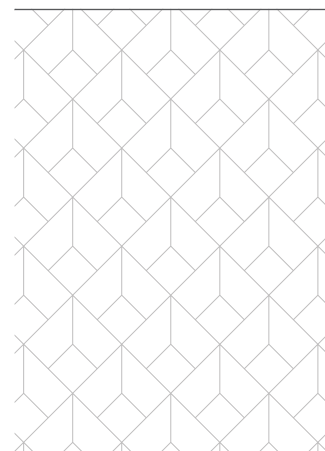
Business segment loan/
financing growth at end
March 2019

4.1%
y-o-y



Household segment loan/
financing growth at end
March 2019

5.3%
y-o-y



OUTLOOK FOR 2019

Analysts are generally maintaining the 2019 loans/financings growth projection of 5.0%, to be supported by business and household segments growth of 5.2% and 4.8%, respectively. The business segment accelerated in 2018 but business activities have since remained in cautious mode and shown signs of easing. Modest sentiment going forward is also foreseen for the household segment, underpinned by anticipation of cautious spending following a bleak economic outlook.

Overall, it is expected that banks' revenue growth to continue to be suppressed in the coming quarters, mainly due to margin erosion, caused by the abovementioned cut in OPR and deposit competition, as well as potential negative impact from the US-China trade war which could dampen business activities and lead to lower income for banks. As such, lower net profit growth of 3.0% is projected for 2019 (vs. 8.9% in 2018), with other potential causes to include increase in banks' overheads (+8.7% vs. +0.8% in 2018) and surge in loan/financing loss provisioning (+45.7% vs. -27.2% in 2018).



Liquidity at end
March 2019

RM213
billion (+11.3%)



Gross impaired loan/
financing ratio at end
March 2019

1.46%



BUSINESS MODEL

our CAPITAL INPUTS



FINANCIAL

- Shareholders' equity: RM2.30 billion
- Deposits: RM20.17 billion



INTELLECTUAL

- Strategic partnership with local Islamic state councils in managing waqf called Waqf Muamalat
- 3rd full-fledged Islamic bank
- Continuous effort in growing ESG-compliant products and services



MANUFACTURING

- 64 branches
- 64 Ar-Rahnu outlets
- 166 ATMs
- 83 CDMs
- Strong and capable core IT systems
- i-muamalat mobile apps and i-muamalat internet banking for easy access
- Ez-Zakat that makes zakat payment easier through Muamalat counter



HUMAN

- 1,869 employees
- Client and service centred values
- Strong governance and compliance culture



SOCIAL & RELATIONSHIP

- More than 600,000 customers
- A member of Global Alliance for Banking on Values (GABV)

our STRATEGY

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

our STRATEGIC FOCUS AREAS

- 1 Strengthening our base by complying with all regulatory requirements especially on capital and liquidity as well as improving our asset quality
- 2 Delivering products and financial solutions that cut across retail and wholesale segment as well as penetrating new untapped markets by harnessing digital technologies
- 3 Expanding products and diversifying customer base in order to be the preferred provider of investment solutions

Creating values through these activities:

- Provide deposits and investment products
- Extend our financing facilities to ensure financial inclusion and responsible financing through our practices
- Provide necessary advice based services to ensure ideal financial solutions for the customers
- Grow, manage and protect wealth through value added takaful, asset and wealth management solutions

our GOVERNANCE

Bank Muamalat is committed to the highest standards of

Governance

Ethics

Integrity

1

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

2

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

1

STRENGTHENING THE BANK'S BASE

to ensure our continuous long term resiliency in withstanding internal and external disruption

2

MEETING THE STAKEHOLDERS' NEEDS

by transforming the Bank through digitalisation to ethically deliver best value to the stakeholders, the society and the environment

our STAKEHOLDERS

CUSTOMERS



- RM15.5 billion of gross financing
- RM613 million of income attributable to depositors
- Continuous improvement in mobile apps, Retail Internet Banking ("RIB") and Corporate Internet Banking ("CIB")

SHAREHOLDERS



- 10.37% return on equity
- 1.03% return on asset
- 18.61% total capital ratio

REGULATORS



- Compliance with all regulatory requirements
- Relentless commitment in driving value based initiatives
- Smooth implementation of IFRS 9

COMMUNITY



- RM14 million was disbursed for waqf projects
- Around 46% of our financing facilities is recognised to give direct impact to the environment and society

EMPLOYEES



- RM215 million in salaries and benefits
- 51% female representation
- 6% non-bumiputra staff

4 Delivering the exceptional customer services to maximise customer experience at all times

5 Identifying ideal approaches to sustainability, innovation and leadership in order to be recognised as a socially responsible bank

6 Becoming the banker of choice for the local communities that we serve

- Facilitate transactions and payments
- Maintain, optimise and invest in technology, marketing as well as infrastructure to ensure business sustainability
- Generate returns on our strategic investment portfolios
- Attract, develop and retain our people as well as invest in them to ensure optimal capabilities

3

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

4

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

DELIVERING ON CURRENT STRATEGY

5 year STRATEGIC BUSINESS PLAN

To ensure we are moving towards achieving our vision in becoming the preferred Islamic Financial service provider, our business plan is divided into 2 phases, namely:

► Structural Adjustment Phase

○ ————— 2017-2018 ————— ○

► New Vision Phase

○ ————— 2017-2021 ————— ○

The Structural Adjustment Phase places the Bank on a stronger footing to pursue our Business Plan as the key objective of this phase is primarily to comply fully with all regulatory requirements.


In achieving our objective of strengthening the Bank's base as well as in meeting the stakeholders' needs, our New Vision Phase is geared towards these five main pillars namely:





- i) Harnessing digital technology
- ii) Becoming the preferred investment solutions provider
- iii) Positioning Bank Muamalat as the banker of choice for local communities
- iv) Being recognised as a socially responsible bank; and
- v) Delivering customer service excellence at all touchpoints

STRUCTURE ADJUSTMENT PHASE

Key Objective
<ul style="list-style-type: none"> To fully comply with regulatory requirements, via asset tapering with focus on retail deposits growth while improving asset quality Expansion of fee based income to supplement profitability
Achievement
<ul style="list-style-type: none"> Sold RM500 million house financing portfolio with recourse Improve asset quality to 1.43% in FY2019 from 1.92% in FY2018 200kg gold sold with a corresponding income of RM1.6 million for FY2019

NEW VISION PHASE

Key Objective	Achievement
 <p>Harnessing digital technologies</p> <ul style="list-style-type: none"> To use digitalisation to target tech-savvy customers from all income brackets To engage customers at all touchpoints To develop a platform that is convenient to conduct e-transactions To provide customers with new interactive and efficient digital version in conducting banking activities 	<ul style="list-style-type: none"> Mobile apps launched in FY2018; <ul style="list-style-type: none"> ► In Mar-18, 24,000 customers registered; in FY2019, more than 32,000 new customers registered ► New features - include biometric authentication, E-derma & E-Purchase capabilities, financial calculator (without log-in) Launched QR Code that enables e-derma through selective mosques with Masjid Jamek being the pilot mosque to accept QR code Enhanced RIB and CIB <ul style="list-style-type: none"> ► Purchase/sale of gold online via Gold-i account Launched Hi-Muamalat Chatbot in May-18 to facilitate staff for ease of reference to Standard Operating Procedures, Guidelines etc

	Key Objective	Achievement
 <p>Becoming the preferred investment solutions provider</p>	<ul style="list-style-type: none"> To grow our fee based income and penetrating newer markets with new products and solutions To become the preferred provider of Islamic investment solutions to the Bank's client base 	<ul style="list-style-type: none"> Landed 2 IAP deals for the financial year with a cumulative value of RM40 million Launched online gold purchase and sell via Gold-I account Launched Muamalat Beyond Premier Banking, 1st Islamic affluent banking facility in Ampang, Kuala Lumpur MISB's expansion into retail space as it has secured the Capital Market Services License that enables MISB to manufacture, sell and manage retail unit trust funds
 <p>Positioning Bank Muamalat as the banker of choice for local communities</p>	<ul style="list-style-type: none"> To become the banker of choice for each localised community that we serve To expand into more communities through product and services diversification in meeting customers of consumers, businesses, wealth and affluent banking needs To cater to all localised communities within the segment of consumers, business, wealth and affluent banking 	<ul style="list-style-type: none"> Bank Muamalat appointed as an agent of Amanah Saham Nasional Berhad (ASNB) in FY2018 – new ASB financing disbursed amounting RM775.2 million for FY2019 Ar-rahnu services has been successfully implemented at all branches Participating financier for imSME, a CGC portal to assist SMEs applying for facilities online Expansion in new exporter-based customers
 <p>Being recognised as a socially responsible bank</p>	<ul style="list-style-type: none"> To achieve Maqasid Shariah goals through socially responsible and ethical end-to-end business Product features – all product features to be embedded with social based elements Financial inclusion – banking services is offered to a broad segment of society Corporate Social responsibility – to ensure the Bank gives back to society through CSR initiatives Waqf initiatives – to promote waqf as economic distribution tool for the society 	<ul style="list-style-type: none"> Staggered working hours introduced to ease movement of staff <ul style="list-style-type: none"> ▶ launching of hybrid car financing ▶ ASB financing for the Army personnels ▶ Financing literacy awareness for Army personnels Continuous sports house activities to encourage active lifestyle among staff. The Bank is now a member for the VBI initiative under BNM Under CSR <ul style="list-style-type: none"> ▶ Muamalat Merdeka Coral Conservation Dive in Terengganu Under Waqf <ul style="list-style-type: none"> ▶ 28% increase in Waqf fund collection for FY2019 ▶ Close to 5,000 patients were treated via Wakaf Mobile Clinics, a synergy between Wakaf Muamalat, selective medical institutions and the Malaysian Royal Army
 <p>Winning at customer services excellence</p>	<ul style="list-style-type: none"> To gain customers' satisfaction at every touchpoint hence earning their loyalty and positive advocacy through lean processes, coordinated marketing, digitalisation, and employee rewards as well as recognition for exemplary performance Key areas: <ul style="list-style-type: none"> ▶ Customer satisfaction achieved at all customer touchpoints ▶ To improve turnaround time ▶ To improve marketing efficiency and branding ▶ Digitalisation ▶ To promote high performance culture 	<ul style="list-style-type: none"> ISO Re-certification for Complaint Management Commencement of Counter Service ISO certification CRM deployed to all branches Appointment of Guest Experience Officers ("GEO") at all critical branches

PRINCIPAL RISKS AND UNCERTAINTIES

Risk is intrinsic to all businesses and can lead to various types of losses. At Bank Muamalat, we identify and manage our risks in a holistic manner to ensure business continuity and sustainability to continuously create value for our shareholders and all other stakeholders.

Here, we outline the principal risks within our operating environment and define the ways in which they could affect Bank Muamalat as well as key developments of those risks for FY2019.

how we DEFINE THEM



CREDIT RISK

The Bank's risk of financial loss from the failure of a client or counterparty to meet their obligations as they fall due



MARKET RISK

Risk of losses in the Bank's on and off-balance sheet, earnings and capital position as a result of market movements in rates, foreign exchange, equity and commodity prices



RATE OF RETURN RISK

The risk which may impact our trading and banking book portfolios due to the variability of values assets and liabilities as a result of volatile market benchmark rates



LIQUIDITY RISK

Risk of the Bank's inability to fund financial obligations on time, arising from unexpected increases in asset or demand for funds from depositors



OPERATIONAL RISK

Risk of loss due to inadequate or failed internal processes, people and systems or from external events which includes legal risk and shariah non-compliance risk but excludes strategic and reputational risk. This encompasses a wide spectrum of risk such as fraud, physical damage, business disruptions, transaction failures, legal breaches, regulatory breaches (fiduciary breaches and shariah non-compliance), and employee healthy and safety hazards.



SHARIAH NON-COMPLIANCE RISK

Risk of failure to comply with Shariah rules and principles as outlined by the Shariah Committee (SC) of Bank Muamalat and other relevant Shariah regulatory committees



STRATEGIC RISK

Risk of unpredicted adverse impact on the Bank's performance fundamental strategic and business decisions and their execution performance affecting fundamental



REPUTATIONAL RISK

Risk of adverse impact on the Bank's profitability, operations or shareholder value arising from negative perception of the Bank due to our conduct or business practices

how we **RESPONDED** *to them in FY2019*

- Enhanced and tightened credit underwriting standards
- Tightened credit mitigation and controls
- Diversification into new market segments for consumer financing
- Enhanced risk reporting and analysis capabilities
- Enhanced end-to-end credit control and processing
- Guided business activities to be within established risk parameters and limits
- Streamlined and enhanced credit risk policies with regard to the

implementation of MFRS9

- Integrated triple bottom line criteria into our credit and risk evaluation processes especially for corporate customers
- Strengthened risk acceptance criteria to reflect and account for current and emerging macroeconomic conditions

- Enhanced limit monitoring tools through system upgrades

- On-going revision of market risk limit and trading book policy statement

- Optimized liquidity and EVE requirement through funding and liquid assets strategies

- Partial hedge of banking book portfolio

- Ongoing management of Net Stable Funding Ratio (NSFR) as per requirement under Basel III
- Diversified funding so as to reduce over-reliance on certain market segments

- Continuous monitoring via pre-crisis management framework with a built-in and structured crisis response mechanism
- Enhanced liquidity monitoring tools

- Enhanced Key Risk Indicators ("KRI") at the departmental and operating level for tracking risk exposures over time and to provide early warning signals
- On-going review and validation between Risk & Control Self-Assessment ("RCSA"), KRI and Incident Management Data Collection ("IMDC") in managing operational risk Bank-wide
- Enhanced preventive and detective controls at first line of defence in managing operational risk by embedding sound operational risk management practices in the Standard Operating Procedures (SOP)

- On-going risk assessment for new and enhanced products and services including material changes in business processes so as to facilitate decision making processes
- On-going review over business continuity plans and outsourcing mitigation strategies for bank-wide so as to ensure the risk exposures are within the Bank's acceptable level.

- Continuous monitoring of Shariah non-compliance risks in business activities, products and services
- Introduced pre-approval checklist to serve as a guide in managing risk at the point of origin

- Increased synergy with all other Shariah risk organs to effectively manage Shariah non-compliance risk.

- Ongoing review, enhancement and monitoring of the Business Plan implementation to ensure business decisions are in line with it
- Diversification of product and customer base and management of funding structure

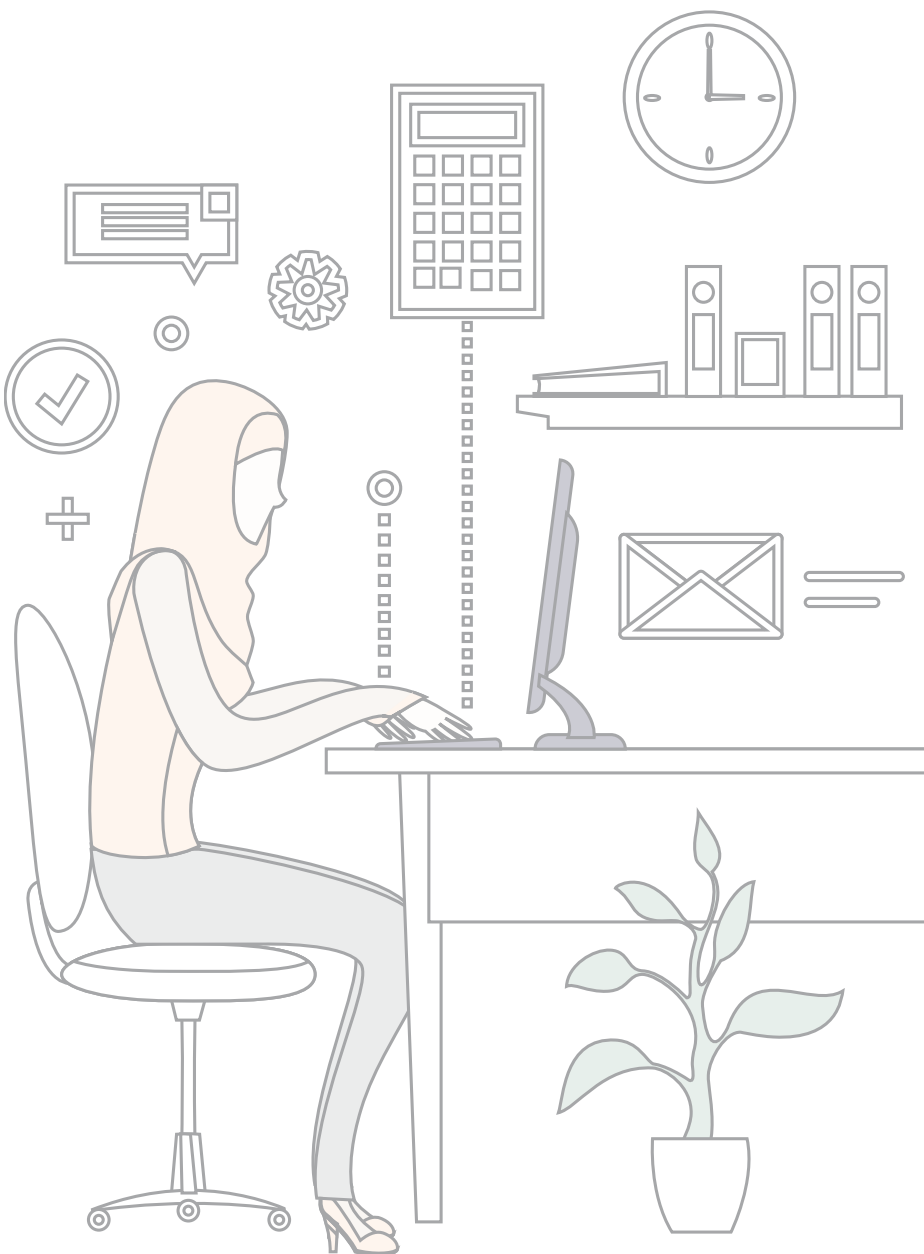
- Real time monitoring of social media for timely identification and escalation of potential risks
- Building goodwill

OUR PERFORMANCE



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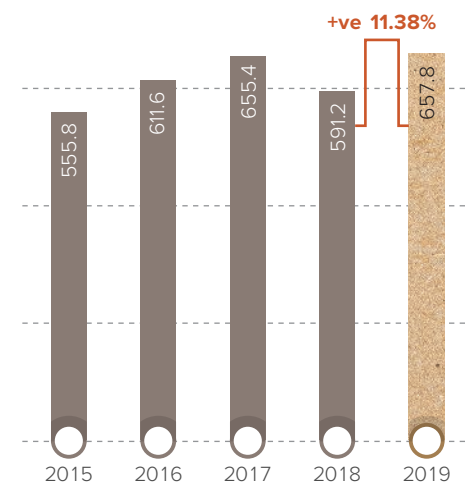
CONSUMER BANKING



CONSUMER BANKING IN FY2019

A review over the past few years showed that the consumer banking industry had been mainly influenced by the tightening measures introduced by Bank Negara Malaysia to manage the high level of household indebtedness. The consumer banking environment in 2018 continued to remain challenging, especially for some businesses and households which led to rising household debt and growing debt consolidation by customers to reduce commitment. The strong competition among financial institutions resulted in the compression of net interest margin. Consumer banking in FY2019 continued to focus on building mass affluent, affluent and small business customers. Consumer banking offers products and financial solutions which include auto finance, mortgages, personal financing, micro financing, priority banking services, wealth management, Ar-Rahnu, remittance services and deposits.

TOTAL REVENUE (IN RM MILLION)

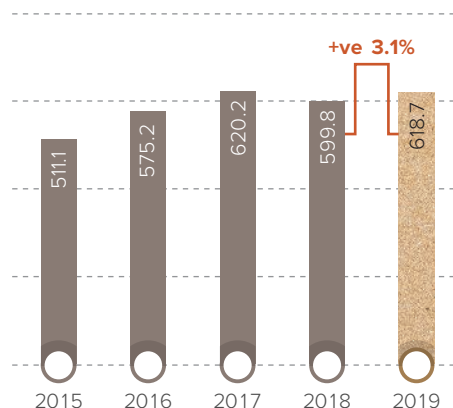


Consumer Banking's revenue rose by 11.3% or RM66.6 million to RM657.8 million driven by the improvement of gross financing asset coupled with the stronger capital base.

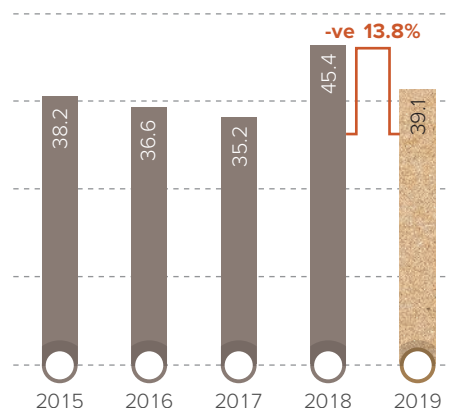
Financing income expanded 3.1% year-over-year (“yoy”) to RM618.7 million in FY2019, aided by both financing growth and an improvement in NIM to 3.65% as compared to 3.61% in FY2018. The improvement in NIM reflected continued prudent financing pricing and funding cost management with cost-income ratio showing a slight decrease from 42.5% in FY2018 to 42.3% in FY2019.

Meanwhile, overall Non Funded Income for FY2019 decreased by RM6.3 million or 13.8% mainly due to low fee income from Wealth Management and Ar-Rahnu business which always delivered top margins. Core business performance indicators remained positive, with gross financings growing by 6.1% yoy to RM10.0 billion for FY2019 alongside continued stringent credit initiation controls. ASB Financing contributed to the higher financing growth of RM771.4 million, while other consumer financings were on negative growth.

FINANCING INCOME (IN RM MILLION)



NON-FUNDED INCOME (IN RM MILLION)



CONSUMER FINANCING

Gross financing balance rose 6.1% or RM0.57 billion to RM10.0 billion, compared to RM9.43 billion in FY2018. The growth was attributed by ASB Financing as a new segment for FY2019. Other financing products i.e. residential properties, personal financing as well as auto financing recorded negative growth in FY2019.

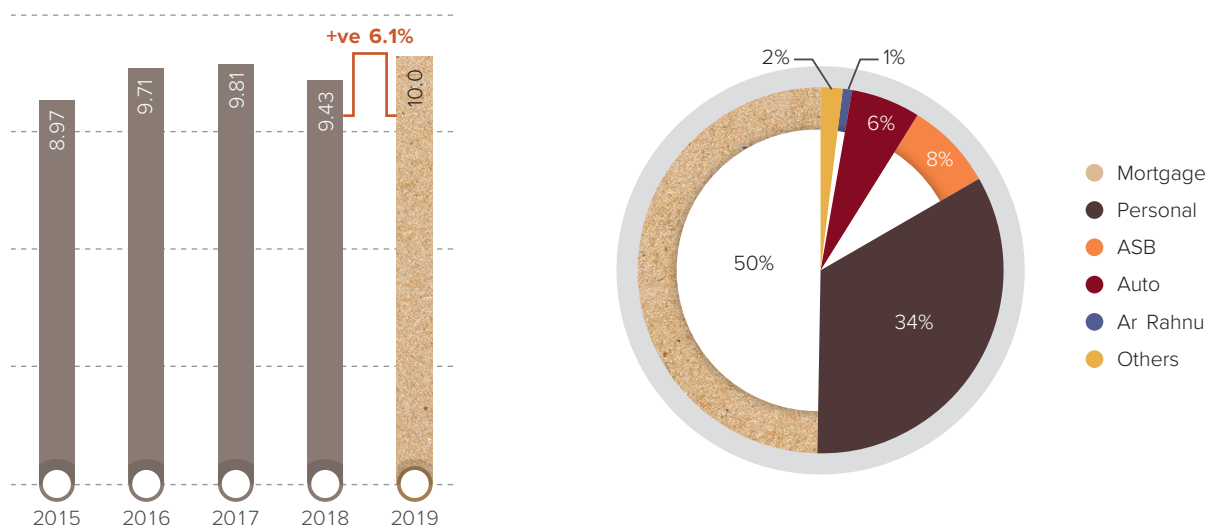
Despite the challenges in the market, our Consumer Banking team performed admirably in the face of the demands of a difficult environment by putting in place mitigating strategies and continuing to take all necessary measures to ensure our long-term sustainability. This was done through implementing prudent asset management, cost reduction management

and best banking practices. To reduce the impact of the challenging economic and market situation, we put in place various strategies to broaden our market segment and focus on product and service diversification to meet increased and changing customer needs and wants.

With total assets of RM10.0 billion, Consumer Banking remained the biggest contributor to the Bank both in asset and as well as income portfolio. Mortgage financing continued to contribute the biggest portion of Consumer Banking financing asset with 50% which was a decrease of 4% share from the previous year followed by Personal Financing with a decrease of 34% share.

► CONSUMER BANKING

TOTAL FINANCING ASSET (IN RM BILLION)



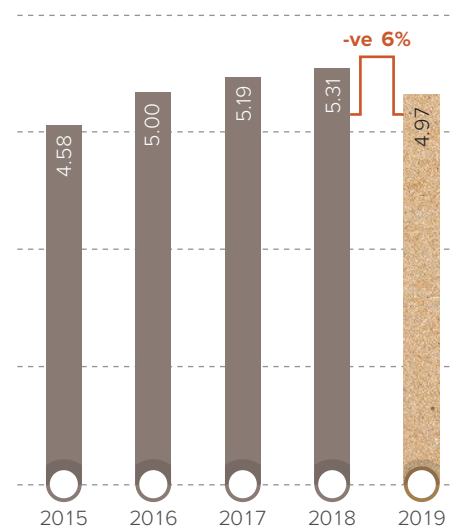
MORTGAGE FINANCING

Our Home Financing segment recorded a negative growth in FY2019, recording a 6% decrease to RM4.97 billion compared to RM5.31 billion the previous year coupled with a slower property market in 2018 due to macro-prudential measures implemented by the government and Bank Negara Malaysia to inculcate responsible lending in the financial sector and curb speculative activities in the property market. This was in addition to moderation in prices of residential properties and weaker consumer sentiment due to concerns over higher cost of living, exerting further pressure on the demand for residential properties. Competition may also intensify which could lead to further net interest margin compression.

The Bank remains focused on financing affordable homes for the mass market segment, particularly on residential property financings of between RM100,000 and RM500,000 extended for purchase of properties for owner occupation. In FY2019, financings granted to finance residential properties in this price range contributed 82.3% of the total residential property financings approved.

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

MORTGAGE FINANCING (IN RM BILLION)

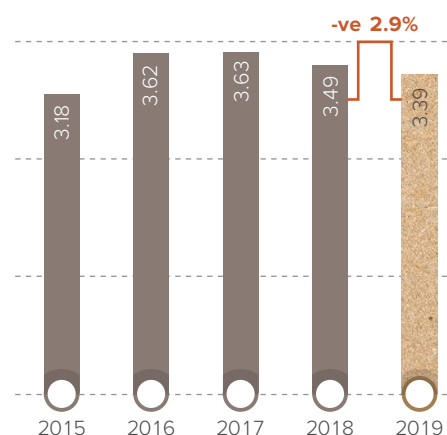


PERSONAL FINANCING

Our Personal Financing segment contribution to total income during the year was 48%, a slight drop from the 49% contribution in FY2018. FY2019 was ultimately a successful one for the Personal Financing segment although the portfolio was in the negative and grew at just 2.9%. This was due to our effort to slow down its growth and to diversify into other areas/products. Our Personal Financing portfolio as at FY2019 was RM3.39 billion which was mainly focused on personal financing to the Armed Forces of Malaysia and government servants.

The Bank will remain disciplined and prudent in its credit underwriting; continue to be vigilant and proactive in its recovery of impaired loans whilst pursuing growth opportunities in the Personal Financing portfolio. We are confident that it is well placed to capitalise on opportunities and address challenges which may arise in the new financial year from a position of strength. We will continue to focus on growing a balance between deduction at source for the government and pensioner segments and non-deduction at source for the government and selected corporate sector segment. Our efforts to grow both segments simultaneously will ensure that asset quality is not compromised. We will continue to support personal financing products with marketing and awareness campaigns to ensure our competitive edge. We will also work on developing personal financial education programmes to highlight the importance of managing personal finances.

PERSONAL FINANCING (IN RM BILLION)

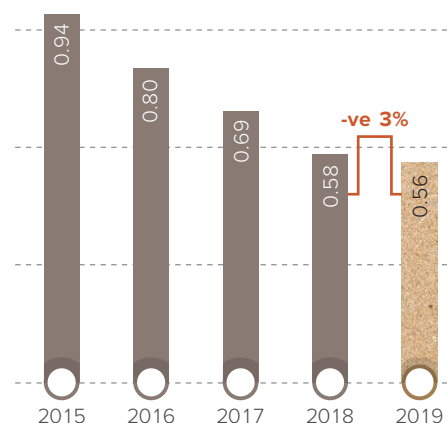


AUTOMOBILE FINANCING

The automotive industry remained challenging in 2018 with moderated vehicle sales as a result of a more cautious consumer sentiment, uncertainties surrounding the economy and rising cost of living. Given weaker vehicle sales, the consumer banking vehicle hire purchase portfolio decreased by 3% or RM0.02 million to RM559.24 million as at FY2019. The Bank continues to drive business volume and market share in "Hire Purchase Financing" through targeted market segmentation strategy, aggressive marketing initiatives and business collaboration with established vehicle dealers especially Proton Car Dealers.

In addition, intense competition among auto vehicle financiers will continue and further exert pressure on pricing resulting in continued profit/interest margin squeeze. Moving forward, the Bank aims to regain some of the growth momentum for this portfolio when vehicle sales pick up pace again. The Bank will also strive to enhance its penetration rate in target growth segments such as new passenger vehicles and light commercial vehicles as well as the big-bike motorcycle segment.

AUTO FINANCING (IN RM BILLION)



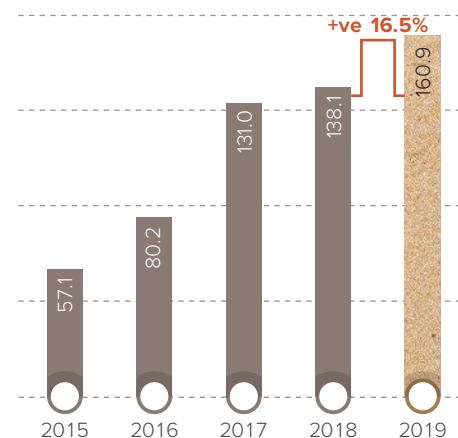
► CONSUMER BANKING

AR-RAHNU

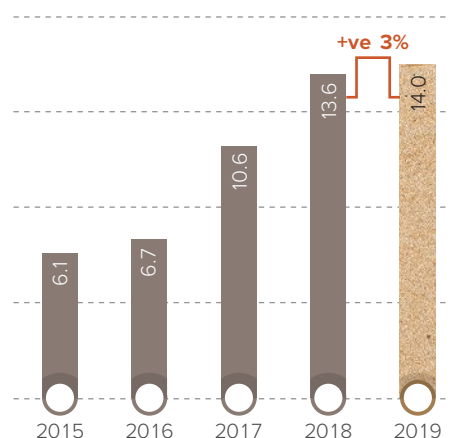
Ar-Rahnu (Pawn Broking-i) is an Islamic pawn broking scheme has been our most successful product. Our Ar-Rahnu has experienced significant growth as it has garnered outstanding demand from Muslims and non-Muslims alike. Ar-Rahnu in Malaysia has the capability to compete with and to dominate the conventional pawn broking business which has a long chronological history in this country. This is due to the fact that the Ar-Rahnu system offers welfare protection to help the low-income group compared to conventional pawnshops that operate towards interest based-profit.

With 64 Ar-Rahnu outlets managed by the Consumer Banking division nationwide, this segment contributed 2% or RM14.1 million in income in for FY2019 against the budget of RM18 million. The dip was amid challenges posed by stagnant gold prices and aggressive competition. The strategy put in place to overcome the challenges was the introduction of the 1 Kilo campaign to boost sales.

**AR-RAHNU MARHUN
(IN RM MILLION)**



**AR-RAHNU INCOME
(IN RM MILLION)**



AMANAH SAHAM BUMIPUTRA (ASB) FINANCING

The Bank was appointed as an ASNB agent on 15 January 2018 and subsequently launched the ASB Financing in March 2018. The ASB Financing is a special arrangement between Permodalan Nasional Berhad, the Ministry of Defense and Ministry of Home Affairs. It is an arrangement that is specific for members of the Royal Malaysian Police Cooperative and the Armed Forces of Malaysia to invest in ASB. The scheme's objective is to encourage members to invest and inculcate the building up of solid savings through investments in ASB.

This new ASB Financing product provides an alternative to Shariah-conscious consumers while allowing them to leverage the difference between the returns from ASNB and the profit they pay on the ASNB Financing. We managed to achieve new ASB financing disbursements in the first year of RM775.2 million. 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 strong momentum achieved in 2018.



During the year, the Bank won four (4) awards at the PNB Starz Awards 2018, which honours the contributions of partners and agents as follows:



**Highest Number of
New Accounts All
ASNB Products**



**Highest Number of
ASNB Transactions By
Agent**



**Highest CIF Update
Award**



**Highest MyASNB
Portal Opening**



MOVING FORWARD

Our focus in FY2019 was on striving for top-line growth and achieving bottom-line results thus strengthening our financial foundation. Our prudent asset management and banking practices ensured we remained on track, 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 service costs through greater adoption of online and self-service platforms as well as centralising some activities and services, in addition to offering differentiated customer experiences for each segment.

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

STRATEGIC PLAN FOR FY2019 CONSUMER FINANCING



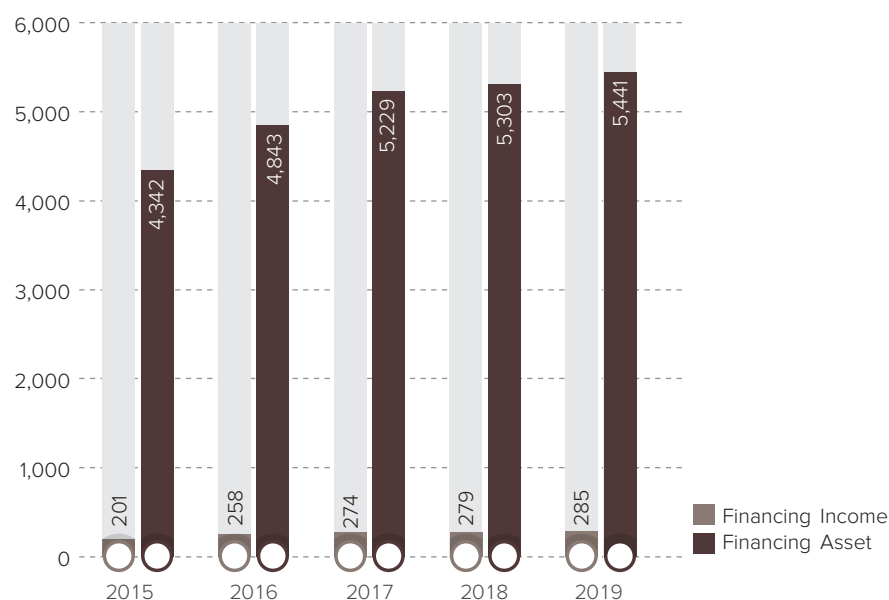
BUSINESS BANKING DIVISION

Bank Muamalat's Business Banking Division ("BBD") manages the Bank's Corporate, Commercial and SME financing customers, looking into the financing needs and monitoring the end-to-end process of providing business financing to customers.

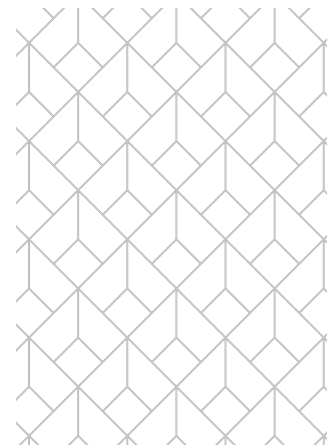
SUMMARY OF PERFORMANCE

BBD's performance in the FY2019 mainly came from increase in Trade Facilities to RM1,043.87 million (FY2018: RM991.75 million) and Short Term Facilities to RM1,667.85 million (FY2018: RM1,602.90 million). Collectively, BBD's Total Financing Assets improved by 2.6% to RM5,440.70 million from the FY2018 at RM5,303.24 million. The focus on trade facilities resulted in higher Fee Income of RM20.91 million, an increase of 24% from RM16.83 million in the FY2018.

Business Banking Division Financing Assets and Financing Income Trend (RM million)



Despite having a lean workforce of 69 employees, the Division managed to improve on performance of FY2018 by recording a profit before tax ("PBT") of RM102.35 million in FY2019, 28% above the budgeted PBT of RM79.84 million.



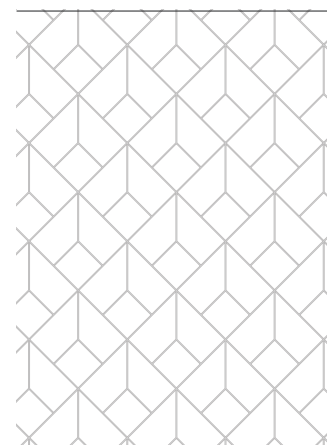
Total financing assets improved to

RM5,440.7
million



Fee income increased by

24.2%

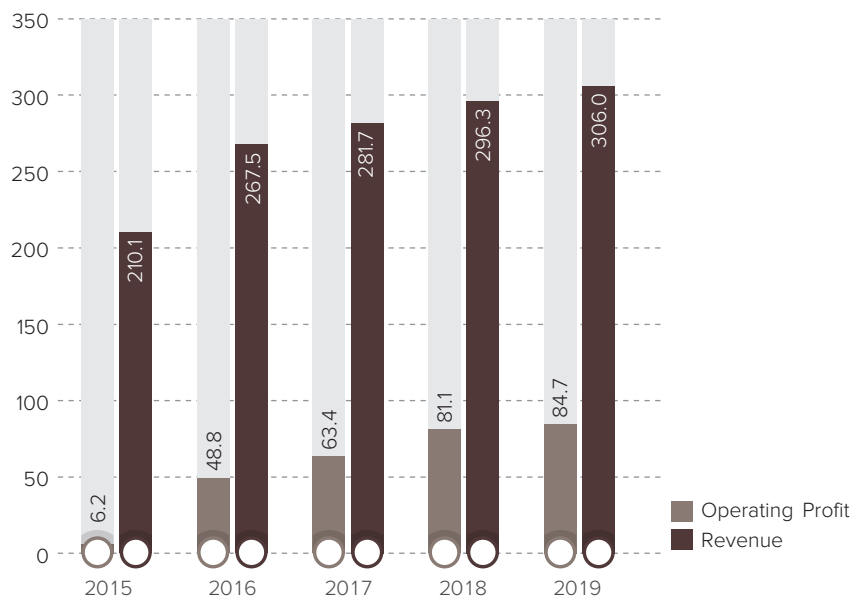


REVENUE AND PROFIT BEFORE TAX

BBD registered an improved revenue of RM306.01 million (Total of Financing and Fee Income), up 3.3% from FY2018 (RM296.26 million). While this was marginally (~0.1%) below the budget, Operating Profit of RM84.67 million exceeded the budget by 26.6%. Although funding cost rose to 72% of Financing Income (FY2018: 64% of Financing Income), better performance was still made as the Division recorded higher Deposit Income and Fee Income, while allocated expenses were lower by 35% in FY2019. However, due to the higher Funding Cost, the Division's yield dipped slightly to 5.27% p.a. in FY2019, from 5.44% p.a. in FY2018.

FY2019 also caps 5 years of year-on-year gains in Revenue and Operating Profit from FY2015 until FY2019, with Operating Profit Margin improving from 3% of Revenue in FY2015 to 27.7% of Revenue in FY2019.

Business Banking Division Revenue and Operating Income Trend (RM million)



Revenue improved to

RM306.0
million



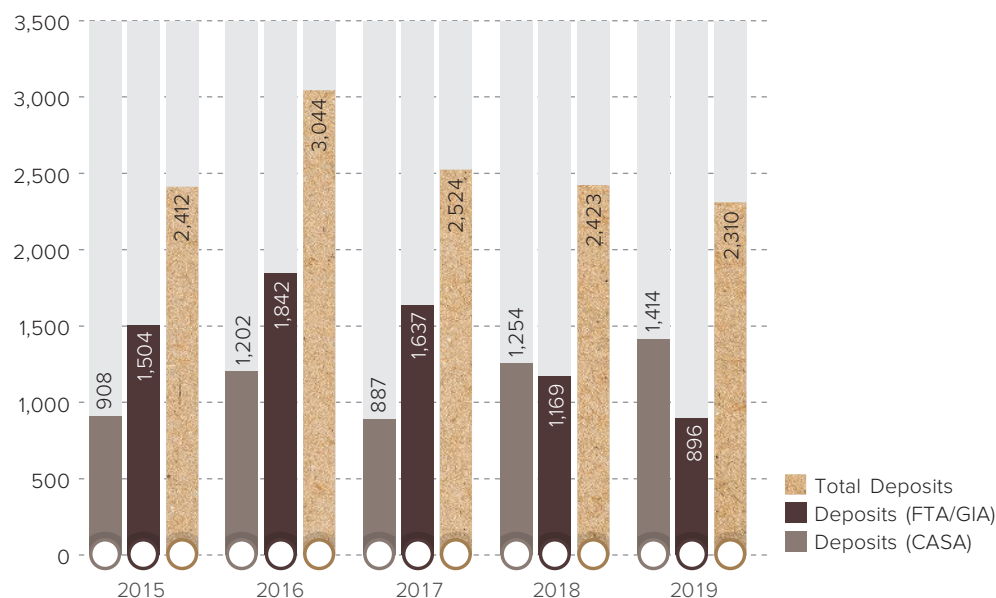
Allocated expenses lower by

35.0%

Operating Profit improved from 3.0% in FY2015 to 27.7% of revenue in FY2019

► BUSINESS BANKING DIVISION

Business Banking Division Deposits (RM million)



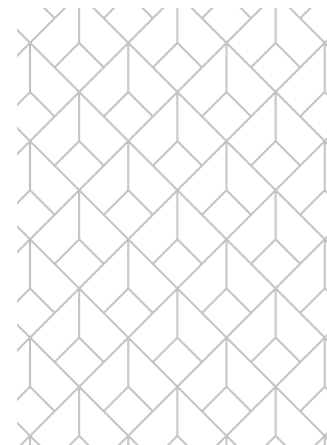
DEPOSIT BASE

BBD's total deposit base contracted by 4.8% to RM2,356.28 million (FY2018: RM2,474.85 million). Nevertheless, the deposit figure was above the budget by 6.3%. Although the overall deposit base has been dropping year-on-year since FY2016, the proportion of lower cost CASA rose by 13% to RM1,413.69 million (FY2018: RM1,254.00 million) and higher cost Fixed Term Accounts ("FTA") reduced by 23% to RM896.01 million (FY2018: RM1,168.79 million). The achievement was made with the collaborations with the Bank's Deposit Department, whereby the Bank offers cash management, corporate internet banking and deposit relationship management.

FINANCING SECTORS

BBD was mainly involved in Wholesale, Retail and Restaurant segment, as this made up 32% of total assets. Real Estate was the next highest concentrated sector for financing, with 19%, while the Finance, Takaful and Business Services sector accounted for 16% of total assets in FY2019.

Under Corporate, the top three sectors financed were Wholesale, Retail & Restaurant (32%), Real Estate (20%) and Finance, Takaful & Business Services (16%). Financing to the Wholesale, Retail & Restaurant, Finance, Takaful & Business Services and Construction sectors jumped 127%, 83% and 50% respectively, in part due to reclassification into new sectors according to BNM's latest sector lists. In contrast, exposure to Real Estate and Manufacturing dropped 15% and 7% respectively. Although there remains a high concentration in Real Estate, BBD's exposure is mainly to townships with affordable housing portions in high-growth Central and Penang regions or to major property developers to mitigate the industry risk. Notwithstanding, concentration in Real Estate has fallen further from 36% in FY2017 and 22% in FY2018.



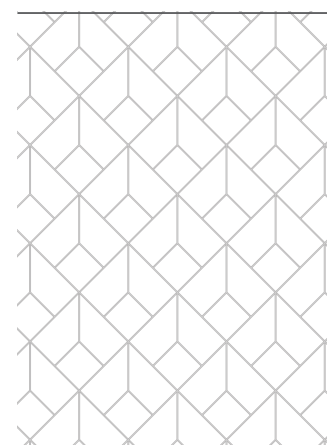
CASA: FTA
portfolio share

61.2: 38.8



CASA
rose by

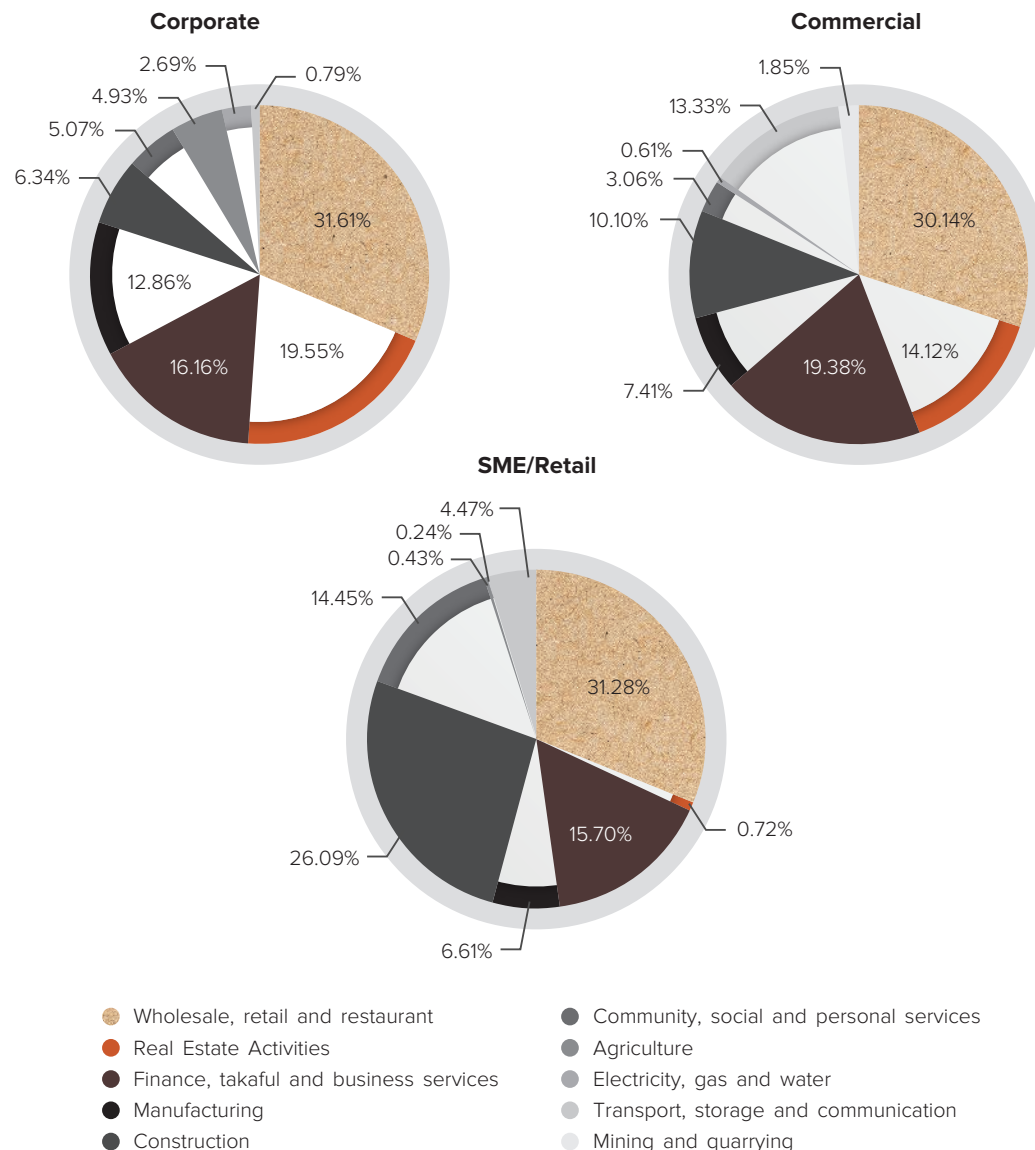
12.8%



In Commercial Financing, the top two sectors financed were Wholesale, Retail & Restaurant (30%) and Finance, Takaful & Business Services (19%) while Real Estate and Transport were 14% and 13% respectively. The trend in Commercial was that financing to Wholesale, Retail & Restaurant rose 51% while Construction and Real Estate & Finance was reduced by 76% and 63%.

The top two sectors for SME/Retail were Wholesale, Retail & Restaurant (31%) and Construction (26%) while Finance, Takaful & Business Services was 16% and Community, Social & Personal Service was 14%. For SME/Retail financing, the major changes were Agricultural and Wholesale, Retail & Restaurant which grew 190% and 15% respectively while Real Estate & Finance reduced by 43%.

Business Banking Division Financing Sectors (%)



Wholesale, Retail
and Restaurant
segment

32.0%

total
BBD asset

► BUSINESS BANKING DIVISION

VALUE BASED INITIATIVES

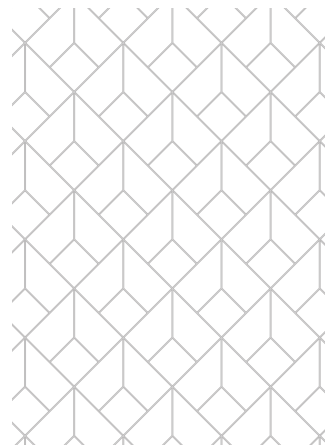
During FY2019, BBD supported Value Based Initiatives including the following:-

- (i) Raising the community's standard of living through support of the Public Sector Home Financing Board which provides cheap home financing to government employees and the Sabah Land Development Board's efforts to redevelop plantations for settlers.
- (ii) Improving education opportunities through support of the Pagoh Education Hub, Johor and International Islamic University Malaysia Teaching Hospital in Kuantan, Pahang.
- (iii) Job creation for smaller contractors through support of highway development projects.
- (iv) Support for healthcare development through financing healthcare provider groups and their support industries.
- (v) Supporting the preservation of natural environment with support of companies involved in solar, biogas, waste management, water-based district cooling and road & pavement maintenance.

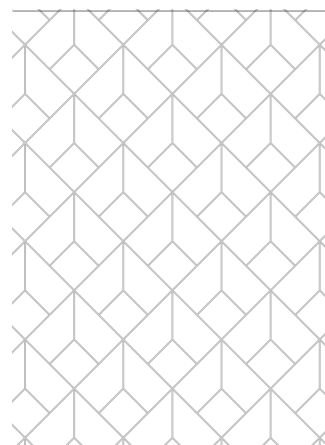
BBD also frequently participates in SME programmes under SIRIM, Mara and BNM, promoting SME products and services and also supports cooperatives by giving talks at events under Angkasa. In FY2019, the Bank also became a participating financier for imSME, a CGC portal to assist SMEs applying for facilities online.

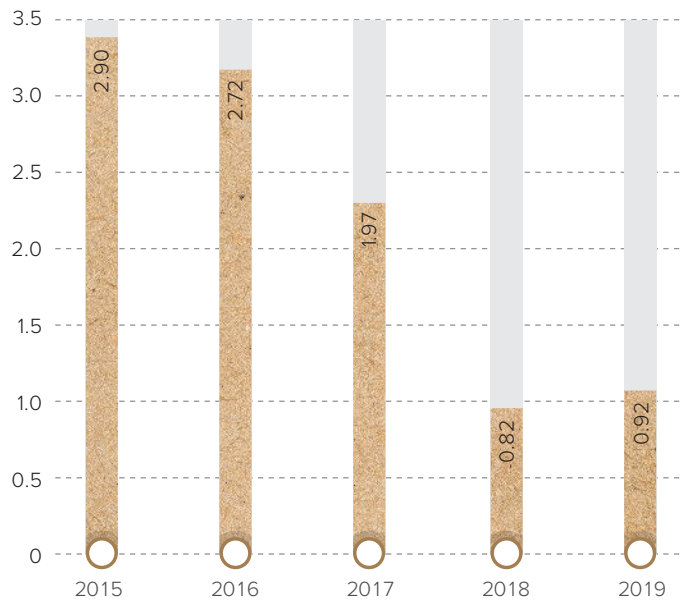
UTILISATION RATE AND ASSET QUALITY

The Division has been successful in improving utilisation by making more efficient use of capital allocation, improving utilisation rate in FY2019 to 79% from 74% in FY2018. Non-Performing Financing ("NPF") ratio rose slightly to 0.92% from 0.82% in FY2018. Nonetheless, BBD continues to proactively monitor its existing customers and facilities in order to prevent further deterioration to NPF.



BBD continues to proactively monitor its existing customers and facilities in order to prevent further deterioration to NPF



Business Banking Division NPF Ratio (%)

MOVING FORWARD

The Division's future plans consist of growing its assets in a controlled environment with a view of maintaining yield and reducing financing cost, with each department having specific goals.

The broad based strategies include leveraging on existing customers, expansion into customers' eco-systems and collaborations with Government bodies for SMEs, as well as improvement in turnaround time internally, prioritising high utilisation facilities and minimising low utilisation products and customers.

The Division will continue to focus on Value Based Initiatives in green technology, healthcare, consumer (food and beverage), education, power/energy and rubber glove manufacturing sectors and infrastructure, selective property and construction projects.

The Division is expected to be a key contributor to the Bank's mid-term goal to improve the Bank's corporate reputation and stature by delivering large asset growth.

TREASURY & CAPITAL MARKETS

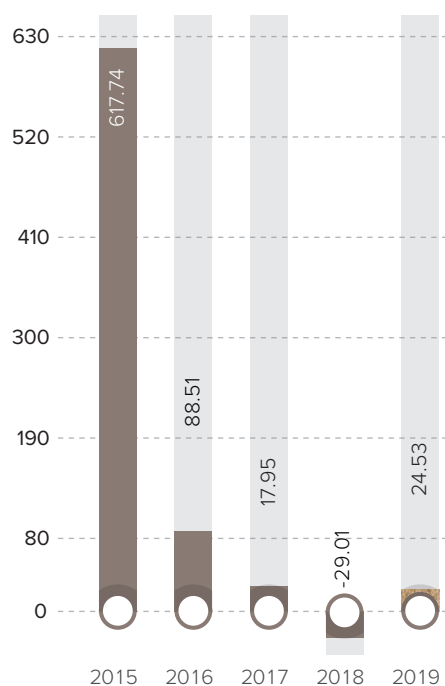
Treasury and Capital Markets Division (“TCM”) acts as the Bank’s investment arm that highly specialises in fixed income, money market as well as foreign exchange. The general mission of the Division is to manage capital and liquidity of the Bank besides providing treasury solutions to meet clients’ needs.

With the global financial conditions tightening in 2018, the domestic financial market’s volatility reflected the political and economic uncertainties. The Trump-led trade war in July was the biggest highlight of the year as the ongoing trade conflict between these two economic powers continued when China retaliated to impose tariffs on USD 110 billion worth of US goods. Due to the fear and concern over the trade war, demand for local government bonds (“govvies”) dropped. Speculation on the possibilities of downgrade on Malaysia’s rating by international rating agencies also impacted the demand on the Ringgit denominated bonds. There were concerns raised on fiscal sustainability amid shortfall of government revenue combined with the drop of foreign holdings in local govvies, pressuring the yields to dip lower.

Taking into consideration the market conditions, TCM decided to take opportunity of the lower yield by selling off some of our fixed income holdings for profit-taking.

The FY2019 marked another history for the Division as we booked profit before provision of RM24.53 million as compared to a loss of RM29.01 million in the previous year. The strong bottom line was contributed mainly by fixed income portfolio with RM18.33 million followed by RM8.06 million from foreign exchange.

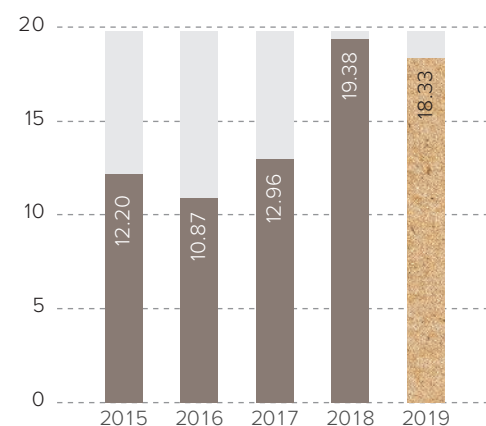
Profit before Provision (RM million)



TCM also made advancement on managing the bank’s liquidity via a more structured ALM framework as well as working with finance on restructuring the FTP framework application. This resulted in a more managed bank’s assets and liabilities in controlling its cost and gearing towards a more competitive pricing of its products.

FIXED INCOME

Trading Fixed Income (RM million)



As part of the GABV and Value-based Initiative (VBI) that is committed to advancing positive change in the banking sector, TCM went the extra mile by investing in the world’s first United Nation SDG Sukuk that was issued by HSBC Amanah. The Division believed that this investment indirectly reflects the Bank’s support for sustainable development as the proceeds from the Sukuk will be used to support projects contributing to the SDGs.

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

DEPOSITS & MARKETING

Staying dynamic within a challenging environment, Bank Muamalat sustained its healthy deposit growth momentum despite the tough economic environment throughout the year. For the FY2019, Bank Muamalat continued to invest in the deposits growth and strengthening the Bank's capital base. CASA remained to be the main focus for cheaper cost of funds as well as managing liquidity requirement. For the FY2019 as part of the Bank's strategy, the right product mix and penetration of individual, sole proprietorship, partnership, SMEs, local governments and corporate segment contributed to the growth of the overall deposit base.

Amid an environment of increasing competitive market condition, total CASA and deposits performance rose by 212% and 51%, respectively. As at end of March 2019, our CASA position further improved to RM964.22 million against the target growth of RM720 million, in tandem with the Bank's strategy to increase CASA.

For the savings account ("SA") portfolio, the Bank has introduced various tactical packages especially the Muamalat Salary Scheme (MuSS) whereby the customers would be able to withdraw their salary at any ATM nationwide (MEPS) and the charges would be absorbed by the Bank. MuSS is one of the major contributors of the retail deposit with a closing ending balance of RM82.95 million. The ASBZ product captured an incremental volume of CASA with a closing balance of RM103 million as at March 2019.

For current account ("CA") continuous and strategic marketing effort as well as campaign on the focus segment, led to RM785.69 million deposits growth and resulted in RM3,956.02 million at the end of the FY2019.

Despite the limited branches, leveraging on digital strategies will continue to be embarked as a new way to optimise reach to potential customers and enhance customer experience at minimal cost. With digital banking platforms now in place for the majority of banks, 2019 will be a year to enhance the delivery of key services and improve the customer experience across channels. Bank Muamalat has introduced an online Account Opening, debit card, QR Pay, JomPay and FPX. The development of Ez-Zakat Muamalat services will provide a hassle free opportunity to the Bank's entitled Muslim depositors to auto calculate and auto deduct the required zakat on savings from their CASA maintained with the Bank.

The implementation of the integrated Government Financial and Management Accounting System ("iGFMAS") will remain to be a challenge throughout the year since it reflects the reduction on the government outstanding balance in CA. The iGFMAS system is an efficient system that allows payment to be made efficiently ensuring that there will be no longer floating period for Government's CA. The new strategy has been implemented by penetrating state government agencies, local governments, GLCs, SMEs sector and corporate entities via designing product bundling to grow the deposit base.

Our deposit strategy will remain intact for the next financial year and the years ahead, i.e. to create outstanding deposit value propositions that meet our target market requirements through continuous programs of innovative deposit campaigns, creative marketing productions, improvised and new fin-tech development and new market penetration while minimising deposit attrition. Retail deposit will still be the main focus of growth, to reach a composition level from 27% to 43% in 5 years' time, and thus being the catalyst for driving the Bank's overall deposit growth of RM5.9 billion within the period.

CASA remained to be the main focus for cheaper cost of funds as well as managing liquidity requirement. For the FY2019 as part of the Bank's strategy, the right product mix and penetration of individual, sole proprietorship, partnership, SMEs, local governments and corporate segment contributed to the growth of the overall deposit base

WEALTH MANAGEMENT

Wealth Management Department's goal is to establish the Bank as the preferred comprehensive Islamic Wealth Management service provider. Focusing on meeting our customer's financial and spiritual wellbeing we deliver our products and services which cater to the 5 key pillars of a prudent personal financial plan (i.e. Wealth Creation, Wealth Accumulation, Wealth Protection, Wealth Purification and Wealth Distribution) in line with the wider goals of the Maqasid Shariah that aims to attain success in this world and the hereafter. It is this primary principle that guides us in our holistic approach on how best to serve our customers.

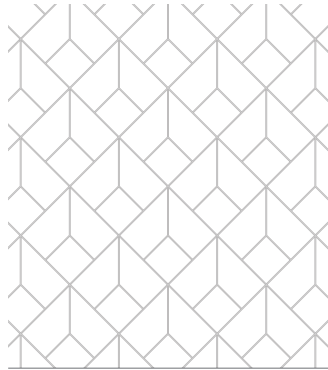
Our current range of products encompasses Family Takaful, General Takaful, Investment, Daily Banking as well as Non-Financial Products.

Wealth Creation	Wealth Accumulation	Wealth Protection	Wealth Purification	Wealth Distribution
<ul style="list-style-type: none"> Gold Physical Gold Account Unit Trust ASNB Variable Priced Funds Private Retirement Scheme (PRS) 	<ul style="list-style-type: none"> Investment Account Platform (IAP) Gold Physical Gold Account Unit Trust ASNB Variable Priced Funds 	Family Takaful <ul style="list-style-type: none"> Hajj Critical Care Term Education Invest Shield Golden Age General Takaful <ul style="list-style-type: none"> Motor Non-Motor Commercial 	<ul style="list-style-type: none"> Waqf Zakat Funeral Management Quranic Learning Halal Travel Badal Hajj 	<ul style="list-style-type: none"> Wasiat / Will Writing Jointly Acquired Asset Agreement Hibah Trust Estate Administration

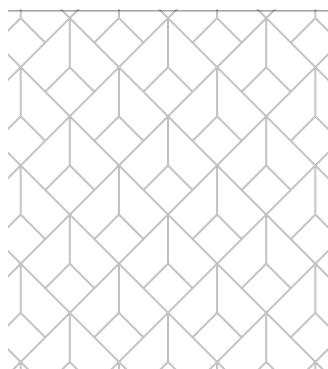
ACHIEVEMENTS

Award	Awarding Body	Date of Award
Best Alternative Investment Asset for Wealth and Society in Malaysia (Shariah Compliant Gold Investment) Award.	The Asian Banker	8 November 2018

The award was presented at the Global Wealth & Society Awards 2018 gala dinner held at The Courthouse Hotel, Shoreditch, London on 8 November, 2018. Bank Muamalat Malaysia Berhad was the only local Islamic financial institution in Malaysia to have won the prestigious award amidst competition from the likes of international organisations such as DBS Bank (Singapore), China Merchant Bank (China), Bank Mandiri (Indonesia), KB Kookmin Bank (Korea), TEB Private Bank (Turkey) and Standard Chartered Bank (Ghana).



**Bank's objective
to deliver value
to the society
at large and to
promote initiatives
in sustainable
banking practices
aimed towards
influencing
social change
and generating
positive and
sustainable impact
to the economy,
community and
environment**



This award is a testament of the Bank's capability in providing the best products, its ability to achieve breakthroughs and its prowess as an Islamic Bank to compete with larger financial institutions globally. The award also re-affirms the Bank's objective to deliver value to the society at large and to promote initiatives in sustainable banking practices aimed towards influencing social change and generating positive and sustainable impact to the economy, community and environment. Otherwise perceived as only for the rich and wealthy, Muamalat Gold-i Account has made investment in gold accessible to the middle and lower income group by providing the opportunity to invest affordably from only RM10. Additionally, the Bank is anchoring on MG-i Account to support the Maqasid Shariah's principles of advancing the welfare of the underprivileged within the society not just through making the product affordable but also through charitable contributions from the affluent to the poor using this gold platform.

Despite having come on board only in 2016, Muamalat Gold-i has quickly become a favourite investment option. Opening its doors to the mass market through MG-i Account and complemented with strategic promotions and campaigns, Muamalat Gold-i has spurred interest in gold quite dramatically. The Bank closed the year by successfully realising total gold sales in excess of 200kg of gold with a corresponding income of RM1.6 million. Total Gold sold since its inception in January 2016 now stands at 846kg, corresponding to an approximate value of RM155 million.

We anticipate that the escalating tensions in global markets and local market volatility will pose key issues which we will need to weigh for the year ahead. More focus will be placed on attending to our customers through intensifying need-based selling and providing comprehensive wealth management solutions by leveraging on the e-Advisor Personal Financial Review System and Customer Relationship Management System. The advancement of technology coupled with internet and digital banking has made access to financial markets easier and faster. The new model will provide a more simplified customer experience and transform the speed at which information and advice will reach customers. Nonetheless, we believe customer interaction with our base to be highly important while acknowledging the role of technology and as such, we will look to a shared platform of traditional and technology to be afforded to our customers. Overall, we expect to sustain growth and profitability through improving our sales force through enhanced skill based training, product innovation and strategic tie ups.

INVESTMENT BANKING

The business environment was still subdued by rising external headwinds and persistent economic uncertainties. In view of the challenging operating environment, deal flow was restrained and opportunities were limited. The Investment Banking Department (“IBD”) took a prudent approach by remaining selective in deals and focusing on managing our existing investments.

In line with our aspiration to become one of the country’s preferred Islamic investment banking houses with focus on value-based banking, IBD continued our investment partnership with Permodalan Kelantan Berhad (“PKB”) via our private equity arm, Muamalat Venture Sdn Bhd (“MVSb”), in the operation of 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.

As part of our initiatives to promote retail investors’ participation in Musharakah type investment, IBD raised another investment fund of RM20.0 million under Project Ar Rahn series via the IAP. IAP is a centralised multi-bank platform initiated by six Malaysian Islamic banking institutions to market investment account products. The Project Ar Rahn 3 marked the third fund raising under Project Ar Rahn series, which comprises investments in a share of capital contribution of MVSb under the *musharakah* joint venture with PKB, in selected branches of Islamic pawn broking (Ar-Rahnu) activities.

Project Ar Rahn 3 had received an overwhelming response from retail investors, with the fund raising exercise oversubscribed by 1.16 times. This contributed to Bank Muamalat once again being a clear leader in IAP offerings in the FY2019, with a 77% market share. The fund raising exercise was also named the Best Musharakah Deal in Southeast Asia 2018 by Alpha Southeast Asia Magazine.

Despite the challenging operating environment in FY2019, IBD performed commendably by registering revenue of RM41.10 million. The increase in revenue was mainly contributed by the income recognition of its on-going investment in a regional fund and fee based income.

Amid the external headwinds that continue to weigh domestic business environment, our best strategy in the face of uncertainties and downside risks is exercising greater prudence and vigilance. IBD will continue to focus on our key corporate relationships for deal flows in debt capital markets, while keeping an eye out for good potential investments opportunities. Simultaneously, in line with the Bank’s efforts to diversify our fee-based income, IBD will continue to develop IAP as a platform for companies to raise funds.

IBD will continue to focus on our key corporate relationships for deal flows in debt capital markets, while keeping an eye out for good potential investments opportunities

MUAMALAT INVEST SDN BHD

Muamalat Invest Sdn Bhd ("MISB") is a wholly-owned subsidiary of Bank Muamalat Malaysia Berhad. MISB was established in 2006 and was accorded the Islamic Fund Management license in September 2010. In 2012, MISB undertook a business and management reorganisation and has since then, focused on institutional and high net worth investors for its capital market products. MISB has been providing full shariah-compliant investment management services which include:-

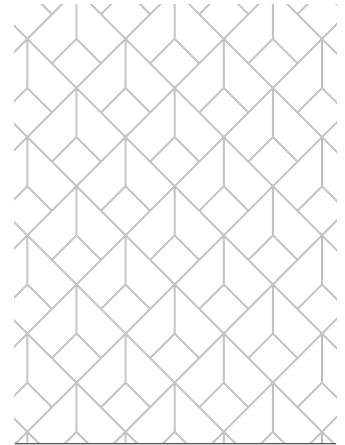
- Management of discretionary and non-discretionary mandates for asset classes covering equity and sukuk; and
- Provision of wholesale fund products for investments in various asset classes i.e. Islamic money market instruments, equities and sukuk.

For the past 5 years, business has grown from strength to strength with its Assets under Management ("AUM") for the FY2019 standing at approximately RM5.36 billion compared to RM3.29 billion in the FY2018 which translates to an increase of approximately 63% year-on-year. MISB has now captured around 25% of the total Islamic wholesale fund Net Asset Value ("NAV") through its series of Islamic wholesale funds based on Islamic Fund Management and Collective Investment Scheme Statistics issued by Securities Commission Malaysia.

In March 2019, MISB successfully secured the Capital Markets Services License ("CMSL") for dealing in securities (restricted to unit trusts), therefore enabling MISB to manufacture, sell and manage retail unit trust funds.

The business model of MISB is now further expanded to include the retail business segment. Investments continue to be made into enhancing infrastructure and resources in order to position MISB as a key player in the wholesale and also the retail Islamic capital market space.

MISB also continues to embark on efforts to diversify asset classes for products offered to meet its investors' needs.



Assets Under Management ("AUM") increase

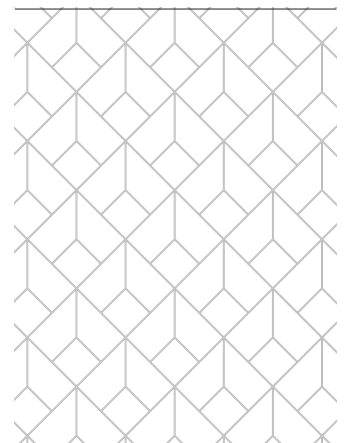
63%
y-o-y



Captured

25%

Islamic Wholesale Fund Net Asset Value (NAV)



MISB provides full Shariah Compliant Investment Management Services

SHARIAH

SHARIAH ADVISORY & SECRETARIAT SECTION

The role of Shariah Secretariat is to provide secretariat function, including inputs and research for Shariah Committee ("SC"). 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 SC and provide all other secretariat support to the SC members. For FY2019, eight (8) SC meetings were held, of which all Shariah decisions were disseminated for further action by relevant business units.

No.	Meeting	Date
1.	2nd Special SC Meeting 2018	3 April 2018
2.	2nd Monthly SC Meeting 2018	25 April 2018
3.	3rd Monthly SC Meeting 2018	23 May 2018
4.	4th Monthly SC Meeting 2018	25 July 2018
5.	5th Monthly SC Meeting 2018	21 November 2018
6.	3rd Special SC Meeting 2018	11 December 2018
7.	1st Monthly SC Meeting 2019	31 January 2019
8.	2nd Monthly SC Meeting 2019	27 March 2019
	Total	8 meetings

In equipping and keeping abreast the SC of the latest financial innovation and happenings in the industry, the Shariah Secretariat has emplaced the SC with relevant trainings and familiarisation programmes to enhance their knowledge of the banking industry. For FY2019, 4 familiarisation programmes were provided for the SC with cooperation from BMMB's internal departments. The familiarisation programme included the process on Muamalat Gold-i, *tawarruq* trading via the straight through process ("STP"), trade finance products and the Islamic capital market.

In order to further strengthen the SC functions, one additional member was appointed to the SC. The total SC members as at the end of the FY2019 stood at six (6).

In addition, the Shariah Secretariat provides advisory and consultancy roles to all the relevant parties emanating from the decisions of the SC.

This includes pre-product approval, operation process, documentations, and activities of Business Unit, Support Unit, the Bank's subsidiaries and external clients (upon request). For the FY2019, a total of 895 issues and documents submitted by the business units, subsidiaries; i.e. MISB, MVSB and external clients; i.e. MARA had been accordingly advised.

During the year, Shariah Department was extensively engaged for its Shariah consultancy and approvals in assisting the Bank's aspirations including advising and approving the ASB-i financing as PNB's agent, enhancing product processes and structures including simplifying the process and documentations for ASB-i financing, trading of commodity for *tawarruq* based financing and enhancing features of vehicle financing-i (*Murabahah* Purchase Order) in order to better serve the customer.

The familiarisation programme included the process on Muamalat Gold-i, tawarruq trading via the straight through process ("STP"), trade finance products and the Islamic capital market

RESEARCH & DEVELOPMENT SECTION

The role of Shariah Research is to perform in-depth research and studies on Shariah matters, including providing day-to-day Shariah advice and consultancy to relevant parties, especially those involved in the product development process. For FY2019, a total of three research papers were completed comprising development of new products i.e; Letter of Credit Negotiations and Risk Participation and a special request by the Shariah Committee to study further on the practice of Security Deposit applied in all products offered by the Bank.

In collaboration with Human Capital Division and Customer Service Department we have conducted more than 16 series of Shariah training and awareness to the staff including branches, headquarters, Takaful Specialist and other related institutions.

During the financial year, as part of the continuous skill development of our Shariah trainers, the

Bank took several initiatives to certify our Shariah trainers through their participation in the Certified Training Professional programme conducted by the Finance Accreditation Agency ("FAA"). This certification requires the trainers to follow the standards and requirements set by FAA in order to develop or deliver training programmes.

MOVING FORWARD STRATEGY

Moving forward, Shariah Department will work together with the Bank's stakeholder in exploring new business opportunities by equipping the staff and Shariah Committee with the relevant and updated skills and knowledge. As the Bank embarks on the VBI initiatives, Shariah Department will play an important role in embedding the *maqasid Syariah* in the VBI framework. Finally, on the governance front, Shariah Department will constantly review and improve procedures and processes so as to ensure compliance with the Shariah governance policy.

SUSTAINABILITY STATEMENT



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OUR APPROACH TO SUSTAINABILITY



Through the creation of stakeholder value we also exemplify five Shared Values of Care Respect Integrity Innovative Service oriented



Our Mission, namely “to ethically deliver best value to stakeholders, society and environment”, informs our approach to sustainability. We recognise that all our stakeholders – including society – contribute to our sustainability, hence are committed to strengthening our relationships with them. The environment, meanwhile, is critical to the well-being of everyone and is something that all corporations, including financial institutions, have to take into consideration when we report on our triple bottom line of people, planet and profit.

Our commitment to creating value for our stakeholders is further underlined by the adoption of Bank Negara Malaysia (“BNM”)’s Value Based Intermediation (“VBI”) and membership of the Global Alliance for Banking on Values (“GABV”). Through the creation of stakeholder value we also exemplify five Shared Values of Care, Respect, Integrity, Innovative and Service oriented.

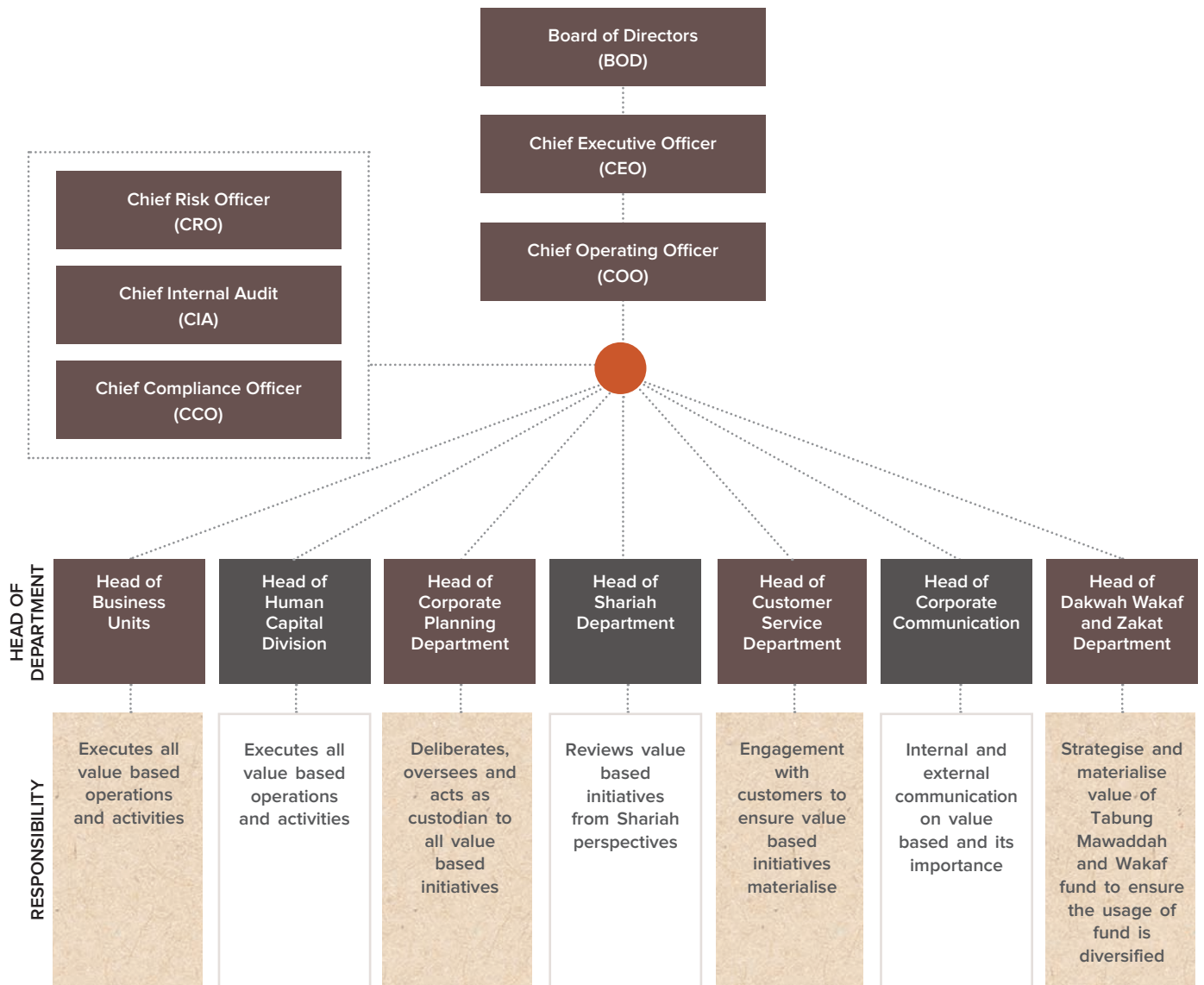
We have identified six main stakeholder groups, namely our employees, regulatory agencies and statutory bodies, investors, customers, suppliers and the local community. Our employees are critical to the Bank’s performance. Regulatory agencies and statutory bodies ensure a viable and healthy financial industry. Investors are an important source of funding. Our customers are our raison d’être; we exist to serve them. Our suppliers provide us with essential products and services. The local community, meanwhile, affirm our license to operate.

In order to create value for our stakeholders, we engage with them to identify issues/matters that are important to them. These matters are then prioritised along with matters that are important to achieving our business goals. Based on our materiality assessment, which is explained more fully on page 77, we have 15 material matters. We have mapped these against our six capitals and describe our goals as well as performance in terms of achieving them in this Sustainability Statement.

We have been guided in producing this Sustainability Statement by adopting international and Malaysian best practices for sustainability such as the Global Reporting Initiative (“GRI”) Standards as well as Bursa Malaysia’s Sustainability Reporting Guidelines. As this Statement is part of our Integrated Report, we have also adhered to the principles of reporting as advocated by the International Integrated Reporting Council (“IIRC”).

Based on these standards, we recognise that we need to keep enhancing our level of disclosure. Accordingly, we have outlined plans to enhance our measurement of certain sustainability parameters and include the data in our reports. This year, for example, we have expanded our disclosure on carbon emissions by including the fuel consumption of employees. We have also measured our food waste. We recognise there is much more we can do, and will strive to make our sustainability statements increasingly more comprehensive over time, as we embed integrated thinking within our daily business practices.

SUSTAINABILITY GOVERNANCE STRUCTURE



STAKEHOLDER ENGAGEMENT

We have identified six stakeholder groups that are important to us. We engage regularly with these stakeholders to determine the issues that are important to them, and take appropriate steps to align our business with their expectations.

Stakeholder	Engagement Method
 Employees	<ul style="list-style-type: none"> Employee dialogue sessions with CEO Regular employee engagement programmes, surveys and electronic communication through our Internal Communication Portal (ICP)
 Regulatory agencies & Statutory Bodies	<ul style="list-style-type: none"> Reporting and periodic updates as required by regulators Participation in regulatory working groups, forums and consultation documents
 Investors	<ul style="list-style-type: none"> Reporting and periodic updates to investors as per their requirements
 Customers	<ul style="list-style-type: none"> Digital touchpoints which are our website, digital apps and social media platforms (which include Facebook, Instagram, Twitter and WeChat) Customer Service Centres Customer satisfaction surveys Representatives at branches
 Suppliers	<ul style="list-style-type: none"> Communications through emails One- to one engagements
 Local Community	<ul style="list-style-type: none"> Digital touchpoints which are our website, digital apps and social media platforms (which include Facebook, Instagram, Twitter and WeChat) Printed materials and digital communications Community events during CSR activities

Stakeholder Objectives

- To empower employees in delivering quality work output
- To enable balanced work-life environment
- To ensure the right allocation of resources, evaluation of employees' performance and areas to be improved

- To ensure the Bank's compliance with various regulatory requirements
- To effectively manage risks to ensure sustainability of the Bank

- To communicate the Bank's performance and compliance with various regulatory bodies
- To communicate our business plan to ensure that the Bank continues to be relevant in the banking industry

- To ensure quality service delivery and improve process efficiency
- To showcase available products and services to ensure best customer solutions
- To protect customers from fraud, scams and cyber crimes

- To ensure fair and equal treatment of suppliers
- To effectively communicate fair pricing and terms that satisfy both needs of the Bank and suppliers
- To deliver expectation of compliance value based principles on the suppliers' operations

- To improve financial literacy in the communities that the Bank serves
- To optimise Bank's reach to local communities that we serve through collaborations with other organisations
- To provide advisory services, products and financial solutions for communities to find the best financial solutions for them

Our Response

- Enhanced delegations of tasks and addressed the needs to improve employees' performance
- Upgrade Bank's infrastructure and organised multiple employee engagement programs through our Sports' and Recreational Club (SRC)
- Strengthened our learning and career development programmes to equip the employees with essential skills to meet current banking industry requirements

- Continuous update on our system and processes to meet current compliance and risk requirements
- Strengthened compliance and risk monitoring as well as advisory to consistently comply with regulations

- Provide timely and comprehensive responses related to concerns highlighted in the engagements
- Presented the Bank's plan to penetrate potential business portfolios and targeted market segments

- Enhanced our digital platform to maximise customers' satisfaction
- Innovate offerings to address the customers' future financial needs
- Continuous enhancements of our system to ensure high data security including via biometrics
- Increased customers' awareness through regular updates on cyber securities issues

- Continuous negotiations to meet Bank's expectations and vendors' delivery ability as well as product quality
- Conducted vendors' site visits to ensure vendors maintain responsible practices

- Collaborated with various state's religious councils and continuous engagements with various government agencies
- Engaged with communities by conducting community programmes catered to their level of needs

THE 6 <IR> CAPITALS

Bank Muamalat relies on five capitals to sustain healthy business growth. These are financial, manufactured, intellectual, human, and social & relationships. In the table below, we explain how the capitals are important to us and how we use them to create value for our stakeholders. Although we do not depend on any natural capital, we contribute to environmental preservation because of the critical role it plays in the well-being of everyone.

FINANCIAL	MANUFACTURED	INTELLECTUAL	HUMAN	SOCIAL & RELATIONSHIP	NATURAL
<ul style="list-style-type: none"> • RM2.3 billion in shareholders' equity • RM20.17 billion in customers' deposits <p>These provide us a strong base to grow our business and reward our shareholders with attractive returns</p>	<ul style="list-style-type: none"> • 64 branches • 64 Ar-Rahnu outlets • 166 ATMs • 83 cash deposit machines ("CDMs") <p>Our physical infrastructure provides customers with easy access to our products and services</p>	<ul style="list-style-type: none"> • Reputation as a values-based bank • Integrated risk management framework supported by Shariah principles • Core IT systems • i-muamalat mobile apps and internet banking • Ez-Zakat <p>Our systems support and protect our business while providing efficiencies to customers</p>	<ul style="list-style-type: none"> • 1,869 employees empowered by our governance framework and ethical values <p>We grow our talent and enhance their capabilities so they are able to support Bank Muamalat's sustainable business growth</p>	<ul style="list-style-type: none"> • Membership of GABV • Strategic partnership with local Islamic state councils in managing waqf • Partnership with government agencies such as SME Corp, SJPP, MARA, Bank Negara Malaysia, CGC <p>Our partnerships strengthen our ability to create stakeholder value</p>	<p>We are not dependent on natural resources for our business operations. However, as a responsible organisation, we play our role in environmental protection and incorporate ESG criteria in our financing approval process</p>

OUR MATERIAL MATTERS

We define our material matters as those that are seen to be important to our stakeholders as well as those that are important to our business growth and success. In order to determine our material matters, we conduct a materiality assessment. This involves obtaining input from our key stakeholders and balancing their concerns with our needs.

Our materiality assessment involves three key steps:

1

Identification: Relevant matters are identified from stakeholder engagement and input from heads of our business units and support units on matters that may impact the Bank achieving our strategic goals.

2

Evaluation: Matters that have been identified as being important by our internal and external stakeholders are evaluated according to how significant they are to our ability to successfully execute our strategy, and to deliver long-term value to our stakeholders.

3

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

We last conducted a materiality assessment in FY2018. Since then, we have been updating our materiality matrix by considering relevant changes in the operating environment, and the weight given to these by management. Based on management's feedback, there has been no change in our material matters for FY2019.

We have therefore continued to report on the following 15 material matters in this Sustainability Statement:

- Compliance
- Economic Performance
- Ethics and Integrity
- Entrepreneur Development
- Digital Banking
- Procurement Practices
- Energy Consumption
- Community Development
- Customer Experience
- Employment
- Training and Education
- Diversity and Equal Opportunity
- Non-Discrimination
- Financial Inclusion
- Responsible Financing

We have included our disclosure on "Non-Discrimination" within the same write-up for "Diversity and Equal Opportunity" because we believe the same principles apply to both material matters.

COMPLIANCE



Compliance is integral to our risk management framework and is integrated into the daily management of our business and strategic planning

Because of the nature of what we do, the banking industry is highly regulated. Local and international regulations are in place to ensure responsible management of the capital of our customers. Bank Muamalat places the highest priority on adhering to these regulations to secure our licence to operate, as well as to enhance our reputation by building on the trust placed on us by our valued customers.

We abide by all applicable laws and regulations as promulgated by Bank Negara Malaysia ("BNM"), the Companies Commission of Malaysia ("CCM") and other relevant local authorities. These include the Islamic Financial Services Act ("IFSA") 2013, the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("AMLATFPUA") and Personal Data Protection Act ("PDPA") 2010. We also adhere to capital adequacy and liquidity guidelines as stipulated by Basel III.

We recognise that non-compliance to regulations imposed on the banking sector would not only erode our reputation but would incur the risk of penalties and even prosecution. Compliance is therefore integral to our risk management framework and is integrated into the daily management of our business and strategic planning.

With regards to protecting our customers' privacy, we have strict policies to safeguard personal information such as customers' ID, account numbers and payment records. These policies are continuously updated along with any changes in the regulatory environment. As with all our policies, customer privacy policies are supported by internal systems which are reviewed regularly and upgraded when needed. Checks and audits are carried out at our headquarters and branches to ensure compliance.

The Bank's membership of the GABV further strengthens our values-based culture supporting the spirit of operating in a manner that is responsible to our stakeholders and respectful of their rights.

To maintain a culture of compliance, we ensure our employees are kept informed of all regulations applicable to the Bank, and of any changes implemented as these arise. Important corporate updates are shared through emails and other internal communication portals. Heads of the various departments and units throughout the Bank are responsible for ensuring all the relevant processes and procedures within their domains are constantly aligned with existing regulations.

CUSTOMER EXPERIENCE



Our customers are very important to us and we strive to ensure the best customer experience across all our touchpoints



We exist to serve our customers; hence our customers are very important to us and we strive to ensure the best customer experience across all our touchpoints – face-to-face at our branches; over the phone when customers communicate via our Contact Centre and online via a growing number of digital platforms.

Digitalisation has brought about numerous benefits, creating efficiencies across multiple systems and enabling customers to contact us as well as perform various transactions in the comfort of their homes or office. While we embrace digital technologies for the convenience and efficiencies they bring, we realise there are still a number of customers who prefer to deal with us in person, hence we have continued to enhance our personal interface and interactions even as we invest in more digital platforms. Throughout the year, we engage with and train our frontliners to enhance their service delivery.

Our objective is to exceed our customers' expectations with quick, reliable and professional service no matter which channel they choose to connect with us.

DATA PROTECTION

Along with the convenience and efficiencies it brings, digitalisation carries the inherent risk of data leakage. As part of our customer privacy policy, Bank Muamalat places the utmost importance on protecting our customers' data. Accordingly, we have invested in various cyber security measures to protect our digital systems, and continuously assess these to ensure their proper functioning.

Engaging with customers via the Contact Centre also poses a certain risk – that of dealing with a person who is not who he/she claims to be. To avert this risk, we have a strict standard verification procedures. Each caller to the Contact Centre is required to answer a set of dynamic question to verify their identity. Only after answering these questions satisfactorily are they allowed to proceed with their requests.

As a result of our data protection mechanisms, we have yet to receive any complaints in regard to breach of customer information.

► CUSTOMER EXPERIENCE

QUICK RESPONSE

Besides service reliability, we seek to respond to our customers' queries or requests in a timely and efficient manner. We have set ourselves TAT targets benchmarked against industry best practices, which we constantly meet with TAT scores that are well below the industry average.

Other than get in touch with the Bank on queries, customers also contact us with complaints. We view complaints as a good feedback to improve our services. With the Super Agent Programme, a very high target of 99% for First Call Resolution ("FCR") is set where customers' issues, questions or needs are resolved the first time they call, with no follow-up required. All complaints are responded as quickly and efficiently as possible. Root causes to recurring complaints are regularly identified for permanent resolution.

During the year, complaints received increased by 38.66% compared to the previous financial year, mostly due to industry-wide systems related issues. Customers are generally also becoming more demanding of service providers, and place higher expectations on them. All complaints received are shared with our MANCO and Heads of Department daily. Feedback from management helps to expedite the resolution of different cases. For the year, 89.63% of all complaints were resolved within two days, exceeding industry best practice.

Time Taken to Respond to Complaints (%)

Category	0 – 2 Working Days	3 – 5 Working Days	> 5 Working Days	Total
No. of Complaints Resolved (%)	89.63	6.91	3.46	100

Number of Complaints, by Category (%)

Category	No. of Complaints Resolved (%)
Internet Banking Related	37.79
Self-Service Terminal Related	13.13
Fraud	11.41
Branch Services	5.76
Delay in Preparing Home Financing Statement for EPF Withdrawal	4.95
Others	26.96
Total	100

Calls received at our Contact Centre also increased by 56% as compared to the previous financial year. This was mainly due to enhancements made to our online banking and debit card system which led to substantial growth in the number of users. Despite the significant increase in inbound calls, the number of answered calls remained relatively high at 85.7%, very close to the industry standard of 86%.

We expect to improve our ability to manage queries and complaints in the next financial year due to efficiencies brought about by continuous enhancement of our CRM, right-sizing the number of our Customer Service Agents and further improvement in our online banking functionalities.

QUEUE MANAGEMENT

Priority is given to ensure walk-in customers at our branches do not have to wait longer than necessary before they are served.

We measure the average waiting time (“AWT”) and average serving time (“AST”) at our branches on a daily basis and share the information with management. Meanwhile, detailed reports are prepared and shared monthly.

As stated in our Customer Service Charter, we aim to serve 80% of all customers within 10 minutes. In FY2019, our performance was slightly below the target, with only 74.02% of customers waited to be served within 10 minutes. To improve, our Guest Experience Officers at branches will ascertain the type of service required by our customers and, where possible, assist customers to migrate from over the counter transactions to online banking services or self-service terminals. At the same time, these banking hall executives will ensure a high level of comfort among customers waiting to be served.

CUSTOMER SATISFACTION SURVEY

We conduct a Customer Satisfaction Survey every year to gauge how happy our customers are with our service. We highly value their feedback and take action based on their suggestions. For authenticity and objectivity, we engage a third party to conduct the face-to-face survey.

In FY2019, Overall Customer Satisfaction Index increased, from 72% in FY2018 to 85%. The highest increase in customer satisfaction year-on-year was seen in mobile banking and internet banking, which validates the investments the Bank has made into these digital channels.

Customer Satisfaction Survey by Touchpoints (%)

Category / Touchpoints	FY2018	FY2019	Variance
Overall Customer Satisfaction Index	72	85	13
Branches	70	89	19
Contact Centre	65	88	23
Internet Banking	59	85	26
Mobile Banking	56	84	28
Self-service Terminals	73	83	10

ETHICS AND INTEGRITY



Bank Muamalat believes in operating at the highest level of ethics and integrity, acknowledging our accountability to our customers, partners, investors and other stakeholders



Over and above complying with statutory and regulatory requirements, Bank Muamalat believes in operating at the highest level of ethics and integrity, acknowledging our accountability to our customers, partners, investors and other stakeholders.

As an Islamic bank, we are committed to maintaining Shariah principles in everything that we do. This entails ensuring fair, professional and impartial operations across the board; treating all our stakeholders with respect and dignity; and doing the right thing at all times, even if this may not be in our best financial interest.

Our commitment to upholding an ethical standpoint at all times is enshrined in our Code of Ethics (refer to page 153) which outlines the behaviours we expect of everyone associated with and operating on behalf of the Bank – from our Directors to our officers. This Code is shared with all new recruits, who are given a Code of Conduct booklet for easy reference.

Ethical behaviour is given such precedence that, before any new talent is recruited, we conduct a thorough background check of their previous employment records as well as financial and credit history in addition to carrying out other due diligence as required under the Anti-Money Laundering/Counter Financing of Terrorism (“AML/CFT”) International Standard.

Reinforcing our stand of zero tolerance for corruption, we have in place a robust Whistleblowing Policy and Procedure which sets out the mechanism for staff to disclose any illegal, unethical or questionable practice, improper conduct or even suspected irregularity within the Bank. We guarantee that all whistleblowing reports will be treated in the strictest confidence and will be investigated by the relevant parties. We also assure whistleblowers that they need not fear any reprisal from their actions, so long as these were taken in good faith.

Our firm stand against corruption is underlined by the fact that, in 2016, Bank Muamalat became the fifth banking institution in Malaysia to sign the Corporate Integrity Pledge (“CIP”) in support of efforts to combat graft.

During the year, there were no confirmed incidents of corruption in Bank Muamalat, nor any action taken against the Bank in relation to corrupt practices.

EMPLOYMENT



We strongly believe that a high performance culture encourage our employees to perform their functions to the best of their abilities

Bank Muamalat's people agenda plays a significant role in executing the Bank's strategies, aligned to the overarching goals focusing on transforming the Bank in terms of its business, infrastructure and operations and making the Bank fit for the future. Hence, the Bank has maintained a balanced approach to talent acquisition, bringing in the necessary skills from the industry, whilst facilitating internal career mobility.

We therefore place great emphasis on hiring the best talent and retaining them by offering a stimulating and rewarding workplace. We believe in engaging our 1,869 employees and empowering them to realise and unleash their potentials. We reward good performance with career progression; and we create a sense of unity as well as belonging to the Bank by instilling our culture and values.

In attracting external talents, the Bank leverages on various recruitment channels such as career website, online portal and social media channels including Instagram, Facebook and LinkedIn. Bank Muamalat launched the 1st Career Portal via our website to attract pool of applicants and assist us in managing our recruitment database effectively. In 2019, we received an approximately 7,900 applications through BMMB Career Microsite.

In recruiting new talent, besides from assessing the candidates' academic background and work experience, candidates are also evaluated on their values and ethics.

We engage regularly with our employees through various communication channels such as town halls, meetings, Internal Communication Portal ("ICP"), emails and Whatsapp Group to share any updates or activities. In addition, the Bank also conducts an annual Employee Satisfaction Survey ("ESS") to understand the level of employee engagement and productivity, and overall employee experience, connecting insights across the entire life cycle from recruitment to exit.

We track individual performance through the assignment of key performance indicators, which are evaluated and reviewed annually, and consequential to remuneration decision. We strongly believe that a high performance culture encourage our employees to perform their functions to the best of their abilities.

Driven by the aspiration to be the Top Employer of Choice, we offer competitive remuneration package commensurate with experience and merit of performance, attractive fringe benefits and continuous training and development opportunities.

Corporate Governance – Remuneration Practices for Senior Officers and Other Material Risk Takers (OMRT)

The Remuneration Policy for Senior Officers and OMRTs was formulated to establish clear and guiding principles around the remuneration structure of the Senior Management and Other Material Risk Takers ("OMRT") of Bank Muamalat in line with the requirements of governance regulations.

The Policy promotes fair, competitive and appropriate remuneration to the Senior Management and OMRT to support the achievement of the business strategy through balancing rewards for both short-term results and long-term sustainable performance and aligning incentives with risk outcomes.

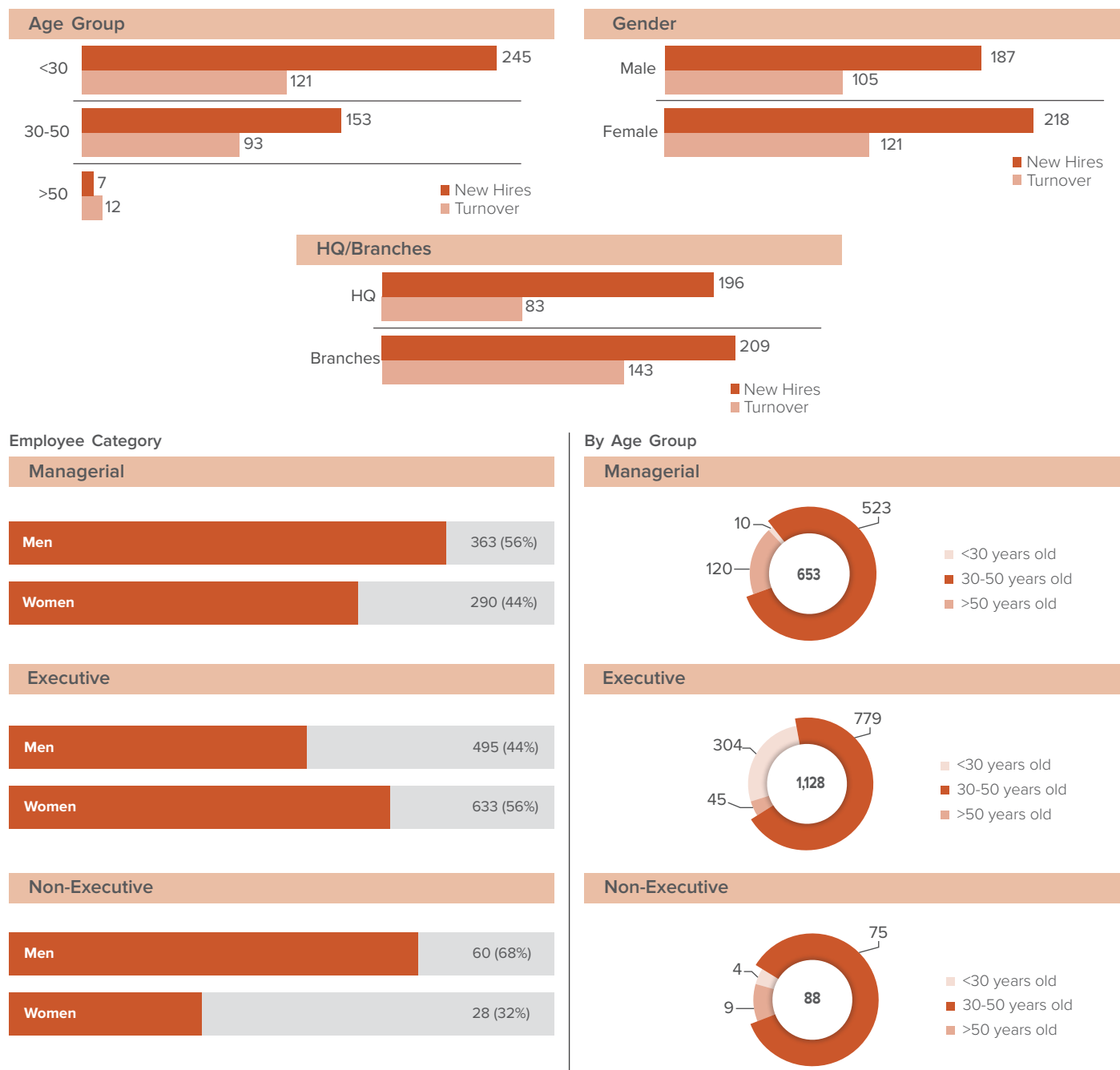
Material Risk Takers are defined as employees who can materially commit or control significant amounts of Bank Muamalat's resources or whose professional activities are identified as having material impact on the risk profile of Bank Muamalat.

The remuneration of Senior Management and OMRT, which consists of appropriate balance of fixed and variable components, is reviewed annually and submitted to the Nomination and Remuneration Committee for recommendation to the Board for approval.

► EMPLOYMENT

The fixed component is pre-determined and non-discretionary, whereas the variable component is fully discretionary, non-guaranteed and non-contractual. The variable component is paid only if it is sustainable and justifiable in the context of the Bank's performance. The Variable Pay i.e. Performance bonus is not entirely a pure up-front cash payment but may include deferred components which consider the time horizon of the underlying performance.

Bank Muamalat adopts forfeiture policy on deferred remuneration, and clawback policy on paid remuneration. This policy allows for undelivered components of the variable remuneration to be forfeited and/or adjusted (i.e. malus) or the delivered components recovered (i.e. clawback) within the parameters of the governance regulations.



DIVERSITY AND EQUAL OPPORTUNITY

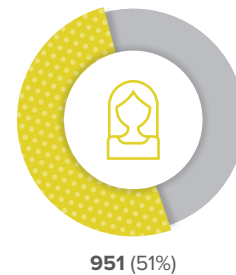
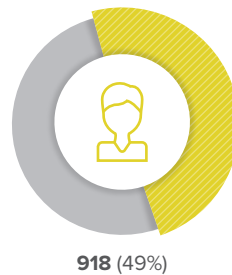


All of our employees are valuable to the organisation as they bring diverse knowledge, skills, experience and abilities

We acknowledge the value of a diverse workforce brings to the Bank and we welcome diversity of gender, culture, socio-economic background, physical ability, age and religion.

Our gender-neutral approach is reflected in the fact that out of a total of 1,869 employees, 951 (51%) are women and 918 (49%) men.









FY2019: Employees by Gender



Women are also fairly represented in senior management and management roles and representing 44% of managerial positions.

Accordingly, we seek to create a good balance in workforce diversity, by taking diversity into consideration in hiring new employees and the promotion of our existing employees.

FY2019: Internal Promotion by Gender (%)

Top / Senior Management	 33	 67
Middle Management	 69	 31
Junior Management	 43	 57
Executive and below	 47	 53

► DIVERSITY AND EQUAL OPPORTUNITY

We view that all of our employees are valuable to the organisation as they bring diverse knowledge, skills, experience and abilities. Working collectively makes them a stronger team to drive the Bank in achieving its strategic objectives, mission and vision.

A balance composition of different generation would also assist us in preparing for future business landscape as we need to continuously develop and build a dynamic team who are creative and innovative within the Bank.

FY2019: Employee by Age Group (%)

Employee Category	Under 30 Years	30 – 50 years	Over 50 years
Top / Senior Management	–	43	57
Middle Management	–	72	28
Junior Management	2	84	14
Executive and below	25	70	5

With greater numbers of qualified and deserving women joining the workforce, at Bank Muamalat, we introduced women-friendly policies and facilities to ensure gender balance and thus making it more attractive. Previously we introduced a Flexible Work Arrangement - Reduced Work Hour for breastfeeding mothers, mothers with small children and special needs, employees with ailing parents and also extended to retiring employees. As part of our continuous commitment in creating a supportive and inclusive workplace, the Bank would establish the Muamalat Child Care and Kindergarten, and nursing room, which we are targeting to be fully operational by January 2020. The facility with a built-up area of approximately 5,500 sq. ft. (excluding the gym) has the capacity to fit 81 children, between two (2) months old to six (6) years of age.



We recorded a Voluntary Attrition Rate of 11.48% which is lower than the Banking industry average of 15%. This reflects of our commitment in providing a supportive and conducive workplace environment with positive work culture.

FY2019: Employee by Years of Service (%)

Employee Category	1 – 5 years	6 – 10 years	More than 10 Years
Top / Senior Management	48	28	24
Middle Management	24	47	29
Junior Management	25	40	35
Executive and below	34	27	39

TRAINING AND EDUCATION



Committed and capable leaders to motivate and inspire the workforce are the key elements for the Bank's success especially in the future era of digital disruption



We strive for people development and continuous learning as we anticipate changes and shift expectations of our clients, stakeholders and employees. At the same time, ensuring our resources are equipped with the right skills and knowledge to deliver services aligned with future requirements and the dynamic banking landscape.

The importance to cultivate culture of learning via effective training programmes prompted the Bank's training programmes to increase by 78% in 2019 from the previous year. Attendance to training programmes also increased from 94% in the previous year to 96% in 2019. The increase was also attributed to the introduction of cloud-based learning platform, complementing the existing e-learning modules further.

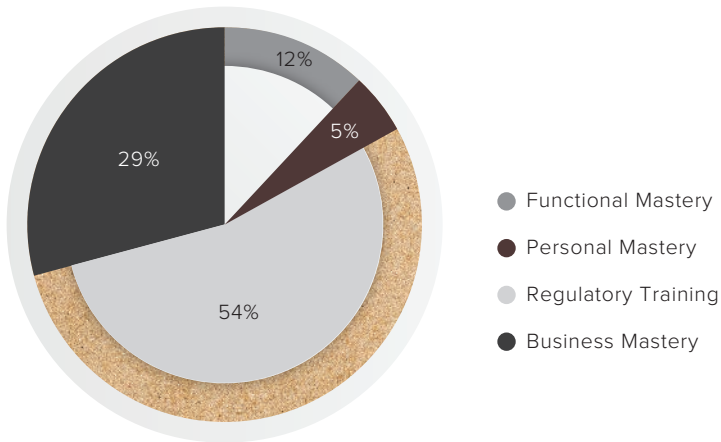
No. of Employees Attended Training

2018 Attendance	2019 Attendance
1,818	1,839

As the financial regulatory environment continues to be dynamic, the Bank's effort to be prudent and to improve its compliance culture was further intensified. Regulatory training interventions were made compulsory for all employees to strengthen and embed awareness to actively identify, assess and mitigate risks as part of the employee's fiduciary responsibility. Regulatory compliance training made up of more than 45% of the total training conducted in-house.

► TRAINING AND EDUCATION

Types of In-house Training Programmes (2019)



As we move into Industrial Revolution 4.0, the digital landscape requires different skills and capabilities. Hence, to ensure the employees are ready to take on new challenges, we introduced several digital upskilling initiatives in the form of awareness programmes and technical interventions for 2019 to ensure employee readiness in increasing their speed and breadth of knowledge in the digital era.

LEARNING OPPORTUNITIES FOR YOUNG EMPLOYEES

With the aspiration to ensure 50% of our workforce are professionally certified by 2020, we train new and young employees to be experts in their field with the aim for them to be well equipped with the right competencies and capabilities to support current and future business needs.

We train our young employees according to the applicable standards and guidelines as required in the job and prepare these young executives for their future role in professional life. To ensure healthy talent pipeline to support the Bank's growth, we do not just look at candidates' academic background or work experience, but also their values hence their ability to assimilate into our values-based culture. We seek to create a good balance of the genders and different age groups in order to enrich our intellectual capital with diverse perspectives.

LEADERSHIP PROGRAMMES

We offer leadership programmes for employees from Executive to Top / Senior Management via engagement with reputable training partners, business schools and management institutes. The training providers are with local, regional and international presence, and proven track records.

- a) Global Alliance for Banking on Values
 - GABV CEO Annual Meeting
 - GABV Leadership Academy
 - GABV Human Development Community of Practice
- b) Asian Banking School
 - Emerging Banking Leaders Programme
 - Cambridge Summer School Programme
 - Global Banking Leaders Programme
 - Chartered Banker
 - Chartered Professional in Islamic Finance
- c) Chartered Institute of Islamic Finance
 - Chartered & Fellowship Masterclass
- d) Emerging Leaders Programmes
 - DRB-HICOM Managerial Development Programme (MDP)
 - DRB-HICOM Executive Development Programme (EDP)
 - Muamalat Managers Development Programme
 - Muamalat Executive Development Programme

LEADERSHIP DEVELOPMENT

Our collaboration with DRB-HICOM University continues in the FY2019 with the final lap of the Cohort 1 of the Executive Leadership Programme – Master in Business Administration (“MBA”) and Doctor in Philosophy (“PhD”), where our students are fully- sponsored by the Bank. The MBA Cohort 1 has successfully completed the 18-month programme in March 2019.

Aside from encouraging continuous learning, these programmes allow us to accelerate the development and knowledge of our employees to prepare them for rapid changes in the banking environment.

Executive Leadership Programme – No. of Students

Programme	Master in Business Administration (MBA)	Doctor in Philosophy (PHD)
No. of Students	11	4

STRENGTHENING LEADERSHIP BENCH STRENGTH

The Bank embarks on the Leadership Transformation initiative to encourage, inspire and motivate leaders & employees to innovate and create change that will help grow and shape the future success of the Bank. This is accomplished by setting an example at the leadership level through a strong sense of corporate culture and employee ownership in the workplace.

Hence, committed with the aims to build a sustainable leadership practices, a structured executive coaching programme for Senior Management team was implemented to spearhead the expected transformational change in line with the business growth.

Committed and capable leaders to motivate and inspire the workforce are the key elements for the Bank's success especially in the future era of digital disruption. It certainly resonates with our continuous determination to keep on investing in developing our future leaders through equipping them with both professional and personal development.

To ensure timely readiness of the internal talent pool and potential successors, Talent Management programmes were established with the aims to strengthen the platform to accelerate the readiness of talent and to ensure "fit for role" of future successors to assume broader roles, leadership and key critical position. The structured development for talent also intends to institutionalise the process of nurturing talent and successors for long terms business sustainability.

To date, the Bank has embarked on a structured Emerging Leaders Programme; Muamalat Managerial Development Programme (MMDP) and Muamalat Executive Development Programmes (MEDP) for 44 future leaders of the Bank. The focus is to strengthen and accelerate their leadership skills and readiness for broader roles.

In a nutshell, we have been on the right track in building the Bank's bench strength through prioritising qualified internal employees for internal job opportunity, hiring the best talent from the market and retaining key talent through career path and development opportunities. Hence, with a structured implementation by Human Capital Division guided by Bank's Talent Management Council, the Talent Management Programme will evolve as the main catalyst to transform the Bank to be the preferred employer in Islamic financial services.

ECONOMIC PERFORMANCE

Through our operations, Bank Muamalat contributes financially to a number of stakeholders. We pay taxes to the government; provide dividends and returns on investment to our shareholders; pay our employees' salaries while offering other financial benefits; and provide financing to SMEs.

Financial Contributions to Stakeholders In FY2019

Taxes to Government	RM55.4 million
Sukuk dividends	RM41.8 million
Salaries & other benefits to employees	RM185.2 million
SME financing	RM3,876.7 million

We want to expand our reach to SMEs as we believe that SMEs business and operational activities will directly contribute to a favourable economic growth. By collaborating with various government support programmes (as elaborated in page 91), we believe that our effort to expand SMEs portfolio is more extensive and effective.

We strongly stand by prioritising local source as part of our procurement practice, this will greatly benefit the economy especially community's standard of living in the area where it operates. As a result, almost 100% of the Bank's procurement budget is spent on local suppliers.



ENTREPRENEUR DEVELOPMENT



Small and medium-sized enterprises (“SMEs”) form the backbone of corporate Malaysia, contributing significantly to job opportunities as well as to the country’s GDP. According to SME Corporation Malaysia, in 2016, 98.5% business establishments in Malaysia were SMEs of which 26.8% were women-owned companies.

As important as they are to the country’s socio-economic development, many SMEs face great challenges in obtaining funds to support their business operations and growth. Recognising the importance of SMEs to the nation, as well as the business potential this segment presents to the Bank. For the FY2019, have collaborated with various Government Agencies such as Skim Jaminan Pembiayaan Perniagaan (“SJPP”) and MARA to assist SME companies to gain access to financing facilities.

Under SJPP, the eligible SME may obtain financing facilities with guarantee up to 70% coverage and without a need to provide collateral as required by most financial institution. Currently the schemes under SJPP are as follows:

- Working Capital Guarantee Scheme-Start Up (“WCGS-Start Up”) to assist new SMEs
- Working Capital Guarantee Scheme-Bumiputera (“WCGS-B”) to assist Bumiputera SMEs
- Working Capital Guarantee Scheme (“WCGS”) to assist SMEs in all sectors and
- Automation Process Guarantee Scheme to assist SMEs in automation sectors

Meanwhile, Skim Jaminan Usahawan Mara (“SJUM”) is a scheme form under collaboration between Bank and MARA. The scheme is for 100% bumiputera own SMEs where the eligible company may obtain financing with guarantee up to 80% coverage.

Further, the Bank participate with SME Corporation’s Shariah-Compliant SME Financing Scheme (“SSFS”) where qualified SMEs will be offered a 2% rebate payment of the profit rate charged on the financing provided by Bank. The bank also participate with Bank Negara Malaysia (BNM) Fund, to offer eligible SME in all economic sectors to have access to financing at a lower financing rate.

Apart from the above, BMMB also has embarked to offer SMEs a structured Vendor Financing Programme (“VFP”) to eligible SMEs who serve as Vendor to reputable corporations such as Petrolia Malaysia Berhad (Petronas). VFP is a structured financing facility that meet the SMEs requirement to complete the contract awarded by their awarders.

All of the above and more in the pipeline are part of Bank’s commitment to support SMEs development in Malaysia.

PROCUREMENT PRACTICES



Moving forward, we intend to intensify our vendor engagement through a more structured and focused platform

Integral to our commitment to being a values-driven bank, we seek to be responsible in the manner in which we manage our supply chain. We rely on a number of vendors for goods and services that are necessary to the efficient functioning of the Bank. We recognise the importance of our vendors and make every effort to establish good working relationships with them.

Three considerations drive our procurement policies. The first is to engage as many local vendors as possible, hence promote local entrepreneurs. The second is to treat our vendors as our partners, and help them build their business. Finally, we seek to ensure that they operate along the same lines of sustainability values that Bank Muamalat upholds.

Currently, almost all of our vendors are local. To enhance the support extended to those who need it, we plan to roll out a Community Development Programme to give more prominence to small and medium-sized businesses as our vendors, placing added emphasis on SMEs owned by women and Bumiputeras.

To ensure responsible and fair selection of vendors, we have incorporated technical criteria in our tender evaluation in addition to cost comparison while creating greater transparency in the entire process. We are also conscious of adopting responsible practices in order to nurture long-term relationships with trusted vendors and have implemented various initiatives towards this end. For example, we have improved our turnaround time for processing requests and invoices. Prompt payments not only enhance our vendor satisfaction but also translates into more competitive rates and better delivery.

Moving forward, we intend to intensify our vendor engagement through a more structured and focused platform. In addition to improving our vendor performance evaluation, we seek to further enhance our relationships through effective value creation. Where required, we will assist vendors to adopt innovative technology to improve their service delivery.

As a measure of our commitment to enhancing our ESG scorecard, we also seek to move towards 'green procurement', namely to ensure the goods or services that we attain are socially and environmentally responsible. In 2018, we conducted a vendor engagement programme to update them of changes to our procurement policies and practices.

ENERGY CONSUMPTION & ENVIRONMENTAL IMPACT

We acknowledge the urgency of global environmental issues such as climate change and the management of plastic waste. As a responsible corporate organisation, Bank Muamalat plays its role to help manage these. Starting from the previous financial year, we are monitoring our energy consumption in our headquarters. This financial year, we extended our environmental initiatives by also measuring the fuel consumption of employees in their daily commute to and from work, as well as food waste in our cafeteria.

Fuel consumption, like energy consumption in the office, releases CO₂ into the environment, contributing to global warming. Food waste, meanwhile, creates unnecessarily high demand for food increasing the pressure on land scarcity.

Efforts to reduce our electricity consumption, hence carbon emissions, began in FY2016 with the installation of energy-efficient systems such as LED lighting. Other efforts to enhance our environmental stewardship include efforts to reduce paper waste by instituting paperless meetings.

Use of LED lights helped to reduce our energy consumption from 4,405.8 kWh in FY2017 to 4,353.1 kWh in FY2018. This financial year, however, our energy consumption increased to 4,506.6 kWh due to a 200 pax increase in headcount at our headquarters.

More positively, we have outlined various other initiatives to improve our environmental footprint.

In terms of carbon emissions reduction, there are plans to leverage renewable sources of energy at our offices and to replace more electrical equipment with energy-efficient alternatives. We also intend to introduce “public transportation day” when all employees will be encouraged to leave their cars at home and to commute using buses or trains. For better water management, we will embark on rainwater harvesting. Meanwhile, to reduce plastic waste, we will be imposing a ban on single-use plastics in our cafeteria.

Our headquarters will lead in Bank Muamalat’s transition into a greener organisation by launching into a year-long ‘green journey’ during which the following initiatives will kick off:

- 1) Ban on single-use plastics
- 2) Replacement of normal ink and toner with remanufactured (ie recycled) ink and toner
- 3) Rainwater harvesting
- 4) Recycling of cooking oil in the cafeteria
- 5) Further reduction in paper usage by encouraging more departments to go paperless

Going forward, the Bank aims to conduct a programme to demonstrate to employees as well as our cafeteria vendors how they can recycle cooking oil in their own homes.

FY2019 environmental scorecard:

Energy consumption: 4,506.6 kWh
 Fuel consumption: 335,795.283 litres
 Food waste: 3,040.5kg



We have outlined various other initiatives to improve our environmental footprint

COMMUNITY DEVELOPMENT



We believe in going beyond serving our customers to the best of our ability to supporting the community in ways that are meaningful



The most important way in which Bank Muamalat is able to contribute to the community is via the efficient and responsible provision of financial services. As a values-driven bank, however, we believe in going beyond serving our customers to the best of our ability to supporting the community in ways that are meaningful.

We seek to uplift communities that are marginalised and focus much of our CSR programmes on families of Armed Forces and Police personnel. We have identified this group because they typically are unaware of financial products that are available and, especially army personnel, are often on the move therefore have little time to set up bank accounts and obtain expert advice on managing their finances.

A number of initiatives are run among these two segments of the community focusing on education, talent and skills development, health and financial literacy. Three flagship programmes have been ongoing for some years, as described below. These are complemented by other activities organised when the opportunity arises.

- Education Fund. While we have a tradition of providing for the educational needs of children of the Armed Forces, in November 2018 we set up the Tabung Pendidikan Anak-Anak Tentera through which we now channel funds for their books, uniforms, tuition fees and university fees. Our objective is to spend between RM300K and RM400K a year towards this end.

- Mass Wedding Fund. The Bank has for several years sponsored mass weddings of personnel from the Armed forces and Police. We donate RM150,000 a year to cover the cost of 50 marriages in the Armed Forces; and RM100,000 a year for 40 marriages in the Police.
- Sports & Recreation. Bank Muamalat contributes approximately RM450,000 a year to the sports & recreation club of the Armed Forces and the Armed Forces Veterans' Association (Persatuan Veteran Angkatan Tentera). The funds are used to organise family days, sports days and golf competitions.

In 2018, we also donated RM500,000 towards a mobile clinic operated by a Medical Unit of the Armed Forces to serve people in rural Sabah. This included donations via Wakaf Selangor Muamalat. To date, the mobile clinic has served more than 10,000 patients nationwide. Our total contributions to the Armed Forces and Police for the year amounted to RM1.96 million.

In addition to programmes targeting the Armed Forces and Police, we contribute to society in many different ways. Among the highlights of our CSR calendar for the year were the following:

- We continued to support the Forum Hal Ehwal Islam, a weekly TV show on RTM1 that discusses current Islamic topics.
- Programme Sunnah Berkuda dan Memanah at the Equestrian Park, Putrajaya, at which 33 children with Down Syndrome got to ride and groom the horses as well as try their hands at archery.
- Annual iftar with children from Maahad Tahfiz of Al-Bayan School of Qur'an and Hadith and other underprivileged folk from the Masjid Jamek area. We presented our guests with bags, duit raya, clothes and biscuits.
- Under Wakaf Muamalat, we donated four dialysis machines to Hospital Wakaf An-Nur in Pasir Gudang, Johor.
- Distributed school supplies to 150 students at a Back to School Programme held at the Bank's headquarters. In addition, we provided for 134 other less fortunate students and children of staff who earn less than RM3,000 per month.

As part of efforts to conserve and preserve the environment, we had initiated a programme to rehabilitate coral reefs off Selakan Island in the previous financial year. This year, we carried out a similar programme on Perhentian Island, off Terengganu, with the help of 18 avid divers from Bank Muamalat.

FINANCIAL INCLUSION



We believe that, by enabling low-income earners, we could help them break out of the circle of poverty

One of the most important ways in which a bank can use its technical expertise and service for social empowerment is to operate in a manner that is financially inclusive. By definition, financial inclusion is about providing access to financial products and services to marginalised or disadvantaged sections of society, such as low-income groups.

Bank Muamalat is keenly aware of such communities in Malaysia, and has made it our mission to extend our services to as many of these as possible. We believe that, by enabling low-income earners, we could help them break out of the circle of poverty. We therefore focus our actions on empowering these communities through better education for their children, for example, and the financial support to start and grow their business.

We have identified two segments in Malaysia that we feel would benefit significantly with our support – SMEs that are not bankable, and personnel in the Armed Forces/Police. As explained in “Entrepreneur Development” (see page 91), we cater specifically to the needs of SMEs and pay particular attention to the smaller businesses that find it difficult to obtain funding because they lack the right credit credentials.

Additionally, as explained in “Community Development” (see page 95), much of our CSR initiatives tend to the needs of families in the Armed Forces and Police. Over and above these social interventions, we conduct sessions on financial literacy among the nation’s guardians of safety and security and encourage them to make use of various products that would help them improve their financial standing.

We believe that we can cater to the needs of the marginalised better by being physically present in their vicinity. Accordingly, we are increasing our points of access by opening more branches in strategic locations. As at FY2019, we have 19 branches in the Central region and 15 branches in the Southern region to cater to the under served.

Moving forward, we aim to intensify our efforts to increase financial literacy among the smaller SMEs by collaborating with other government agencies in organising talks and clinics for them.

RESPONSIBLE FINANCING



Bank Muamalat has always operated on the basis of providing financial services that will benefit the customers, and not place any extra burden on them

Responsible financing is based on the principle that banks should not disburse of financing for the sake of earning income from the interest, but should ensure that any financing given out satisfies ESG criteria.

In terms of social responsibility, as made explicit by Bank Negara Malaysia, banks should ascertain that consumers can afford the financial products being offered. This is important to prevent consumers who are already hard-pressed financially from deepening their debt.

As a responsible values-driven bank, Bank Muamalat has always operated on the basis of providing financial services that will benefit the customers, and not place any extra burden on them. We therefore do everything we can to ensure that the right products are offered to the right consumers. In so doing, we not only protect our consumers but also play our part in helping to reduce the nation's household debt, and contribute to sustainable economic growth more generally.

Another aspect of responsible financing is not to support unethical activity. As an Islamic bank, this is ingrained in our corporate ethos. Before approving any loan, we conduct due diligence on the recipient to ascertain the nature of their business or activity. This enables us to stay clear of financing any money laundering, terrorism or indeed any activity that is frowned upon by Shariah including trade in alcohol or gambling.

Finally, we view positively requests for financing that would result in positive ESG outcomes. These include applications from 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.

Through the incorporation of ESG criteria in the process of financing approval, we believe we can further strengthen our role in helping to create a better, more equitable and environmentally sustainable world for everyone.

In FY2019, from business side, the Bank's total ESG Financing outstanding stood at RM2.88 billion. The sum comprises the following:

- RM1.74 billion on uplifting the standard of living among the marginalised
- RM436.0 million on promoting healthy lifestyles
- RM261.4 million on hospitals and medical service providers
- RM295.9 million on education
- RM145.1 million on preservation of the natural environment

At the same time, we have recognised 41.6% (or RM4.28 billion) of our total financing facilities to have positive ESG impact from our retail segment. The sum is made up of debt structuring and ASB investment. In total, 46.2% (or RM7.16 billion) of our total financing portfolio was identified to be within the sectors or areas within ESG financing categories that are in line with triple bottom line values.

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WAKAF MUAMALAT

Wakaf Muamalat is a unique initiative from Bank Muamalat to empower and uplift the community through the institution of wakaf. It is a collaboration between the Bank and State Islamic Religious Councils in the co-management of cash waqf fund via a joint management committee (JMC).

Wakaf Muamalat has been in operation for seven (7) years since its inception in 2012. Its first collaboration was with Perbadanan Wakaf Selangor. Subsequently Bank Muamalat was invited by other states to collaborate with them on the management of cash waqf. These are Wakaf Negeri Sembilan in 2017 followed by Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK) in 2018.

As at FY2019, the total wakaf fund collected was RM26,737,824.47. To date, Wakaf Muamalat through its JMC has approved RM19,249,888.88 of which RM13,665,823.60 has been disbursed on wakaf projects.

Chart 1: Monthly collection of Wakaf Muamalat fund for FY2019

Month	RM
Apr '18	418,773.97
May	135,724.33
June	526,676.62
July	106,712.57
Aug	527,259.86
Sept	321,184.24
Oct	514,629.70
Nov	102,634.10
Dec	499,628.53
Jan '19	124,851.94
Feb	339,598.81
Mar	501,534.08
TOTAL	4,119,208.75

During the FY2019, Wakaf Muamalat contributed a total of RM8,859,578.90 (to various institutions under the health and education sectors). The details are described below:

Table 1: List of Wakaf Muamalat beneficiaries

No.	Beneficiaries	Contribution	Amount (RM)
1.	Yayasan Kanser Tunku Laksamana Johor	Reclining Chair	16,748.00
2.	Yayasan Islam Darul Ehsan	Dialysis Machines	120,840.00
3.	Angkatan Tentera Malaysia	Mobile Clinic	708,080.00
4.	Pusat Perubatan UKM	Diabetic Ward	257,316.80
5.	Pusat Perubatan UKM	Endoscopy Machine	791,000.00
6.	Sekolah Kebangsaan Tengku Ampuan Fatimah	Computers	19,500.00
7.	Maahad Hafiz Sg Pinang Klang	Computers	19,500.00
8.	Institut Jantung Negara	Ultrasound machine	250,000.00
9.	Pusat Perubatan Universiti Malaya	Ultrasound machine	235,000.00
10.	Klinik Kesihatan Kuah	Clinical items	8,590.00
11.	Hospital Selayang	Ultrasound machine	80,000.00
12.	Pusat Perubatan UITM Sungai Buloh	Ultrasound machine	70,000.00
13.	Hospital Sultan Abdul Halim	Ultrasound machine	130,000.00
14.	Hospital Kuala Lumpur	Ultrasound machine	225,000.00
15.	Wakaf An-Nur	Dialysis machine	178,920.00
16.	Sekolah Kebangsaan Si Rusa	2 units Aircond	9,960.00
17.	Pusat Perubatan Kesihatan USIM	A Scan & AED Machine	52,486.70
18.	Pusat Perubatan Kesihatan USIM	Dispensing Glass Machine	78,005.00
19.	Hospital Tuanku Jaafar	Dialysis Machine	154,000.00
20.	Sekolah Kebangsaan Taman Dusun Nyior	15 units computers	35,000.00
21.	Politeknik Kementerian Nilai	2 units fans	50,000.00
22.	Muallaf Centre	1 unit building	369,632.40
TOTAL CONTRIBUTION			3,859,578.90

► WAKAF MUAMALAT

WAKAF MUAMALAT HANDOVER EVENTS



Hospital Kuala Lumpur



Hospital Selayang



Yayasan Tunku Laksamana Johor



Angkatan Tentera Malaysia



Sekolah Tengku Ampuan Fatimah



Maahad Hafiz Klang



Wakaf An-Nur



Klinik Kesihatan Kuah



SK Taman Dusun Nvior



SK Kampung Baru Si Rusa



Politeknik Nilai



Hospital Tuanku Jaafar



Muallaf Centre

TABUNG MAWADDAH



The Bank values the concept of giving back to the community as this is in line with its aspiration to be a socially responsible bank. Through Tabung Mawaddah, the Bank is committed to distribute its fund to helping the most vulnerable members of society as categorised under Shariah principles. Tabung Mawaddah ("TM") Committee has been actively operating since 2002, dedicated to aid and implement charitable activities to eight (8) Asnaf recipients* (*Fakir, Miskin, Amil, Muallaf, Riqab, Gharimin, Fisabilillah and Musafir*) and non-Asnaf recipients. TM is funded by zakat and alms (sadaqah) sources contributed by Bank Muamalat and the staff.

The TM Committee has been established with the following objectives:

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

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

- Food for homeless programmes;
- Micro credit scheme to aid small entrepreneurs;
- Masih Ada Yang Sayang ("MAYS") community programmes;
- Programme with NGOs; and
- Monthly aid to Asnaf recipients

The size of the TM fund distributed and the trend of TM aids applications for FY2019 are described as below.

<i>Fakir</i>	RM255,000.00
<i>Miskin</i>	RM516,010.00
<i>Fi-sabilillah</i>	RM1,656,849.29
<i>Gharimin</i>	RM12,521.80
<i>Muallaf</i>	RM193,000.00
<i>Sadaqah</i>	RM161,520.40

Notes: *

Fakir – Poor

Miskin – Needy

Amil – Zakat Collectors

Muallaf – recent converts to Islam

Riqab – slavery

Gharimin – those who have incurred overwhelming debts while attempting to satisfy their basic needs

Fi-sabilillah – Those STRIVE for a religious cause

Musafir – wayfarers

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BOARD OF DIRECTORS



01 **TAN SRI DATO' DR. MOHD MUNIR
ABDUL MAJID**
Chairman

02 **DATO' HAJI KAMIL KHALID ARIFF**
Independent
Non-Executive Director

03 **DATO' HAJI MOHD REDZA SHAH
ABDUL WAHID**
Chief Executive Officer/Executive Director

04 **DATO' IBRAHIM TAIB**
Non-Independent
Non-Executive Director



05 GHAZALI HAJI DARMAN
Independent
Non-Executive Director

06 DR. AZURA OTHMAN
Independent
Non-Executive Director

07 DATO' HAJI CHE PEE SAMSUDIN
Independent
Non-Executive Director

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

09 DATO' HAJI MOHD IZANI GHANI
Non-Independent
Non-Executive Director

BOARD OF DIRECTOR'S PROFILE



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



Age
71 years old



Nationality
Malaysian



Date of Appointment
3 June 2008

Directorships

- Silverlake Axis Limited

Qualifications

- B.Sc. (Econ), The London School of Economics and Political Science, United Kingdom (UK)
- Ph.D. in International Relations, The London School of Economics and Political Science, UK

Areas of Expertise

- International Relations, Economics and Political Science

Experience

- Lecturer, International Relations, The London School of Economics and Political Science
- Research analyst, Daiwa Europe NV, London
- Group Editor, New Straits Times (M) Berhad
- Chief Executive Officer, Pertanian Baring Sanwa (PBS)/Commerce International Merchant Bankers (CIMB)
- Founding Executive Chairman, The Securities Commission
- Senior Independent Non-Executive Director, Telekom Malaysia Berhad
- Chairman, Celcom (M) Berhad
- Non-Executive Chairman, Malaysia Airlines Berhad
- Member, Court of Fellows, Malaysian Institute of Management
- Honorary Fellow, The London School of Economics and Political Science

Membership of Board Committees in Bank Muamalat Malaysia Berhad

- NIL



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



Age
54 years old



Nationality
Malaysian



Date of Appointment
27 August 2012

Qualifications

- Member of the Malaysian Institute of Accountants (CA, M)
- Fellow of the Association of Chartered Certified Accountants (FCCA, UK) United Kingdom

Areas of Expertise

- Accounting and Finance

Experience

- Chief Operating Officer – Finance, Strategy & Planning, DRB-HICOM Berhad
- President and Chief Executive Officer, Tenaga Nasional Berhad
- Member of the Board and Executive Committee, Khazanah Nasional Berhad
- Bumiputra Merchant Bankers Berhad
- Auditor, Messrs Ernst & Young
- Board member within the United Engineers Malaysia (UEM) Group of companies
- Director, Bank Industri & Teknologi Malaysia Berhad

Directorships

- 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

Membership of Board Committees in Bank Muamalat Malaysia Berhad

- Member, Nomination & Remuneration Committee
- Member, Veto Committee



► BOARD OF DIRECTOR'S PROFILE



DATO' IBRAHIM TAIB

Non-Independent

Non-Executive Director



Age
65 years old



Nationality
Malaysian



Date of Appointment
29 March 2018

Qualifications

- Bachelor of Laws (Honours), University of Malaya
- Master of Laws, University of London, United Kingdom

Areas of Expertise

- Law

Experience

- Magistrate, Magistrate Court, Jalan Duta, Kuala Lumpur and the Magistrate Court, Segamat, Johor
- Legal Advisor, Road Transport Department
- Legal Advisor, Ministry of Human Resources
- Deputy Public Prosecutor, Selangor, Attorney-General Chambers
- Judge, Sessions Court, Kota Bharu
- Secondment to the Employees Provident Fund (EPF) as Head, Legal
- Deputy Chief Executive Officer (Operations), EPF
- EPF Nominee Director, DRB-HICOM Berhad

Directorships

- Independent Non-Executive Director, DRB-HICOM Berhad

Membership of Board Committees in Bank Muamalat Malaysia Berhad

- Member, Board Audit Committee
- Member, Board Risk Management Committee
- Member, Digital Board Committee

**DATO' HAJI MOHD IZANI GHANI***Non-Independent**Non-Executive Director*Age
51 years oldNationality
MalaysianDate of Appointment
1 March 2009**Qualifications**

- BSc (Economics), London School of Economics and Political Science
- ACCA, Association of Chartered Certified Accountants
- Member, Malaysian Institute of Accountants
- Fellow, Association of Chartered Certified Accountants

Areas of Expertise

- Accounting and Finance

Experience

- Chief Financial Officer, Khazanah Nasional Berhad
- Executive Director, Investments, Khazanah Nasional Berhad

Directorships

- Malaysia Airports Holdings Berhad
- Fajr Capital Limited

Membership of Board Committees in Bank Muamalat Malaysia Berhad

- Member, Nomination & Remuneration Committee
- Member, Board Risk Management Committee



► BOARD OF DIRECTOR'S PROFILE



DATO' HAJI KAMIL KHALID ARIFF

*Independent
Non-Executive Director*



Age
65 years old



Nationality
Malaysian



Date of Appointment
29 September 2011

Qualifications

- MBA in International Business from Michigan University, United States of America (USA)
- BSc in Management, Syracuse University, New York, USA
- Diploma in Public Administration, Institute Teknologi MARA (now known as UiTM)

Areas of Expertise

- Accounting and Finance

Experience

- Managing Director/Chief Executive Officer, Mahkota Technologies Sdn Bhd (formerly known as General Electric Company of the UK)
- Served in numerous Management and Board positions in several large corporate entities viz, The New Straits Times (Malaysia) Berhad, Kumpulan Perangsang Selangor Berhad, Kumpulan Guthrie Berhad, and Idris Hydraulic Berhad
- Founder Director, Kuala Lumpur Tin Market

Directorships

- Chairman, Liberty Insurance Berhad
- Chairman, Gibraltar BSN Life Insurance Berhad

Membership of Board Committees in Bank Muamalat Malaysia Berhad

- Chairman, Veto Committee
- Member, Board Risk Management Committee
- Member, Digital Board Committee

**DR. AZURA OTHMAN**

*Independent
Non-Executive Director*



Age
51 years old



Nationality
Malaysian



Date of Appointment
24 April 2015

Qualifications

- BA (Hons) Accounting and Finance, The London School of Economics and Political Science, United Kingdom
- Fellow, ACCA (UK)
- Member, Malaysian Institute of Accountants
- Chartered Member, The Chartered Institute of Islamic Finance Professionals (CIIF)
- PhD in Islamic Finance, The International Centre of Education in Islamic Finance (INCEIF)

Areas of Expertise

- Accounting and Finance

Experience

- Executive Director, PricewaterhouseCoopers Taxation Services, Malaysia
- Tax consultant and in engagements relating to Islamic Finance, working together with the Malaysian Ministry of Finance, Inland Revenue Board and Bank Negara Malaysia

Directorships

- Nil

Membership of Board Committees in Bank Muamalat Malaysia Berhad

- Chairman, Nomination & Remuneration Committee
- Chairman, Board Risk Management Committee
- Member, Board Audit Committee

► BOARD OF DIRECTOR'S PROFILE



GHAZALI HAJI DARMAN

*Independent
Non-Executive Director*



Age
55 years old



Nationality
Malaysian



Date of Appointment
4 January 2017

Qualifications

- Bachelor of Arts in Accounting, University of Canberra, Australia

Areas of Expertise

- Finance, IT Security

Experience

- World-wide Partner and Director, Accenture Consulting
- Global Head, Domain for Transportation and System Integration, DHL IT Services, Cyberjaya
- Member, Senior Management Team, DHL IT Services, Cyberjaya
- Commissioner, PT Praisindo Teknologi, Jakarta
- Advisor, Outsourcing Malaysia

Directorships

- Bursa Malaysia Berhad (resigned w.e.f 28 March 2019)

Membership of Board Committees in Bank Muamalat Malaysia Berhad

- Chairman, Digital Board Committee
- Member, Nomination & Remuneration Committee
- Member, Board Audit Committee

**DATO' CHE PEE HAJI SAMSUDIN***Independent**Non-Executive Director*Age
62 years oldNationality
MalaysianDate of Appointment
29 March 2018**Qualifications**

- Bachelor of Accounting (Honours), Universiti Kebangsaan Malaysia
- Member, Malaysian Institute of Accountants (MIA)
- Member, The Association of Chartered Certified Accountants (ACCA)

Areas of Expertise

- Accounting and Finance

Experience

- The Accountant General of Malaysia
- While in government service, had served the Ministry of Finance, Langkawi Development Authority (LADA), Malaysian Institute of Islamic Understanding (IKIM), Economic Planning Unit in Prime Minister's Department in various capacities and as State Treasurer, Perbendaharaan State of Kedah
- Directorships in various agencies and government bodies such as Amanah Raya Berhad, Malaysian Accounting Standard Board, Inland Revenue Board of Malaysia, Malaysian Institute of Accountants and Public Sector Home Financing Board

Directorships

- Board Member, Kumpulan Wang Persaraan (Diperbadankan) (KWAP)

Membership of Board Committees in Bank Muamalat Malaysia Berhad

- Chairman, Board Audit Committee
- Member, Nomination & Remuneration Committee
- Member, Veto Committee



► BOARD OF DIRECTOR'S PROFILE



**DATO' HAJI MOHD REDZA SHAH
ABDUL WAHID**
*Chief Executive Officer/
Executive Director*



Age
56 years old



Nationality
Malaysian



Date of Appointment
1 November 2008

Qualifications

- Bachelor of Science in Economics (Industry and Trade), The London School of Economics, University of London, United Kingdom (UK)
- Master of Science in Economics (International Banking and Finance), University of Wales, Cardiff, UK
- Associate Chartered Accountant (ACA)

Areas of Expertise

- Economics
- Finance and Accounting

Experience

- Trainee Accountant, Touche Ross & Co., London (now known as Deloitte & Touche)
- Internal Auditor and Corporate Finance Manager, Arab Malaysian Corporation Berhad
- Senior Finance Manager, Khazanah Nasional Berhad
- Chief Financial Officer, Silterra Malaysia Sdn Bhd
- Group Chief Executive Officer, Tradewinds Corporation Berhad
- Executive Director and Group Chief Operating Officer, DRB-HICOM Berhad

Directorships

- General Council for Islamic Banks and Financial Institutions (CIBAFI)
- Raed Holdings Sdn Bhd
- Muamalat Invest Sdn Bhd
- Muamalat Venture Sdn Bhd
- Muamalat Nominees (Asing) Sdn Bhd
- Muamalat Nominees (Tempatan) Sdn Bhd

Membership of Board Committees in Bank Muamalat Malaysia Berhad

- Member, Digital Board Committee

SHARIAH COMMITTEE PROFILE



Current Position

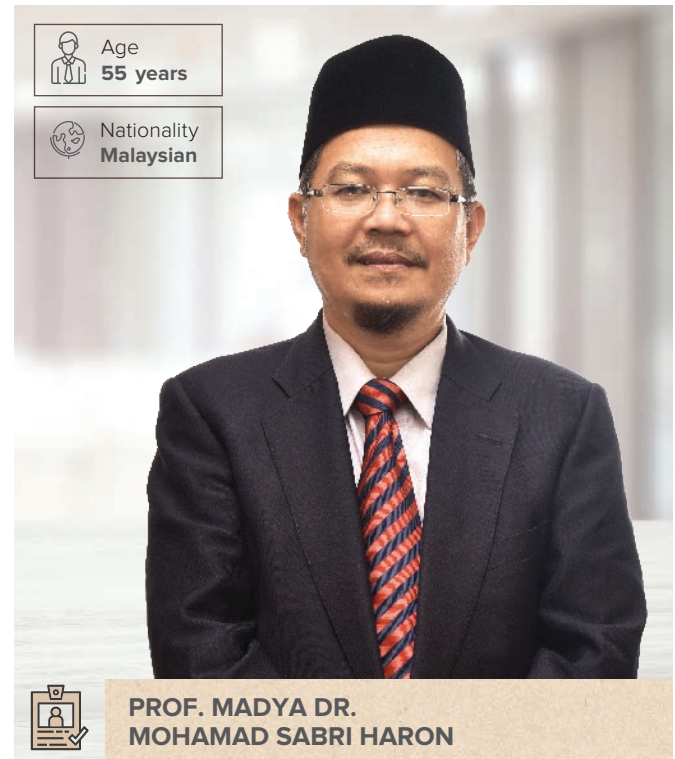
- Chairman, Shariah Committee
- Lecturer, Islamic Studies Academy, University of Malaya
- Shariah Advisor, AIBIM

Qualification

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

Relevant Experience

- Lecturer, University Malaya since 2002
- Areas of specialisation: Islamic Capital Market, Islamic Economics, Fiqh Muamalat and Islamic Research Methodology



Current Position

- Alternate Chairman, Shariah Committee
- Lecturer, Pusat Citra Universiti, National University of 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)


Qualification

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

Relevant Experience

- Former Senior Manager in Islamic Capital Market, Securities Commission
- Areas of specialisation: Islamic Economics and Islamic Civilization

► SHARIAH COMMITTEE PROFILE



Age
50 years

Nationality
Malaysian

**YM ENSKU AHMAD FADZIL
ENGKU ALI**

Current Position

- Member, Shariah Committee
- Senior Fellow, Institut Kajian Strategik Islam Malaysia (IKIM)

Qualification

- Bachelor of Laws, International Islamic University Malaysia
- Bachelor of Laws (Shariah), International Islamic University Malaysia
- Advocate and Solicitor of The High Court of Malaya
- Masters in Islamic Judiciary, University of Jordan

Relevant Experience

- Lecturer, International Islamic University Malaysia from 2000 to 2014
- Areas of specialisation: Probate and the Law of Succession (both Islamic and Civil), Islamic Jurisprudence, Islamic Criminal Laws and the Malaysian Legal System



Age
48 years

Nationality
Malaysian

DR. WAN MARHAINI WAN AHMAD

Current Position

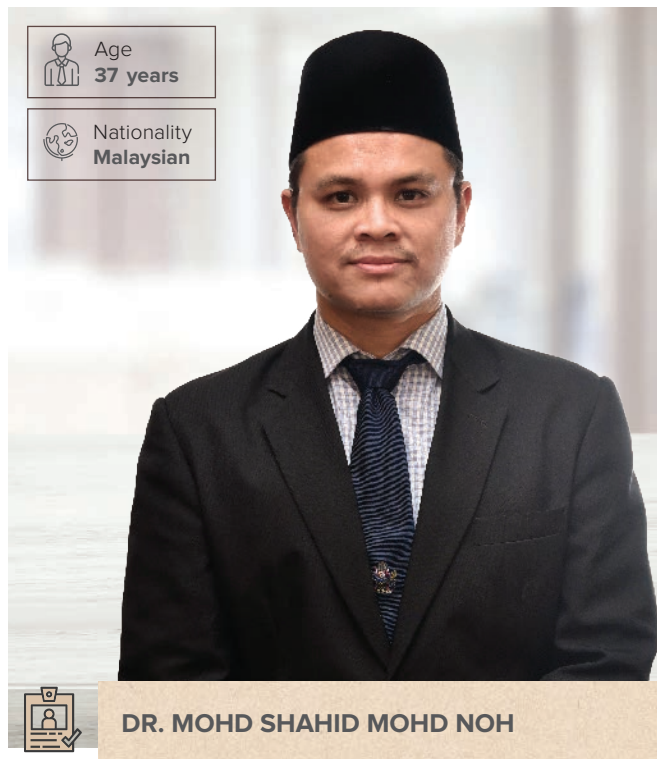
- Member, Shariah Committee
- Senior lecturer, Finance and Banking Department, University of Malaya

Qualification

- Ph.D 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

- Member, Shariah Committee, EONCAP Islamic Bank (2011)
- Areas of specialisation: Fiqh Muamalat, Islamic Economics, Islamic Finance and Islamic Banking, Takaful and Islamic Capital Market



Current Position

- Member, Shariah Committee
- Lecturer, Academy of Islamic Studies University of Malaya
- Director, Iqra Foundation (Training and Consultancy)
- Religious Officer and Imam, Masjid Al-Ghufran, Pinggir Taman Tun Dr Ismail

Qualification

- Diploma Tahfiz Al-Quran wa Al-Qiraat, Darul Quran JAKIM
- Bachelor of Arts in Qiraat Specialisation, Maahad Qiraat Shoubra Al-Azhar, Egypt
- Master in Business Administration (Muamalah), Selangor Islamic College University (KUIS), Malaysia
- Master in Islamic Financial Practice (MIFP), INCEIF, Malaysia
- Ph.D from the Faculty of Economics and Muamalat, Islamic Science University, Malaysia

Relevant Experience

- Areas of specialisation: Islamic Financial Transactions, Islamic Capital Market, Islamic Economics and General Islamic Jurisprudence



Current Position

- Member, Shariah Committee
- Partner, Wajdi Mohammad Yusri & Co
- Member, Shariah Advisory Board, Zurich Takaful
- Shariah Advisor, Majlis Perundangan Islam

Qualification

- Bachelor of Laws (LL.B), International Islamic University Malaysia
- Bachelor of Laws (LL.B) (Shariah), International Islamic University Malaysia
- Diploma in Shariah Law and Practice, International Islamic University Malaysia
- Ph.D in Laws, International Islamic University Malaysia

Relevant Experience

- Assistant Professor (Senior Lecturer) Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia from 2010 to 2012
- Lecturer of Ahmad Ibrahim Kulliyah of Laws from 1997 to 2010
- President of Yayasan Dakwah Islamiah Malaysia (YADIM) from 2015 to 2018
- Shariah Advisor, Kenanga Investment Bank Berhad from 2013 to 2015
- Shariah Advisor, Kolej Universiti Insaniah from 2017 to 2018
- Hijrah Strategic Advisory Group Sdn.Bhd from 2003 to 2004
- Areas of specialisation: Islamic Constitutional Law, Islamic Law, Human Rights and Islamic Jurisprudence

TERMS OF REFERENCE OF SHARIAH COMMITTEE

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

TERMS OF REFERENCE OF SHARIAH COMMITTEE BANK MUAMALAT MALAYSIA BERHAD

1. Objective/Purpose:

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

2. Authority:

These 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").

3. Duties, Responsibilities & Accountability of the Shariah Committee:

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

i. Responsibility and accountability

The Shariah Committee is expected to understand that in the course of discharging its duties and responsibilities as a Shariah Committee, members must act in accordance with Laws and Regulations in respect of their duties and obligations as Shariah Committee members, and be responsible and accountable for the provision of all Shariah decisions, opinions and views.

ii. Advice to the Board and Bank including the Bank's subsidiaries

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

iii. Endorses Shariah policies and procedures

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

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

iv. Endorses and validates relevant documentations

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

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

- v. Assesses 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. This forms part of their duty to provide assessment of Shariah compliance and assurance information in the Bank's annual report.

- vi. Assists 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.

- vii. 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 cannot be resolved.

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

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

In cases of disputes and court proceedings relating to Islamic financial business or any Shariah issues arising from the Bank's business operations, both the court and the arbitrator shall take into consideration the published rulings of the SAC or refer such issues to the SAC for its ruling. Any ruling made by the SAC arising from a reference made shall be binding on the Bank and the court or the arbitrator.

In the event that the decision given by the Bank's Shariah Committee is different from the ruling given by the SAC, the ruling of the SAC shall prevail. However, the Shariah Committee is allowed to adopt a more stringent Shariah decision.

- viii. Provides 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.

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

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

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

- xii. Provides 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.

- xiii. Scrutinises and endorses the annual financial report of the Bank.

- xiv. Provides training to the staff as well as notes or relevant materials for their reference.

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

► TERMS OF REFERENCE OF SHARIAH COMMITTEE

xvi. The Shariah Committee shall maintain the confidentiality of the BMMB'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.

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

4. Operation Procedures for the Shariah Committee

i. Membership

The Shariah Committee membership is based on a three (3) years term.

ii. Frequency of Meetings and Attendance

The Shariah Committee meetings shall be held at least once in 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.

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

The number of Shariah Committee meetings held in the year, as well as the attendance of every Shariah Committee member will be disclosed in the Bank's annual report.

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

iii. Minimum Quorum

The minimum quorum of a Shariah Committee meeting shall be two-thirds with majority of attending members being members with Shariah background.

iv. Decision-making

Decisions shall be made on the basis of two-thirds of the members present, with majority of the two-third votes being members with Shariah background.

v. Chairman

Chairman of the Shariah Committee shall be a member with qualified Shariah background.

The Chairman shall be elected by members of the Shariah Committee and 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 of whether the membership of such appointed chairman has expired or not.

vi. Alternate Chairman

There should be an alternate Chairman in the event that 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.

vii. Reporting

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

viii. Appointment/ Re-appointment

The appointment/re-appointment of the members of the 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.

ix. Resignation and Dismissal of the Shariah Committee

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

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

x. Negative List

i. A 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 chief executive officer (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.

ii. A 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. a Shariah Committee member of another Bank within the same industry.

SENIOR MANAGEMENT

AZIM SELVA

Chief Risk Officer

AZLIZA ABDUL RAHMAN

Executive Vice President,
Human Capital Division

**KHAIRUL
KAMARUDIN**

Deputy Chief Executive
Officer



PEERMOHAMED IBRAMSHA

Chief Operating Officer-Corporate Services

HAFNI MOHD SAID

Executive Vice President, Finance

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

Chief Executive Officer

DR SHAMSIAH BINTI ABDUL KARIM

Senior Vice President,
Shariah and Product Development Division

**MUHAMAD RADZUAN
AB RAHMAN**

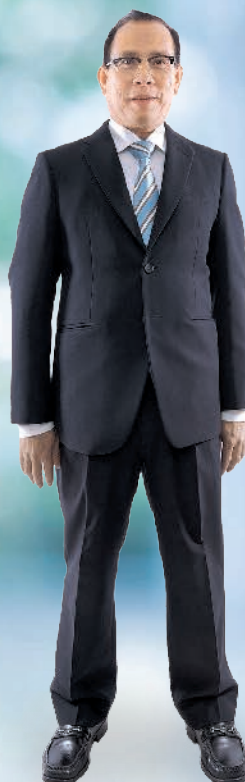
Senior Vice President, Credit
Management Division

**ABDUL RAZAK MOHAMED ISMAIL**

Chief Technology Officer, Information Communication
& Technology Division

**MOHAMED FADZIL SULAIMAN**

Senior Vice President,
Treasury and Capital Market Division

**NOR HAMIDAH ABU BAKAR**

Executive Vice President,
Business Banking Division

SENIOR MANAGEMENT PROFILE

01



KHAIRUL KAMARUDIN
Deputy Chief Executive Officer

02



PEERMOHAMED IBRAMSHA
Chief Operating Officer-Corporate Services

03



AZIM SELVA
Chief Risk Officer

04



HAFNI MOHD SAID
Executive Vice President, Finance

05



AZLIZA ABDUL RAHMAN
Executive Vice President, Human Capital Division

06



ABDUL RAZAK MOHAMED ISMAIL
Chief Technology Officer, Information Communication & Technology Division

07



NOR HAMIDAH ABU BAKAR
Executive Vice President, Business Banking Division

08



MUHAMAD RADZUAN AB RAHMAN
Senior Vice President, Credit Management Division

09



DR SHAMSHIAH BINTI ABDUL KARIM
Senior Vice President, Shariah and Product Development Division

10



MOHAMED FADZIL SULAIMAN
Senior Vice President, Treasury and Capital Market Division

01

KHAIRUL KAMARUDIN
Deputy Chief Executive Officer

Current Position

- Deputy Chief Executive Officer
- Chairman, IT Steering Committee
- Alternate Chairman, Management Committee, Executive Risk Management Committee, Investment Committee and Asset Liability Committee
- Member, Credit Committee

Qualifications

- Member, The Association of Chartered Islamic Finance Professionals, Malaysia
- LLB (Hons), Anglia University, United Kingdom

Experience

- Chief Executive Officer, BIMB Holdings Berhad
- Chief Executive Officer, Bank Islam Malaysia Berhad
- Chairman, BIMB Investment Management Berhad
- Pengurusan Danaharta Nasional Berhad
- PriceWaterHouseCoopers, Malaysia

02

PEERMOHAMED IBRAMSHA

Chief Operating Officer-Corporate Services

Current Position

- Chief Operating Officer – Corporate Services
- Member, Management Committee, Risk Management Committee, IT Steering Committee, Asset and Liability Management Committee, Credit Committee and Investment Committee

Qualifications

- Bachelor Degree in Accountancy, Universiti Utara Malaysia
- Member, Malaysian Institute of Accountants
- Fellow Certified Practicing Accountant (FCPA) with CPA Australia

Experience

- Chief Operating Officer, Bank Muamalat – Retail Business and Operations
- Chief Operating Officer – Operations, Bank Muamalat
- Chief Financial Officer – Bank Muamalat
- Chief Financial Officer – Alam Flora Sdn Bhd
- Chief Financial Officer – Glenmarie Properties Sdn Bhd and its Group of Companies

03

AZIM SELVA

Chief Risk Officer

Current Position

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

Qualifications

- Masters in Law, University of Bristol, United Kingdom
- LLB (Hons) University of Leicester, England and has been admitted as an Advocate and Solicitor in both the High Courts of Malaya and New Zealand

Experience

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

04

HAFNI MOHD SAID

Executive Vice President, Finance

Current Position

- Executive Vice President, Finance
- Overseeing overall finance functions of Bank Muamalat and its subsidiary companies
- Overseeing overall operations of treasury processing & settlement, data management, regulatory reporting, and legal functions
- Designated as Head of Reporting and Chief Data Officer for the Bank
- Member, Management Committee, Credit Committee, Investment Committee, Asset & Liability Committee, Executive Risk Management Committee, IT Steering Committee, Recovery Task Force, Management-Audit Committee Chair
- Member, Main Tender Committee

Qualifications

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

Experience

- Chief Internal Auditor, Bank Muamalat
- Head, Islamic Banking & Subsidiaries Audit Department, RHB Bank Berhad

► SENIOR MANAGEMENT PROFILE

05

AZLIZA ABDUL RAHMAN

Executive Vice President, Human Capital Division

Current Position

- Head, Human Capital Division
Overseeing Talent Strategy & Organisation Development, Rewards & Compensation, Industrial & Employee Relations and Performance Management & HR Projects
- Member, Management Committee
- Member, Main Tender Committee

Qualifications

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

Experience

- Group Head-Human Capital, Kuala Lumpur Airport Services (KLAS) Group (now known as Pos Aviation Sdn Bhd), a subsidiary of DRB HICOM
- General Manager - Human Capital of DRB-HICOM Group
- Member, Group Risk Management Committee, OSH Council & Steering Committee for International College of Automotive Malaysia (CAM) (now known as DRB-HICOM University of Automotive Malaysia)
- Head, Human Resources & Administration, Uni Asia Life Assurance Berhad (now known as Gibraltar BSN Life Berhad)

06

ABDUL RAZAK MOHAMED ISMAIL

Chief Technology Officer, Information Communication & Technology Division

Current Position

- Chief Technology Officer, Information Communication & Technology Division
- Head, Digital Banking Division
- Member, Management Committee, IT Steering Committee
- Member, Main Tender Committee

Qualifications

- GCE A-Level

Experience

- Executive Vice President of Project Monitoring Office, RHB Bank
- Executive Vice President, Head IT Division, RHB Bank
- Thirty six (36) years of experience in the area of Information Technology (IT)

07

NOR HAMIDAH ABU BAKAR

Executive Vice President, Business Banking Division

Current Position

- Executive Vice President, Business Banking Division.
- Overseeing Corporate Banking, Regional & Commercial Banking, Business Development & Strategic Liaisons, Investment Banking, Trade Finance, Musyarakah Property Investment, and Project Financing Monitoring
- Member, Management Committee
- Member, Asset-Liability Committee
- Member, Main Tender Committee

Qualifications

- Bachelor of Economics, International Islamic University Malaysia (IIUM)
- Executive Masters in Management, Asia Metropolitan University, Malaysia

Experience

- More than twenty (20) years of vast experience in local and international banking, with a career starting in RHB Bank Berhad Corporate Banking Division

08

MUHAMAD RADZUAN AB RAHMAN

Senior Vice President, Credit
Management Division

Current Position

- Oversees Financing Supervision & Rehabilitation Department, Monitoring, Collection & Recovery Centre, Centralized Collection Centre, and Credit Operation Department
- Member, Management Committee, Credit Committee, Management Audit Committee, Executive Risk Management Committee
- Chairman, Tabung Mawaddah
- Member, Main Tender Committee

Qualifications

- Bachelor of Business Administration in Management, West Texas A & M University, United States of America
- Master in Business Administration, National University of Malaysia (UKM)

Experience

- 27 years of banking experience in Banking Operations & Credit
- Head, Retail Approving Centre
- Head, Financing Supervision and Rehabilitation

09

DR SHAMSIAH BINTI ABDUL KARIM

Senior Vice President, Shariah and
Product Development Division

Current Position

- Head, Shariah and Product Development Division
- Member, Management Committee
- Management Representative to Shariah Committee
- Advisor, Tabung Mawaddah
- Member, Joint Management Committee of the Wakaf Selangor Muamalat and Wakaf Negeri Sembilan Muamalat
- Member, Main Tender Committee

Qualifications

- Ph.D In Waqf and Islamic Finance, Durham University, United Kingdom
- Post-Graduate Certificate in Islamic Finance, International Islamic University (IIUM), Malaysia
- Bachelor of Business Administration, IIUM, Malaysia

Experience

- Twenty-eight (28) years of working experience, mostly in finance, accounting, investment, property development of waqf projects, zakat, faraid in Majlis Ugama Islam Singapura (MUIS)
- Headed the Yayasan AlBukhary which runs a tertiary institution, dialysis centres, private schools and other social impact investments
- Associate Fatwa Member, (MUIS)
- Shariah Advisor, Financial and Services Advisory and Consultancy, Pergas Investment Holdings (Singapore)

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MOHAMED FADZIL BIN SULAIMAN

Senior Vice President, Treasury and
Capital Market Division

Current Position

- Head, Treasury and Capital Market Division
- Manages and oversees the operations of Treasury and Capital Market Division (TCM) which encompasses Money Market, Foreign Exchange management, Fixed Income both trade and sales, and Forex Sales
- Management of the Bank's Liquidity and the Bank's Asset and Management revolving around the required perimeters of Regulatory and Compliance and guided by international market practices in line with current Basle guidelines
- Member, Main Tender Committee

Qualifications

- Diploma in Banking — Institute Technology MARA (now known as UiTM), Malaysia
- Bachelor of Science (Banking and Finance), University of Indiana State
- Master in Management/Finance, Morehead State University, Kentucky

Experience

- Three (3) overseas postings – London, Singapore and Jakarta. All in the areas of Treasury and Capital Market and Corporate Finance
- Implementation of the Fund Transfer Pricing framework and Assets and Liabilities Management application within the Islamic context and eventually the Capital Balance Sheet Management framework and Application

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Bank Muamalat (“the Board”) acknowledges that good corporate governance practices form the cornerstone of an effective and responsible organisation. Bank Muamalat upholds the recommended practices of BNM Corporate Governance Policy issued on 3 August 2016 (BNM CG), the Securities Commission’s Malaysian Code on Corporate Governance issued in 2017 (MCCG 2017) and other relevant requirements as outlined under the respective guidelines by BNM. The application of the recommendations set out in BNM CG Policy and MCCG 2017 will be highlighted in the various sections of this Statement on Corporate Governance.

The governance structure of the Bank is illustrated below:-



The Policy on Corporate Governance of Bank Muamalat (“the Policy”) and practices were developed based on the Companies Act 2016 (“CA 2016”), MCCG 2017 and BNM CG.

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

BOARD LEADERSHIP AND EFFECTIVENESS

Board Charter

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

In respect of the duties and principles of Directors, the Charter incorporates the Principles and Recommendations of the MCCG 2017, certain aspects of the Bank’s Constitution and relevant sections of the Islamic Financial Services Act 2013 (IFSA 2013) and CA 2016.

The Board Charter covers the following areas:-

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

In addition to the Charter, the Board is also guided by its Terms of Reference which sets out amongst others, the primary duties and responsibilities of the Board, the authority and conduct of the Board meetings.

The Board Charter is available at www.muamalat.com.my

Roles & Responsibilities of the Board

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

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

The roles and responsibilities of the Chairman and the Chief Executive Officer are demarcated in the Charter. The following are the brief descriptions of the Board's roles and responsibilities:-

- | | |
|--|---|
| <ul style="list-style-type: none"> • Reviews and approves strategies, business plans and significant policies and monitor Management's performance in the implementation. • Sets corporate values and clear lines of responsibility and accountability that are communicated throughout the organisation. • Ensures competent management. • Ensures that the operations of the Bank are conducted prudently and within the framework of relevant laws and policies. • Ensures that the Bank establishes comprehensive risk management policies, process and infrastructure to manage the various types of risks. • Institutes comprehensive policies, process and infrastructure to ensure Shariah compliance in all aspects of the Bank's operations, products and activities. • Sets up an effective internal audit department, staffed by qualified internal audit personnel to perform internal audit function, covering the financial, management and Shariah Audit. • Establishes procedures to avoid self-serving practices and conflicts of interest including any form of dealing with related entities. • Ensures protection of the interests of the depositors, investment account holders. • Establishes and ensure the effective functioning of various Board committees. | <ul style="list-style-type: none"> • Ensures the Bank has beneficial influence on the economic well-being of its community. • Ensures development, implementation and maintains an effective oversight over Bank's Data Management and MIS Framework and ensures that the MIS Framework is aligned with business and risk strategies of the Bank. • Ensures establishment and adherence to the internal policies governing risk concentrations by reviewing it annually. The independent review is to be conducted regularly to verify compliance to the prudential limit and standards set by the Bank's as well as the established internal policies. • Ensures approval and oversight of the Bank's capital management framework and its related policies, processes and strategies. • Ensures approval of capital allocation on risk-adjusted basis appropriate levels of capital is maintained in line with the approved Risk Appetite and risk profile. • Ensures approval of proposed issuance, call or redemption of any capital instruments and ordinary shares and for proposed dividend payments and reinvestment. |
|--|---|

ROLE	KEY RESPONSIBILITIES
CHAIRMAN	<ul style="list-style-type: none"> • Ensures the smooth functioning of the Board and that the procedures and processes are in place to facilitate effective conduct of business of the Board. • Ensures that decisions are taken on a sound and well-informed basis. • Ensures that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.
CHIEF EXECUTIVE OFFICER	<ul style="list-style-type: none"> • Responsible for the day-to-day management of the Bank. • Responsible for developing the business direction and strategies of the Bank. • Ensures that Bank's business strategies and policies are effectively implemented.

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

► STATEMENT ON CORPORATE GOVERNANCE

Board Committees

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

The Board established an additional Board Committee namely the Board Digital Committee ("BDC"), to assist the Board in overseeing the implementation of the initiatives relating to information technology and digitalisation.

The following are the Board Committees and their main responsibilities:-

ROLE	KEY RESPONSIBILITIES
Board Risk Management Committee (BRMC)	Responsible to oversee Management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning.
Board Audit Committee (BAC)	Responsible to ensure the adequacy and integrity of system of internal controls and financial reporting, compliance with internal policies, procedures and external applicable rules and regulations.
Board Nomination & Remuneration Committee (BNRC)	Responsible to provide a formal and transparent procedure for the appointment/remuneration of Directors, CEO and members of the Shariah Committee as well as assessment of effectiveness of Board as a whole, Shariah Committee members and performance of the CEO and key Senior Management officers.
Board Veto Committee (BVC)	Responsible for the review 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 Digital Committee (BDC)	Responsible to ensure 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.

Evaluation of Board Performance

One of the broad responsibilities of the BNRC is to provide a formal and transparent procedure for the assessment of effectiveness of individual Directors and the Board as a whole on an annual basis. In line with the BNM CG and for this purpose, the BNRC 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:-

- Board Composition
- Board Process
- Board Governance
- Major Responsibilities of the Board
- Board Committees' Functions

A peer assessment by each individual Director is also performed to evaluate the effectiveness of the individual Directors, Independent Directors and nominee Directors. The results of the evaluation are tabulated and reviewed by the BNRC prior to deliberation at the Board.

Board Meeting and Access to 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.

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.

The Directors are provided with the agenda and the meeting papers containing information relevant to the matters to be deliberated in advance of the meeting dates for their perusal. At each meeting, the Board receives updates from the respective Chairmen/representatives of the Board Committees on matters that have been deliberated at the Board Committees, as well as on matters that require attention.

The Board has direct access to the information of the Bank through the Senior Management and to the services of the Company Secretary. The Company Secretary also ensures that a quorum is present at the commencement of each Board and Board Committee meeting in order to constitute a valid meeting.

The Board convened fifteen (15) meetings for the financial year ended 31 March 2019 and the attendance of each Director in office during the financial year is set out below:-

Directors	Attendance	%
Tan Sri Dato' Dr. Mohd Munir Abdul Majid (Chairman/Independent Non-Executive Director)	15/15	100
Dato' Sri Che Khalib Mohamad Noh (Non-Independent Non-Executive Director)	11/15	73
Dato' Ibrahim Taib (Non-Independent Non-Executive Director)	13/15	87
Dato' Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	15/15	100
Dato' Azmi Abdullah (Independent Non-Executive Director) *resigned w.e.f. 17 September 2018	6/6	100
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director)	15/15	100
Dr. Azura Othman (Independent Non-Executive Director)	14/15	93
Ghazali Haji Darman (Independent Non-Executive Director)	14/15	93
Dato' Haji Che Pee Samsudin (Independent Non-Executive Director)	14/15	93
Dato' Haji Mohd Redza Shah Abdul Wahid (Executive Director/Chief Executive Officer)	15/15	100

Nine (9) out of ten (10) Board members complied with the minimum attendance requirement under the BNM CG of not less than 75%

► STATEMENT ON CORPORATE GOVERNANCE

Meetings of Board Committees

1. Board Risk Management Committee (BRMC)

The following are the composition of the BRMC and attendance of members at the meetings held during the financial year under review:-

Members of BRMC	Attendance	%
Dr. Azura Othman (Chairman) Independent Non-Executive Director *appointed Chairman w.e.f. 28 November 2018	13/13	100
Dato' Azmi Abdullah (Chairman) Independent Non-Executive Director *resigned w.e.f. 17 September 2018	6/6	100
Dato' Ibrahim Taib Non-Independent Non-Executive Director	11/13	85
Dato' Haji Mohd Izani Ghani Non-Independent Non-Executive Director	11/13	85
Dato' Haji Kamil Khalid Ariff Independent Non-Executive Director	13/13	100
Ghazali Haji Darman Independent Non-Executive Director	7/7	100

- The BRMC is assisted by the Chief Executive Officer, Chief Risk Officer, and Chief Compliance Officer who also attend the meeting as permanent invitees.

The following is the summary of the BRMC activities during the financial year under review:-

- Reviewed the risk management report covering market risk, credit risk, operational risk and Shariah non-compliance risk and emerging risk report.
- Reviewed compliance report covering Anti-Money Laundering/Counter Financing of Terrorism AML/CFT, regulatory compliance and update on new policies and regulations.
- Reviewed and recommended to the Board the risk appetite setting for the Bank to ensure it is in line with the corporate strategy and direction.
- Reviewed and recommended to the Board the stress test scenario and its methodology.
- Reviewed the implementation of the Internal Capital Adequacy Assessment Process (ICAAP) for the Bank.
- Reviewed and deliberated 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.
- Reviewed and deliberated significant business and operating policies of the Bank.

2. Board Audit Committee (BAC)

The following are the composition of the BAC and attendance of the members at meetings held during the financial year under review:-

Members of BAC	Attendance	%
Dato' Haji Che Pee Samsudin (Chairman) Independent Non-Executive Director *appointed Chairman w.e.f. 29 November 2018	11/11	100
Dr. Azura Othman Independent Non-Executive Director *resigned as Chairman w.e.f. 28 November 2018	12/12	100
Dato' Ibrahim Taib Non-Independent Non-Executive Director	11/12	92
Dato' Azmi Abdullah Independent Non-Executive Director *resigned w.e.f. 17 April 2018	5/5	100
Ghazali Haji Darman Independent Non-Executive Director	12/12	100

- The Chief Executive Officer, Chief Internal Auditor and Chief Compliance Officer attend all AEC meetings as permanent invitees to facilitate deliberation of the issues discussed.

The following is the summary of the BAC activities during the financial year under review:-

- Reviewed and recommended to the Board the unaudited interim financial statements as well as the audited financial statements for approval.
- Reviewed internal audit reports on the Head Office and the branches of the Bank.
- Deliberated on significant matters highlighted by the Management or the External Auditor and reviewed progress updates on the action plan.
- Reviewed the investigation reports in the Bank.
- Approved the external auditors and internal auditors audit plan and reviewed the progress accordingly.
- Evaluated the performance of the External Auditors and recommended their appointment to the Board.

► STATEMENT ON CORPORATE GOVERNANCE

3. Board Nomination & Remuneration Committee (BNRC)

Meetings of the BNRC are held as and when required for it to deliberate on related matters. The following are the members of the BNRC and their attendance at meetings held during the financial year under review:-

Members of BNRC	Attendance	%
Dr. Azura Othman (Chairman) Independent Non-Executive Director *appointed Chairman w.e.f. 30 April 2018	9/9	100
Dato' Sri Che Khalib Mohamad Noh Non-Independent Non-Executive Director	8/9	89
Dato' Haji Mohd Izani Ghani Non-Independent Non-Executive Director	7/9	78
Dato' Azmi Abdullah Independent Non-Executive Director *resigned w.e.f. 17 April 2018	1/1	100
Ghazali Haji Darman Independent Non-Executive Director	8/8	100
Dato' Haji Che Pee Samsudin Independent Non-Executive Director	6/8	75

- The Chief Executive Officer attends BNRC meetings to facilitate deliberation of the issues discussed.

The following is the summary of the BNRC activities during the financial year under review:-

- Reviewed and recommended the re-appointment of Non-Independent Non-Executive Director.
- Recommended the appointment of new Independent Non-Executive Directors.
- Reviewed and recommended the re-appointment of current Shariah Committee members and appointment of new Shariah Committee members.
- Reviewed and recommended the revised composition of the Board Committees.
- Reviewed and recommended the renewal/revision of the contract of service of Senior Management and their remuneration.
- Reviewed and recommended the annual reward for Senior Management based on their performance and KPIs.

4. Board Veto Committee (BVC)

The following are the composition of the BVC and attendance of the members at meetings held during the financial year under review:-

Members of BVC	Attendance	%
Dato' Haji Kamil Khalid Ariff (Chairman) Independent Non-Executive Director	14/14	100
Dato' Sri Che Khalib Mohamad Noh Non-Independent Non-Executive Director	8/14	57
Dr. Azura Othman Independent Non-Executive Director	13/14	93
Ghazali Haji Darman Independent Non-Executive Director	13/14	93

- The Heads of Business units are invited to present the credit/investment proposals
- Three (3) out of four (4) members complied with the minimum attendance requirement under the BNM CG of not less than 75%

The following is the summary of the BVC activities during the financial year under review:-

- Reviewed the financing and/or investment proposals approved by the Credit Committee (CC) based on the limits determined by the Board.

5. Board Digital Committee (BDC)

The following are the composition of the BDC and the attendance of the members at meetings held during the financial year under review:-

Members of BDC	Attendance	%
Ghazali Haji Darman (Chairman) Independent Non-Executive Director	10/10	100
Dato' Ibrahim Taib Non-Independent Non-Executive Director	9/10	90
Dato' Haji Kamil Khalid Ariff Independent Non-Executive Director	10/10	100
Dato' Haji Mohd Redza Shah Abdul Wahid Independent Non-Executive Director	8/10	80

- The Chief Technology Officer attends BDC meetings to facilitate deliberation of the issues discussed.

The following is the summary of the BDC activities during the financial year under review:-

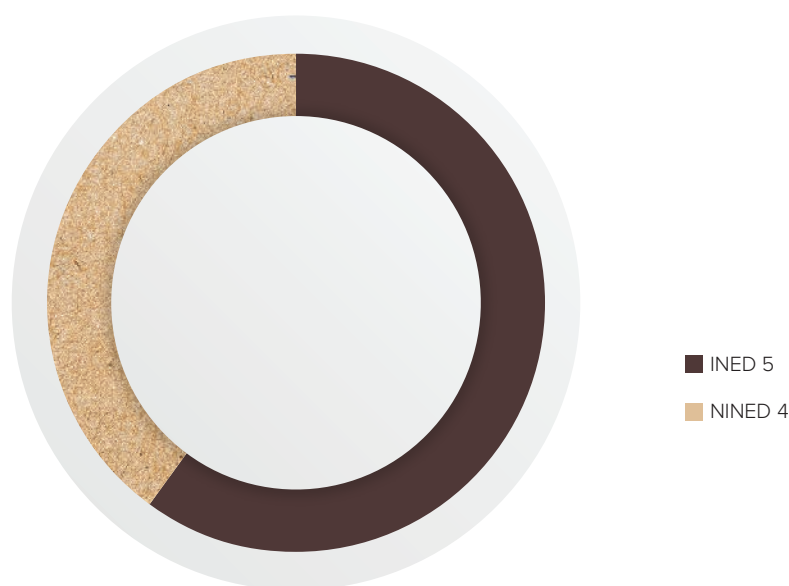
- Reviewed the strategic initiatives identified under the Business Plan approved by the Board and provide the necessary guidance.
- Reviewed the strategic initiatives to be aligned in accordance with the Business objectives and needs and to be implemented as per the proposed project schedule.
- Reviewed the project management of the strategic initiatives including project organisation, kick-off, tracking and monitoring.
- Reviewed the adequacy and competency resources in terms of manpower and finance for the implementation of the strategic initiatives.

► STATEMENT ON CORPORATE GOVERNANCE

Board Structure & Composition

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

The Board currently comprises nine (9) members, one (1) CEO/Executive Director and eight (8) Non-Executive Directors, of whom five (5) are Independent Non-Executive Directors (INED). The Non-Independent Non-Executive Directors (NINED) are the representatives of the shareholders namely DRB-HICOM Berhad and Khazanah Nasional Berhad. The current composition of the Board is in compliance with the BNM CG as majority of the Board members are Independent Directors.



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

1. Minimum of/at least three (3) Directors
2. Comprised a majority of Independent Directors
3. Chaired by an Independent Director
4. The Chairman of the Board does not chair any of the Board Committees
5. The Executive Director is not a member of the Board Committees
6. Comprised Directors who have the skills, knowledge and experience relevant to the responsibilities of the Board Committees

A brief profile of each member of the Board and Board Committee is presented on pages 108 to 116 of this Annual Report.

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 and relevant subsidiaries. The BNRC also ensures candidates satisfy the relevant requirements on the skills and core competencies of a Director and are deemed fit and proper to be appointed as Directors in accordance with the Fit and Proper criteria.

The Board is considering to appoint a new Director who would bring his/her own unique skills, experiences and knowledge in the commercial sector with exposures in the financial related industry. 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, a process that enables the shareholders to vote them back into office.

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

Tenure of Independent Directors

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

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

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

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

Training Programme for Directors

The Board assumes the responsibility to further enhance the skills and knowledge of the Board members on the relevant new laws and regulations and changing commercial risks, as well as to keep abreast with developments in the financial services industry. Each Director attended at least one (1) training programme during the financial year under review.

The training programmes attended by the Directors in the financial year ended 31 March 2019 include the following:-

Name of Directors	Training Programme
Tan Sri Dato' Dr. Mohd Munir Abdul Majid	<ul style="list-style-type: none"> • AML/CFT Training • Risk Culture Awareness Programme
Dato' Sri Che Khalib Mohamad Noh	<ul style="list-style-type: none"> • AML/CFT Training • Investment Malaysia 2018 • Malaysian Captains of Industry & Business Forum • Khazanah Megatrends Forum 2018 • MIA International Accountants Conference 2018 • Talk on "Understanding Blockchain Technology and its Potential within the context of MMC's Business Portfolio" • Risk Culture Awareness Programme
Dato' Hj Mohd Izani Ghani	<ul style="list-style-type: none"> • AML/CFT Training • Global Islamic Finance Forum (GIFF) • Cyber Security Awareness • International Forum of Sovereign Wealth Funds 2018 Conference • Khazanah Megatrends 2018 • Risk Culture Awareness Programme
Dato' Hj Mohd Redza Shah Abdul Wahid	<ul style="list-style-type: none"> • AML/CFT Training • Risk Culture Awareness Programme

► STATEMENT ON CORPORATE GOVERNANCE

Name of Directors	Training Programme
Tengku Dato' Seri Hasmuiddin Tengku Othman	<ul style="list-style-type: none"> • AML/CFT Training • Risk Culture Awareness Programme
Dato' Azmi Abdullah	<ul style="list-style-type: none"> • AML/CFT Training • Risk Culture Awareness Programme
Dato' Hj Kamil Khalid Ariff	<ul style="list-style-type: none"> • AML/CFT Training • Global Islamic Finance Forum (GIFF) • Risk Culture Awareness Programme
Dr. Azura Othman	<ul style="list-style-type: none"> • AML/CFT Training • Islamic Finance for Board of Directors Programme (IFSA) • Risk Culture Awareness Programme
Ghazali Haji Darman	<ul style="list-style-type: none"> • AML/CFT Training • SAS Global Forum • AIF Business Ethics Conference 2018 • FIDE Forum – IBM THINK Malaysia • Silverlake Conference 2018 • Global Islamic Finance Forum (GIFF) • Singapore Fintech Festival 2018 • Risk Culture Awareness Programme
Dato' Haji Che Pee Samsudin	<ul style="list-style-type: none"> • AML/CFT Training • FIDE Core Programme – Module A • FIDE Core Programme – Module B • Risk Culture Awareness Programme
Dato' Ibrahim Taib	<ul style="list-style-type: none"> • AML/CFT Training • FIDE Core Programme – Module A • FIDE Core Programme – Module B

Shariah Committee

The Shariah Committee was established in accordance with the requirements of the Islamic Financial Services Act 2013 ("IFSA") and the Bank's Constitutions ("Constitutions"). IFSA and the Constitutions, prescribe the setting up of a Shariah body to ensure that Bank conducts its affairs in accordance with Shariah principles. The members of the Shariah Committee are scholars renowned for their knowledge and experience in Fiqh Muamalat.

The following are members of the Shariah Committee and their attendance at the meetings held during the financial year under review:-

Members of Shariah Committee	Attendance	%
Haji Azizi Che Seman	8/8	100
Engku Ahmad Fadzil Engku Ali	8/8	100
Prof. Madya Dr. Mohamad Sabri Haron	8/8	100
Dr. Ab Halim Muhammad	8/8	100
Dr. Wan Marhaini Wan Ahmad	7/8	88
Dr. Mohd Shahid Mohd Noh *appointed w.e.f. March 2019	1/1	100

The training programmes attended by the members of the Shariah Committee in the financial year ended 31 March 2019 include the following:-

Name of Shariah Committee	Training Programme
Haji Azizi Che Seman	<ul style="list-style-type: none"> • Liqa' ASAS 2018: "Value-Based Intermediation (VBI)" • Muzakarah Cendekiawan Syariah Nusantara Ke-12, 2018 • Shariah Advisers Programme 2018 • Global Islamic Finance Forum 2018 • Shariah Advisers Programme 2018: Innovating Avenues for Sustainable Growth of Islamic Capital Market
Engku Ahmad Fadzil Engku Ali	<ul style="list-style-type: none"> • Liqa' ASAS 2018: "Value-Based Intermediation (VBI)"
Prof. Madya Dr Mohamad Sabri Haron	<ul style="list-style-type: none"> • Global Islamic Finance Forum 2018 • Ijtima' ASAS 2018 • 13th International Shariah Scholars Forum (ISSF) 2018 • Liqa' ASAS 2018: "Value-Based Intermediation (VBI)" • Muzakarah Cendekiawan Syariah Nusantara Ke-12, 2018
Dr. Ab Halim Muhammad	<ul style="list-style-type: none"> • Muzakarah Cendekiawan Syariah Nusantara Ke-12, 2018 • Ijtima' ASAS 2018 • 13th International Shariah Scholars Forum (ISSF) 2018
Dr. Wan Marhaini Wan Ahmad	<ul style="list-style-type: none"> • Liqa' ASAS 2018: "Value-Based Intermediation (VBI)" • Muzakarah Cendekiawan Syariah Nusantara Ke-12, 2018 • Shariah Advisers Programme 2018: Innovating Avenues for Sustainable Growth of Islamic Capital Market

Further details of the Shariah Committee are set out on pages 117 to 119 of this Annual Report.

STATEMENT ON INTERNAL CONTROL

This Statement on Internal Control is made pursuant to the best practices as defined by the Malaysian Code on Corporate Governance 2017 which requires that the Bank includes in its Annual Report a statement about the state of the Bank's internal control. The Statement is crucial as it outlines the key features of the Bank's internal control system and the processes adopted by the Board in reviewing its adequacy and effectiveness during the financial year under review.

RESPONSIBILITY

The Board acknowledges that it has a responsibility for the Bank's system of internal control and for reviewing the adequacy and integrity thereof. Such a system covers not only financial controls but also 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 control includes an established and on-going 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 internal control and risk management. 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. The control structure and process which has 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 on-going process has been in place for the entire financial year under review.

The Board through the Board Audit Committee has satisfactorily performed its oversight role in ensuring there is a sound internal control system and regular review on the adequacy and integrity of the system. Assurance on the effectiveness of risk management, control and governance process is obtained from the Management and Auditors (internal and external).

The Management assists the Board in implementing Board policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operations and monitoring of appropriate internal controls to mitigate these 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 that the Bank's risk management and internal control system is operating adequately and effectively.

The Board is of the view that the risk management and internal control system in place for the financial year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Bank's assets.

INTERNAL AUDIT FUNCTION

The Internal Audit Department ("IAD") performs regular reviews of the Bank's operations and system of internal control and evaluates the adequacy and effectiveness of the controls, risk management and governance processes implemented by the Management. IAD adopts a risk-based approach in determining the auditable units and frequency of audits. The annual audit plan is reviewed and approved by the Board Audit Committee ("BAC"). The IAD's function is guided by its Audit Charter with the Chief Internal Auditor ("CIA") reporting functionally to the BAC and administratively to the Chief Executive Officer ("CEO"), and is independent of the activities or operations of other operating units. All audit issues impacting the Bank and its subsidiaries are highlighted and corresponding improvement recommendations are provided to enhance the effectiveness of the risk management, internal control system and governance processes. Management follows through and ensures remedial actions taken are prompt, adequate and effective. Status reporting of the audit issues are tabled to the Management Audit Committee ("MAC") and BAC on a monthly basis for deliberation and tracking. Shariah related issues are escalated to the Shariah Committee ("SC") for deliberation before being tabled to the BAC. The established MAC is tasked to ensure that issues raised by IAD, external auditor and regulators are addressed 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. IAD continuously conducts awareness programmes/training on controls and compliance for staff of the Head Office and branches including certification programmes for Internal Auditors to further strengthen knowledge in creating a robust control and compliance environment.

MANAGEMENT AUDIT COMMITTEE

The Management Audit Committee (“MAC”) is a management level committee chaired by the Executive Vice President, Finance Division comprising senior level representatives from different business and support units. MAC meets monthly to deliberate on the audit issues highlighted by the internal and external auditors and regulators and decide on the appropriate remedial actions required. The representatives from the auditable units being audited are required to attend the MAC meeting to enable more detailed deliberations and speedy resolution of the matters being raised. Minutes of the MAC meeting are then tabled to the BAC together with the audit reports for information, deliberation and direction for further action where required. The MAC also follows through on the actions required by the BAC.

BOARD AUDIT COMMITTEE

The Board Audit Committee is a Board Committee established by the Board of Bank Muamalat to assist and review the execution of its governance and oversight responsibilities on the Internal Audit functions as delegated by the Board and this includes the assessment of internal controls of its Subsidiaries through the Internal Audit function. Senior Management, internal auditors and external auditors report to the BAC on the effectiveness and efficiency of internal controls. The BAC meets on a scheduled basis to review audit and investigation reports prepared by the internal and external auditors, and regulators taking into consideration the deliberation of the same report at the MAC. The representatives of the auditable units are requested to attend the BAC meeting to facilitate the deliberation of the audit reports. The BAC reviews all connected party transactions and audit and non-audit related fees proposed by the external auditors of Bank Muamalat. The BAC also deliberates on the outstanding audit issues to ensure that the Management undertakes the necessary remedial actions within the committed timeline. Minutes of the BAC meeting are then tabled to the Board for information and notification.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements incorporated by the Board, which contribute 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 their respective scope of responsibility. The Committees are guided by terms of reference and their minutes of meetings are tabled to the Board for information and notification.

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 on the policies and procedures. This is done with the intent of ensuring continuous improvements in operational efficiency while taking into consideration the changing industry profile on regulatory requirements, risks and internal control measures for mitigation as well as new products and services.

Whistle Blowing Policy

There is an established process for reporting anyone found to be abusing or circumventing 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 are accorded the opportunity to report via the Whistle Blowing mechanism which is managed by a third party appointed by Bank Muamalat with the assurance that it shall be dealt with 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.

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.

STATEMENT ON RISK MANAGEMENT

OVERVIEW

Bank Muamalat acknowledges the importance of having sound and effective risk management to ensure that its business objectives are achieved. The increased challenges in 2018 have led the Bank to pursue continuous enhancements to its risk management practices as well as in promoting a consistent risk culture throughout the Bank.

RISK MANAGEMENT FRAMEWORK

The Bank adopts an integrated risk management approach to ensure that risks are properly identified, addressed and managed in a comprehensive and holistic manner. As part of its continuous improvement, the Bank has embarked on the development of a new Enterprise Risk Management Framework that is based on the international ISO 31000 standard.

RISK CULTURE

The Bank strongly believes that a good risk culture has to be inculcated to help achieve positive results. In line with this, the Bank has formulated a long term strategy that involves risk awareness and culture building programs aimed at setting and communicating the tone from the top and maintaining constant engagement with all stakeholders to socialise key risk objectives and/or areas of concern. Enhancements through emphasis on best risk management practices were also adopted by streamlining risk governance and approval processes, embedding specific risk identification and assessment requirements for all material processes and activities, and improving risk monitoring via granular risk triggers and key risk indicators.

RISK GOVERNANCE

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

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

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

RISK MANAGEMENT ORGANISATION STRUCTURE

The risk governance structure, which consists of Board and Management level committees as well as risk control units, are guided and managed by a formal reporting hierarchy. Each committee and control unit has its own delegated roles, responsibilities and authorities.

The Board maintains the ultimate responsibility for overall risk governance and management. It is responsible for ensuring that the risk management structure is clearly defined and effective. Through this risk structure, the Board is able to monitor and ensure that the risk management strategies are properly executed and risk exposures are closely monitored and kept within the defined risk boundaries and controls.

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

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

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

Risk Governance

RISK MANAGEMENT ORGANISATION STRUCTURE

Board ➤ Establish Risk Appetite & Policy

- 1 Board of Directors (BoD)
- 2 Shariah Committee (SC)
- 3 Board Risk Management Committee (BRMC)

Management ➤ Ensure Implementation of Policy & Compliance

- 1 Executive Risk Management Committee (ERMC)
- 2 Asset-Liability Management Committee (ALCO)
- 3 Credit Committee (CC)
- 4 Investment Committee (IC)
- 5 Operational Risk Management Committee (ORMC)

Working Level ➤ Implement & Comply with Risk Policy

- 1 Risk Management Department (RMD)
- 2 Credit Assessment Department (CAD)
- 3 Retail Approving Centre (RAC)
- 4 Compliance Department (CD)
- 5 Shariah Department (SD)
- 6 Bank's Line Management

AUDIT COMMITTEE

Board Audit Committee (BAC)

Management Audit Committee (MAC)

Internal Audit Department (IAD)

Board Level Committee

BOARD LEVEL COMMITTEE

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

Formulate and review strategic and business plans, capital plan and risk appetite statement for Board's approval

Board Risk Management Committee (BRMC)

- 1 Ensure effective management of risks and enforcement of approved risk tolerances and limits.
- 2 Review and assess 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.

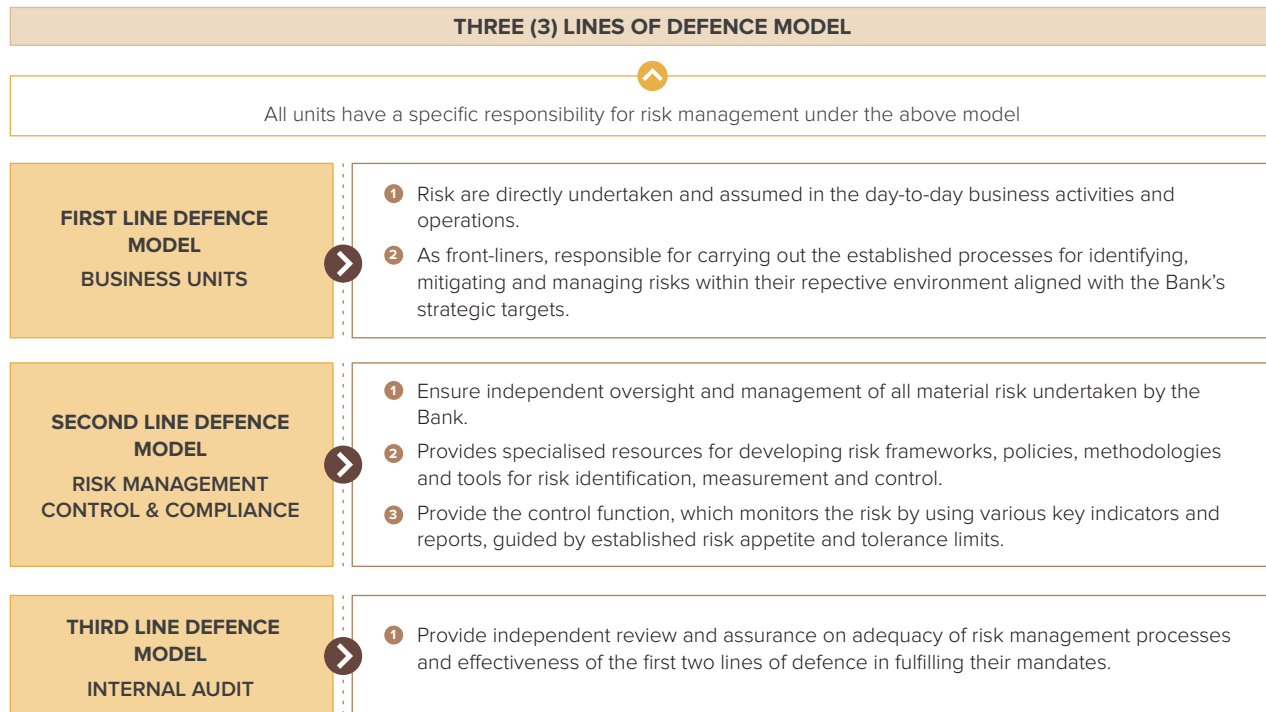
Shariah Committee (SC)

- 1 Provide advice to the Board and Management on Shariah matters to ensure that the Bank complies with Shariah principles at all times.
- 2 Understand Shariah issues in all activities assumed by the Bank.

► STATEMENT ON RISK MANAGEMENT

MANAGEMENT OF RISK

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



RISK APPETITE

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

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

The risk appetite's capital metric defines risk capacity in terms of capital levels required to support business activities as well as the requisite capital buffers to meet regulatory and strategic requirements. As overall risk capacity is limited, the

Bank needs to prioritise the risks it takes on in order to maintain a strong and flexible financial position to weather through challenging economic conditions and take advantage of organic growth opportunities.

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

CAPITAL MANAGEMENT

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

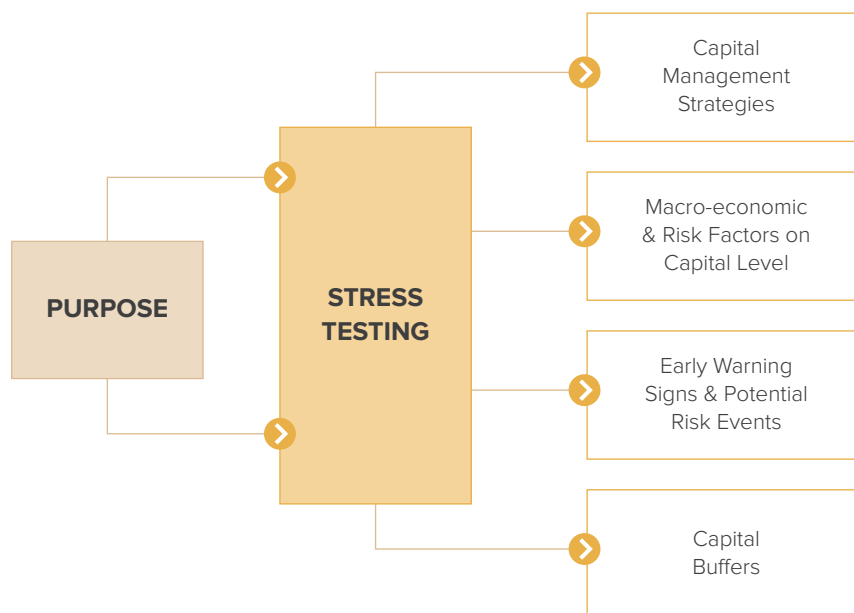
The objective of capital management is to ensure capital resources are effectively and efficiently utilised while in pursuit of business and strategic targets. Capital requirements are assessed with strategic and business plans and pursuant to this, an annual capital plan is formulated to ensure sufficient capital level is maintained to meet business needs and support the risks associated with these activities.

The Bank applies the 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 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 pre-emptive 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.

A capital management and planning process 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.

Capital Management and Planning Process



Credit Risk Management

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

Credit risk is defined as the risk of financial loss if a customer or counterparty fails to meet its obligations as they fall due. It is a primary source of risk for Bank Muamalat as retail and wholesale financing portfolios as well as investment securities constitute the bulk of its financial operations.

Bank Muamalat's framework for managing credit risk is thus comprehensive, comprising policies, processes, measurement tools and methodologies, and a well-established reporting and monitoring structure. Credit underwriting standards and credit management policies and guidelines are documented and outlined in the Credit Risk Policy (CRP) and Guidelines to Credit Risk Policies (GCRP). The documents also cover policies on approving authorities, pricing, credit risk rating, prudential monitoring limits, credit risk mitigation, review process, rehabilitation and restructuring, credit impairment, and loss provisioning. The policies are reviewed and updated regularly to ensure its continued relevance and effectiveness.

► STATEMENT ON RISK MANAGEMENT

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

With the introduction of the new MFRS 9 accounting standard, the Bank has streamlined and enhanced its policies and processes on impairment recognition and loss provisioning and upgraded its credit management methodologies, systems and expected credit loss models to be in line with the guidelines as well as industry's best practices.

Market Risk & Asset-Liability Management

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

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

The risk of such adverse changes arising from fluctuations in interest rates is managed through our Asset-Liability Management (ALM) activities. ALM refers to the coordinated management of the Bank's balance sheet and its composition. The main focus of ALM is on the overall

performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Bank.

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

The framework covers key risk management practices such as risk identification, measurement, mitigation, monitoring and control, which are performed under a formal governance and oversight structure. An independent market risk control function is responsible for measuring risk exposures according to established policies and guidelines and reports to the Asset Liability Working Committee (ALCO) on a monthly basis. Balance sheet and capital management issues and strategies are discussed at the ALCO and later escalated with recommended action plans to the ERM, BRMC and Board respectively.

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

Rate of Return Risk

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

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

Risk tolerance limits are built along sensitivity measurements to manage and mitigate the related risk exposures. The Bank actively manages the following rate of return risks:

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

Liquidity Risk Management

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

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

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

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

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

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

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from various external events. It may occur anywhere within the 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 damage (by in-process and managerial controls), handling critical situations (via contingency plans and business continuity management (BCM)) and mitigating potential losses (collaterals).

By establishing and operating a system of control procedures that commensurate with its risks, Bank Muamalat aims to limit its exposure to an acceptable level in accordance with the risk appetite. The Bank uses 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.

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

During the year, ORM practices are further enhanced via vigorous monitoring of operational risks via Key Risk Indicators triggers and enhancing processes in embedding risk management practices to facilitate decision making for material products, processes and activities.

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.

► STATEMENT ON RISK MANAGEMENT

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

The main responsibilities of SRM 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. SRM also performs assessment of products, services and operating procedures from Shariah risk perspective and conducts training and awareness programs on Shariah risk to promote a Shariah compliance risk culture.

Further enhancements made during the year include introduction of pre-approval checklist to serve as a guide in managing risk at the point of origination as well as increased synergy with all other Shariah Risk organs to effectively manage Shariah non-compliance risk.

Strategic Risk Management

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

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

Reputational Risk Management

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

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

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

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

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

STATEMENT ON COMPLIANCE

Bank Muamalat continuously reviews and puts in place a culture of compliance across all its business activities

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.

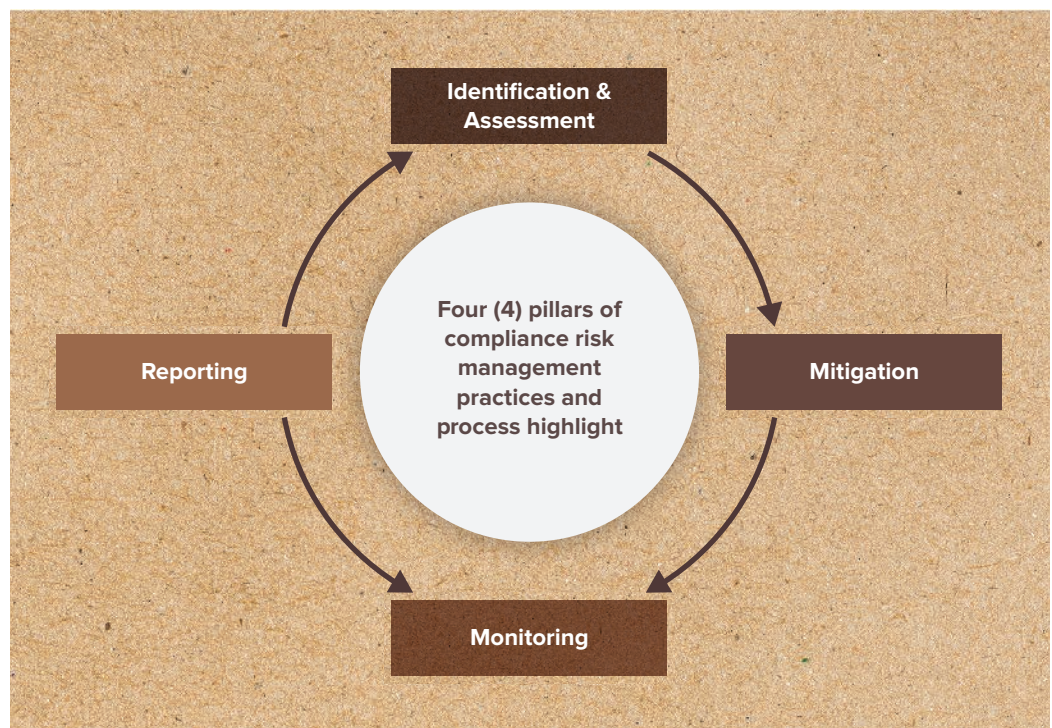
The Board, Chief Executive Officer and Senior Management are responsible in ensuring that the Bank meets regulatory requirements by adhering to the Bank's Compliance Policy and Charter. Together, these ensure that Bank Muamalat's operations, internal policies and procedures, code of conduct and standards 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.

Compliance function is supported by the appointment of Designated Compliance Officer (DCO) at branches and department at head office to ensure issues of regulatory compliance matters are adequately attended and adhered to by the staff and the respective business units.

The compliance risk management practices and process are based on the following four (4) pillars:



► STATEMENT ON COMPLIANCE

Identification & Assessment

- Compliance function regularly identifies regulatory compliance risks and rank the likelihood and consequences of potential failures.
- Gaps analysis is done on new regulatory requirements to identify regulatory compliance risk and necessary action plans to be taken to address the gaps identified.

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.

Monitoring

- A plan for continuous monitoring are being established, setting the monitoring processes, 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.

Reporting

- Compliance risk management reporting allows the Board, Senior Management and Regulatory Advising & Compliance Division (“RACD”) to assess the level of compliance risks of the Bank.
- The compliance reports are discussed at the Board Risk Management Committee (“BRMC”) and Executive Risk Management Committee (“ERMC”) meetings.
- The Designated Compliance Office (“DCO”) are required to report non-compliance incidents to RACD on timely basis.
- The Shariah Review function which is embedded under the Compliance function is reported to the Shariah Committee, and all its reports are discussed and deliberated at the Shariah Committee meeting.

CODE OF CONDUCT & ETHICAL PRINCIPLES

Bank Muamalat is committed to maintaining the highest standards of conduct at the workplace and in its business engagements. Our business must be conducted fairly, professionally, impartially and in full compliance with all applicable laws, statutory regulatory requirements, Shariah principles, internal policies and guidelines

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

- As a custodian of public fund, Bank Muamalat is committed to safeguard deposit and other financial interests through the development, maintenance and enhancement of an efficient system that helps to prevent, mitigate and eliminate potential fraud arising from external and/or internal fraudulent acts as well as providing the guideline in ensuring and improving its operational productivity.



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DIRECTORS' REPORT

IN THE NAME OF ALLAH, THE MOST BENEFICENT, THE MOST MERCIFUL

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2019.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM'000	Bank RM'000
Profit before zakat and taxation	241,188	247,123
Zakat	(6,255)	(6,195)
Taxation	(55,439)	(55,253)
Profit for the year	179,494	185,675

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

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

DIVIDEND

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

DIRECTORS

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

Tan Sri Dato' Dr Mohd Munir Abdul Majid	(Chairman)
Dato' Haji Mohd Redza Shah Abdul Wahid	
Dato' Haji Mohd Izani Ghani	
Dato' Haji Kamil Khalid Ariff	
Dato' Sri Che Khalib Mohamad Noh	
Dr. Azura Othman	
Ghazali Hj Darman	
Dato' Hj Che Pee Samsudin	
Dato' Ibrahim Taib	
Dato' Azmi Abdullah	(resigned on 17 September 2018)
Tengku Dato' Seri Hasmuddin Tengku Othman	(resigned on 18 April 2018)

► DIRECTORS' REPORT

DIRECTORS OF THE SUBSIDIARY COMPANIES

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

No.	Name of Subsidiary	Name of Directors
1	Muamalat Invest Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid Fakihah Azahari Dato' Adnan Alias Norahmadi Sulong (<i>appointed on 5 September 2018</i>) Mohamed Fadzil Sulaiman (<i>appointed on 12 March 2019</i>) Mohd Faruk bin Abdul Karim (<i>resigned on 10 October 2018</i>)
2	Muamalat Venture Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid PeerMohamed bin Ibramsha
3	Muamalat Nominees (Asing) Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid PeerMohamed bin Ibramsha
4	Muamalat Nominees (Tempatan) Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid PeerMohamed bin Ibramsha

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As at 1.4.2018	As at Acquired	Disposal	As at 31.3.2019

Interest in DRB-HICOM Berhad, holding company:

Dato' Sri Che Khalib Mohamad Noh	3,500	—	—	3,500
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Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

► DIRECTORS' REPORT

DIRECTORS' INDEMNITY

Directors' liability insurance 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.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

► DIRECTORS' REPORT

COMPLIANCE WITH BANK NEGARA MALAYSIA'S GUIDELINES ON FINANCIAL REPORTING

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

SIGNIFICANT AND SUBSEQUENT EVENTS

During the financial year, Kuala Lumpur High Court had granted a judgement in favor of the Bank for a syndicated financing led by the Bank against two (2) organisations for a non-payment of a financing facility.

The legal action against the organisations was pursuant to the Payment Guarantee Agreement ("PGA") dated 3 August 2007, provided to the syndicated financiers. The Bank is expected to recover the sum owed in the next financial year.

BUSINESS REVIEW 2018/2019

The Group recorded a profit before zakat and taxation of RM241.2 million, an increase of 4.6%, as compared to the RM230.5 million posted in the previous corresponding financial year. Total Distributable Income and Net Income rose by 4.7% and 3.5%, to close at RM1.33 billion and RM712.0 million, respectively.

The increase in total net income was primarily contributed by increase in income from financing asset and investment securities, net gain on revaluation of hedged items and higher foreign exchange transactions gain. In addition, the Bank recorded an unrealised revaluation gain from financial investments designated at fair value through profit or loss ("FVTPL"); offset by lower writeback from impairment on financing.

The Group's total financing assets expanded by RM645.9 million or 4.4% year-on-year. However, the Group's total assets declined to RM22.9 billion from RM23.9 billion in the previous financial year, mainly due to the reduction in cash and short term fund and financial investments of the Bank.

PROSPECTS

In 2018, global economic growth has weakened as industrial and trade activity decelerated. Latest global growth forecast for 2019 and 2020 had already been revised downward to 3.5% and 3.6%, respectively, due to negative effects of ongoing trade tension between the United States and China, weakening growth in Eurozone and some emerging markets, China's economic slowdown, and the delayed withdrawal of the United Kingdom from the European Union.

In consequence to the global slowdown, the Malaysian economy has also experienced a lackluster in growth though remained resilient at 4.7% (2017: 5.9%) in 2018. The growth was mainly supported by continuous expansion in domestic demand with private sector remained as the main driver.

Despite the internal and external market volatilities, Malaysian financial sector remains supportive of domestic economy with total outstanding financing grew at a faster pace of 5.6% compared to 4.1% in 2017. A total of RM65.5 billion financing has been approved to over 108,000 SME accounts, accounting half of outstanding financing to businesses, reflecting that financing to SMEs remains a strategic focus of banking institutions in 2018.

► DIRECTORS' REPORT

PROSPECTS (CONT'D.)

Growth of Islamic banking sector will also continue to facilitate Malaysian banking growth. In 2018, Islamic banking sector grew 10.5% compared to 9.4% in 2017, accounting for 36.6% of total banking sector financing. The implementation of Value-based Intermediation ("VBI") strategies also takes a step further with the finalisation of VBI Strategy Paper and the development of implementation tools in October 2018. Moving forward, VBI, which focuses on creating value and impact, is set to be one of the drivers for Islamic financial institutions.

Against this backdrop, the Bank will continue to ride on its business plan, following on selective areas of growth to ensure it remains competitive in the current banking landscape. The Bank will also maintain its concentration on growth in retail assets with plan to diversify its market segment to government servants and government linked companies ("GLC"). At the same time, corporate and commercial segments will continue to leverage on the existing customers whilst penetrating their supply/client chain. In managing its balance sheet, the Bank plans to optimise its return and manage its risks by further improving its asset quality as well as focusing on current account and savings account ("CASA") growth to manage its cost of fund. Realising the importance of digital innovation and process transformation, the Bank will also enhance its ease of access, usage and seamless banking experience as well as to further digitalise the customer base, especially in terms of mobile application and internet banking usage.

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	November 2018	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:

- 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.
- 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.
- 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.

► DIRECTORS' REPORT

DISCLOSURE OF SHARIAH COMMITTEE (CONT'D.)

- (d) To ensure that the products of the Bank and its subsidiaries comply with Shariah principles, the Shariah Committee must approve:
 - (i) the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
 - (ii) the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
- (e) To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.
- (f) To provide the necessary assistance to the related parties of the Bank and its subsidiaries such as its legal counsel, auditor or consultant who may seek advice on Shariah matters from the Shariah Committee.
- (g) To advise the Bank and its subsidiaries to consult the Shariah Advisory Council of Bank Negara Malaysia ("SAC of BNM") on Shariah matters that could not be resolved.
- (h) To provide written Shariah opinions in circumstances where the Bank makes reference to the SAC of BNM for further deliberation, or where the Bank submits applications to the Shariah Committee for new product approval.
- (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's products, transactions and activities as well as other businesses involving the Bank.
- (m) To scrutinise and endorse the annual financial report of the Group.
- (n) To provide training to the staff of the Bank and its subsidiaries as well as provide note or relevant materials for their reference.
- (o) To represent the Bank or to attend any meetings with the SAC of BNM or other relevant bodies concerning any Shariah issues relating to the Bank and its subsidiaries.
- (p) To maintain the confidentiality of the Bank's internal information and shall be responsible for the safe guarding of confidential information. Members of the Shariah Committee should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.
- (q) To ensure the quality and consistency of the Shariah decisions.

► DIRECTORS' REPORT

ZAKAT OBLIGATIONS

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

For the year ended 31 March 2019, the Group and the Bank has allocated an amount of RM6.7 million and RM6.6 million respectively, as provision for zakat.

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 29 May 2019.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman

Kuala Lumpur, Malaysia

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

IN THE NAME OF ALLAH, THE MOST BENEFICENT, THE MOST MERCIFUL

We, Tan Sri Dato' Dr. Mohd Munir Abdul Majid and Dato' Haji Mohd Redza Shah Abdul Wahid, being two (2) of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 168 to 340 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2019 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 May 2019.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

IN THE NAME OF ALLAH, THE MOST BENEFICENT, THE MOST MERCIFUL

I, Hafni Mohd Said, being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 168 to 340 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 29 May 2019.

Hafni Mohd Said

Before me,

Commissioner for Oaths

REPORT OF THE SHARIAH COMMITTEE

IN THE NAME OF ALLAH, THE MOST BENEFICENT, THE MOST MERCIFUL

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the year ended 31 March 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 year ended 31 March 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 year ended 31 March 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

Assoc. Prof. Dr. Mohamad Sabri Haron
Member of Shariah Committee

Kuala Lumpur, Malaysia

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 March 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 168 to 340.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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.

► INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

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

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: (cont'd.)

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

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

OTHER MATTERS

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

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

29 May 2019

Muhammad Syarizal Bin Abdul Rahim

No. 03157/01/2021 J

Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019 (24 REJAB 1440H)

	Note	Group	
		31 March 2019 RM'000	31 March 2018 RM'000
ASSETS			
Cash and short-term funds	4(a)	830,571	1,579,923
Cash and placements with financial institutions	4(b)	11,937	7,758
Investment accounts due from designated financial institution	18(a)	–	146
Financial investments at fair value through profit or loss	5(i)	660,799	161,274
Financial investments at fair value through other comprehensive income	5(ii)	4,936,032	–
Financial investments at amortised cost	5(iii)	103,310	–
Financial investments available-for-sale	5(iv)	–	6,319,413
Financial investments held-to-maturity	5(v)	–	143,730
Islamic derivative financial assets	6	24,853	72,770
Financing of customers	7	15,330,895	14,687,846
Other assets	9	81,625	91,978
Statutory deposits with Bank Negara Malaysia	10	699,275	674,500
Investment properties	12	45,303	41,781
Intangible assets	13	84,684	94,069
Property, plant and equipment	14	58,361	52,669
Prepaid land lease payments	15	223	227
Deferred tax assets (net)	16	17,742	15,607
Total assets		22,885,610	23,943,691
LIABILITIES			
Deposits from customers	17	19,144,118	20,172,527
Deposits and placements of banks and other financial institutions	19	6,747	8,854
Bills and acceptances payable	20	15,678	9,618
Islamic derivative financial liabilities	6	48,162	77,923
Other liabilities	21	78,450	117,339
Provision for zakat and taxation	22	6,670	7,914
Recourse obligation on financing sold to Cagamas	23	471,102	485,851
Deferred tax liabilities (net)	16	65	587
Subordinated sukuk	24(a)	254,025	254,035
Senior sukuk	24(b)	509,174	509,127
Total liabilities		20,534,191	21,643,775

► **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
AS AT 31 MARCH 2019 (24 REJAB 1440H)

		Group	
		31 March 2019 RM'000	31 March 2018 RM'000
	Note		
SHAREHOLDERS' EQUITY			
Share capital	25	1,195,000	1,195,000
Reserves	26	1,156,419	1,104,916
Total shareholders' equity		2,351,419	2,299,916
Total liabilities and shareholders' equity		22,885,610	23,943,691
Restricted investment accounts	18 (b)	20,444	42,090
Total Islamic banking asset and asset under management		22,906,054	23,985,781
Commitments and contingencies	45	9,264,470	6,776,928
Capital adequacy*	50		
CET 1 capital ratio		15.80%	16.04%
Total capital ratio		18.59%	18.38%

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

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019 (24 REJAB 1440H)

	Note	Bank	
		31 March 2019 RM'000	31 March 2018 RM'000
ASSETS			
Cash and short-term funds	4(a)	830,571	1,579,923
Cash and placements with financial institutions	4(b)	11,937	7,758
Investment accounts due from designated financial institution	18(a)	–	146
Financial investments at fair value through profit or loss	5(i)	658,866	161,274
Financial investments at fair value through other comprehensive income	5(ii)	4,933,767	–
Financial investments at amortised cost	5(iii)	103,310	–
Financial investments available-for-sale	5(iv)	–	6,316,759
Financial investments held-to-maturity	5(v)	–	143,730
Islamic derivative financial assets	6	24,853	72,770
Financing of customers	7	15,333,281	14,687,429
Other assets	9	83,531	89,543
Statutory deposits with Bank Negara Malaysia	10	699,275	674,500
Investment in subsidiaries	11	12,559	8,559
Investment properties	12	45,303	41,781
Intangible assets	13	84,560	93,894
Property, plant and equipment	14	58,360	52,661
Prepaid land lease payments	15	223	227
Deferred tax assets (net)	16	17,742	15,607
Total assets		22,898,138	23,946,561
LIABILITIES			
Deposits from customers	17	19,167,905	20,190,854
Deposits and placements of banks and other financial institutions	19	6,747	8,854
Bills and acceptances payable	20	15,678	9,618
Islamic derivative financial liabilities	6	48,162	77,923
Other liabilities	21	74,156	115,612
Provision for zakat and taxation	22	6,597	5,989
Recourse obligation on financing sold to Cagamas	23	471,102	485,851
Subordinated sukuk	24(a)	254,025	254,035
Senior sukuk	24(b)	509,174	509,127
Total liabilities		20,553,546	21,657,863

► STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019 (24 REJAB 1440H)

		Bank	
		31 March 2019 RM'000	31 March 2018 RM'000
	Note		
SHAREHOLDERS' EQUITY			
Share capital	25	1,195,000	1,195,000
Reserves	26	1,149,592	1,093,698
Total shareholders' equity		2,344,592	2,288,698
Total liabilities and shareholders' equity		22,898,138	23,946,561
Restricted investment accounts	18(b)	20,944	44,493
Total Islamic banking asset and asset under management		22,919,082	23,991,054
Commitments and contingencies	45	9,264,470	6,776,928
Capital adequacy*	50		
CET 1 capital ratio		15.68%	15.92%
Total capital ratio		18.47%	18.27%

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

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

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2019 (24 REJAB 1440H)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds and others	27	1,248,778	1,192,349	1,248,778	1,192,349
Income derived from investment of investment account funds	28	511	47	511	47
Income derived from investment of shareholders' funds	29	84,302	27,409	82,335	17,442
Writeback of impairment on financing	30	6,355	50,126	11,277	50,126
Writeback of impairment losses on financial investments, net	31	801	3,343	1,801	3,847
Allowance for impairment on other financial assets, net	32	(4,830)	—	(4,830)	—
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(10,723)	(7,739)	(10,723)	(7,739)
Total distributable income		1,325,194	1,265,535	1,329,149	1,256,072
Income attributable to depositors	33	(613,236)	(577,500)	(613,684)	(577,966)
Total net income		711,958	688,035	715,465	678,106
Personnel expenses	34	(214,576)	(213,015)	(212,614)	(210,774)
Other overheads and expenditures	37	(192,031)	(181,235)	(191,565)	(180,609)
Finance costs	38	(64,163)	(63,237)	(64,163)	(63,237)
Profit before zakat and taxation		241,188	230,548	247,123	223,486
Zakat	39	(6,255)	(6,138)	(6,195)	(5,587)
Taxation	40	(55,439)	(42,785)	(55,253)	(39,236)
Profit for the year		179,494	181,625	185,675	178,663
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	41	15.02	15.20		

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019 (24 REJAB 1440H)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year		179,494	181,625	185,675	178,663
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		42,434	—	42,434	—
– Net gain on change in fair value		68,836	—	68,836	—
– Changes in expected credit losses	5(ii)	(191)	—	(191)	—
– Income tax effect	16	(8,758)	—	(8,758)	—
– Realised gain transferred to profit or loss on disposal	27&29	(17,453)	—	(17,453)	—
Net (loss)/gain on financial investments available-for-sale		—	(16,318)	—	4,261
– Net gain on change in fair value		—	12,844	—	24,504
– Income tax effect	16	—	5,107	—	(1,392)
– Realised gain transferred to profit or loss on disposal	27&29	—	(34,269)	—	(18,851)
Exchange fluctuation reserve		1,362	(3,962)	1,362	(3,962)
Items that may not be reclassified subsequently to profit or loss					
Net unrealised loss on equity securities at fair value through other comprehensive income		(12,560)	—	(12,560)	—
Other comprehensive income/(loss) for the year, net of tax		31,236	(20,280)	31,236	299
Total comprehensive income for the year		210,730	161,345	216,911	178,962

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019 (24 REJAB 1440H)

Group	Ordinary shares RM'000	<----- Non-distributable ----->					Distributable	Total equity RM'000
		Statutory reserve RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Fair Value Through Other Comprehensive Income Reserve RM'000	Available-for-sale reserve RM'000	Retained profits RM'000	
At 1 April 2018								
– as previously stated	1,195,000	–	1,530	(1,779)	–	(27,616)	1,132,781	2,299,916
– effect of adopting MFRS 9 (Note 2.4(ii))	–	–	39,064	–	(29,056)	27,616	(196,851)	(159,227)
At 1 April 2018, as restated	1,195,000	–	40,594	(1,779)	(29,056)	–	935,930	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)	(1,514)	–	1,094,765	2,351,419
At 1 April 2017	1,195,000	658,158	–	2,183	–	(11,298)	294,528	2,138,571
Profit for the year	–	–	–	–	–	–	181,625	181,625
Other comprehensive loss for the year	–	–	–	(3,962)	–	(16,318)	–	(20,280)
Total comprehensive income for the year	–	–	–	(3,962)	–	(16,318)	181,625	161,345
Transfer from statutory reserve	–	(658,158)	–	–	–	–	658,158	–
Transfer to regulatory reserve	–	–	1,530	–	–	–	(1,530)	–
At 31 March 2018	1,195,000	–	1,530	(1,779)	–	(27,616)	1,132,781	2,299,916

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019 (24 REJAB 1440H)

Bank	Ordinary shares RM'000	Non-distributable					Distributable	Total equity RM'000
		Statutory reserve RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Fair Value Through Other Comprehensive Income Reserve RM'000	Available-for-sale reserve RM'000	Retained profits RM'000	
At 1 April 2018								
– as previously stated	1,195,000	–	1,530	(1,779)	–	(29,473)	1,123,420	2,288,698
– effect of adopting MFRS 9 (Note 2.4(i))	–	–	39,064	–	(29,055)	29,473	(200,499)	(161,017)
At 1 April 2018, as restated	1,195,000	–	40,594	(1,779)	(29,055)	–	922,921	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)	(1,513)	–	1,087,937	2,344,592
At 1 April 2017	1,195,000	656,561	–	2,183	–	(33,734)	289,726	2,109,736
Profit for the year	–	–	–	–	–	–	178,663	178,663
Other comprehensive income for the year	–	–	–	(3,962)	–	4,261	–	299
Total comprehensive income for the year	–	–	–	(3,962)	–	4,261	178,663	178,962
Transfer from statutory reserve	–	(656,561)	–	–	–	–	656,561	–
Transfer to regulatory reserve	–	–	1,530	–	–	–	(1,530)	–
At 31 March 2018	1,195,000	–	1,530	(1,779)	–	(29,473)	1,123,420	2,288,698

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019 (24 REJAB 1440H)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before zakat and taxation		241,188	230,548	247,123	223,486
Adjustment for:					
Amortisation of prepaid land lease payments	37	4	4	4	4
Amortisation of intangible assets	37	30,299	27,743	30,138	27,528
Depreciation of property, plant and equipment	37	15,564	17,224	15,557	17,190
Gain on sale of property, plant and equipment	29	(70)	(45)	(70)	(45)
Amortisation of cost on subordinated sukuk and senior sukuk issued		200	200	200	200
Property, plant and equipment written off	37	53	12	53	12
Intangible assets written off	37	–	368	–	368
Amortisation of premium/(accretion of discount)	27&29	1,229	(2,030)	1,229	(2,030)
Net gain from sale of financial investments available-for-sale	27&29	–	(34,269)	–	(18,851)
Net gain from sale of financial investments at fair value through other comprehensive income	27&29	(17,453)	–	(17,453)	–
Net gain from sale of financial investments designated at FVTPL	27&29	(953)	(1,328)	(874)	(528)
Unrealised (gain)/loss on revaluation of financial investment designated at FVTPL	27&29	(37,305)	12,204	(38,558)	12,204
Net (gain)/loss on revaluation of foreign exchange transaction	29	(8,322)	22,607	(8,322)	22,607
Net (gain)/loss from foreign exchange derivatives	29	(3,448)	1,562	(3,448)	1,562
Unrealised loss/(gain) on revaluation of Islamic profit rate swap	29	21,604	(3,549)	21,604	(3,549)
Unrealised (gain)/loss on revaluation of hedged items	29	(33,297)	5,158	(33,297)	5,158
Gain from derecognition of fair value of hedged items	29	(2,102)	(4,811)	(2,102)	(4,811)
Impairment writeback on investments securities	31	(801)	(3,343)	(801)	(3,343)
Impairment writeback on investment in a subsidiary	31	–	–	(1,000)	(504)
Fair value adjustments of investment properties	29	(1,580)	(2,415)	(1,580)	(2,415)
Net allowance for/(writeback of) impairment on financing	30	9,176	(47,815)	9,176	(47,815)
Financing written off	30	2,592	6,684	2,592	6,684
Allowance for impairment on other financial assets, net		4,830	–	4,830	–
Finance costs	38	64,163	63,237	64,163	63,237
Gross dividend income	29	(53)	(502)	–	(14,315)
Operating profit before working capital changes		285,518	287,444	289,164	282,034

► STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019 (24 REJAB 1440H)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000

CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)

Decrease/(Increase) in operating assets:

Investment accounts due from designated financial institution		146	236	146	236
Islamic derivative financial assets		51,365	(18,384)	51,365	(18,384)
Financial investments portfolio		(33,748)	(257)	(24,251)	(259)
Financing of customers		(922,514)	271,118	(927,106)	291,119
Statutory deposits with Bank Negara Malaysia		(24,775)	24,136	(24,775)	24,136
Other assets		23,596	6,960	10,352	1,292

(Decrease)/Increase in operating liabilities:

Deposits from customers		(1,028,409)	255,045	(1,022,949)	261,095
Deposits and placements of banks and other financial institutions		(2,107)	(552,800)	(2,107)	(552,800)
Islamic derivative financial liabilities		(51,365)	18,384	(51,365)	18,384
Bills and acceptances payable		6,060	422	6,060	422
Other liabilities		(38,889)	10,197	(41,456)	16,078

Cash (used in)/generated from operations		(1,735,122)	302,501	(1,736,922)	323,353
Zakat paid		(6,134)	(4,320)	(5,587)	(4,275)
Tax paid		(17,908)	(1,674)	(15,689)	(20)
Net cash (used in)/generated from operating activities		(1,759,164)	296,507	(1,758,198)	319,058

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from disposal of investment in securities		10,188,634	7,724,324	10,188,555	7,687,949
Purchase of financial investment in securities		(9,051,526)	(7,870,260)	(9,049,470)	(7,870,252)
Proceeds from disposal of property, plant and equipment		134	56	134	56
Purchase of property, plant and equipment	14	(21,373)	(17,368)	(21,373)	(17,365)
Purchase of intangible assets	13	(20,914)	(12,909)	(20,804)	(12,909)
Purchase of investment properties	12	(1,942)	(588)	(1,942)	(588)
Purchase of additional ordinary shares in existing subsidiaries		—		(3,000)	—
Dividend income	29	53	502	—	14,315

Net cash generated from/(used in) investing activities		1,093,066	(176,243)	1,092,100	(198,794)
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► STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019 (24 REJAB 1440H)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid on Islamic subordinated sukuk		(42,000)	(42,120)	(42,000)	(42,120)
Redemption of subordinated sukuk		–	(5,000)	–	(5,000)
Proceed from recourse obligation on financing sold to Cagamas		–	499,999	–	499,999
Repayment of principal for recourse obligation on financing sold to Cagamas		(14,799)	(14,334)	(14,799)	(14,334)
Repayment of finance cost for recourse obligation on financing sold to Cagamas		(22,276)	(21,053)	(22,276)	(21,053)
Net cash (used in)/generated from financing activities		(79,075)	417,492	(79,075)	417,492
Net (decrease)/increase in cash and cash equivalents		(745,173)	537,756	(745,173)	537,756
Cash and cash equivalents at beginning of year		1,587,681	1,049,925	1,587,681	1,049,925
Cash and cash equivalents at end of year		842,508	1,587,681	842,508	1,587,681
Cash and cash equivalents consist of:					
Cash and short term funds	4(a)	830,571	1,579,923	830,571	1,579,923
Cash and placements with financial institutions	4(b)	11,937	7,758	11,937	7,758
		842,508	1,587,681	842,508	1,587,681

► STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019 (24 REJAB 1440H)

(A) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

The table below details the 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.

Group and Bank	Sukuk		Recourse obligation on financing sold to Cagamas	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of the financial year	763,162	768,084	485,851	–
Net changes from financing cash flows:				
Dividend paid on Islamic subordinated sukuk	(42,000)	(42,120)	–	–
Redemption of subordinated sukuk	–	(5,000)	–	–
Proceed from recourse obligation on financing sold to Cagamas	–	–	–	499,999
Repayment of principal for recourse obligation on financing sold to Cagamas	–	–	(14,799)	(14,334)
Repayment of finance cost for recourse obligation on financing sold to Cagamas	–	–	(22,276)	(21,053)
	721,162	720,964	448,776	464,612
Other changes:				
Amortisation of cost on sukuk issued	200	200	–	–
Finance cost	41,837	41,998	22,326	21,239
At end of the financial year	763,199	763,162	471,102	485,851

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

1. CORPORATE INFORMATION

Bank Muamalat Malaysia Berhad (the “Bank”) is principally engaged in all aspects of Islamic banking business and related financial services in accordance with Shariah principles.

The principal activities of the subsidiaries are as disclosed in Note 11.

There have been no significant changes in the nature of these activities during the financial year.

The Bank is a licensed Islamic Bank under the Islamic Financial Service Act, 2013 (“IFSA”), incorporated and domiciled in Malaysia. The registered office of the Bank is located at 20th Floor, Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur.

The holding and ultimate holding companies of the Bank are DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. respectively, both of which are incorporated in Malaysia. DRB-HICOM Berhad, is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad. DRB-Hicom Berhad holds 70% of the Bank’s shares, whilst the remaining 30% is held by Khazanah Nasional Berhad.

The financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the directors on 29 May 2019.

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.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 March 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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of consolidation (cont'd.)

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 loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the statement of profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for on the date when control is lost.

2.3 Summary of significant accounting policies

(a) Investment in subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in statement of profit or loss.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Financial assets

(i) Initial recognition and subsequent measurement

From 1 April 2018, 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").

Before 1 April 2018, the Group and the Bank classified its financial assets as financing and receivables, FVTPL, held-to-maturity ("HTM") or available-for-sale ("AFS").

The accounting for financial liabilities remains largely the same as it was under MFRS 139.

The Group and the Bank determine the classification of financial assets at initial recognition, in which the details are disclosed below.

(1) Financial assets at amortised cost

From 1 April 2018, 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 repayments 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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 MARCH 2019 (24 REJAB 1440H)

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.

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under MFRS 139.

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")

Before 1 April 2018, financial assets at FVTPL include financial assets held-for-trading ("HFT") and financial investments designated upon initial recognition at FVTPL. Financial assets classified as held-for-trading are derivatives (including separated embedded derivatives) or if they are acquired for the purpose of selling in the near term.

From 1 April 2018, financial assets at FVTPL are those that are held-for-trading and have been either designated by Management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9.

Management designates 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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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.)

(3) Financial assets at fair value through profit or loss ("FVTPL") (cont'd.)

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'.

(4) Financing and receivables (Policy applicable before 1 April 2018)

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financing assets classified in this category includes financing of customers and certain other assets. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective profit rate method, less impairment.

(5) Financial investments HTM (Policy applicable before 1 April 2018)

Financial investments HTM are non-derivatives financial assets with fixed or determinable payments and fixed maturity, which the Group and the Bank has the intention and ability to hold to maturity.

Subsequent to initial recognition, financial investments HTM are measured at amortised cost using effective profit rate method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective profit rate. The amortisation, losses arising from impairment, and gain or loss arising from derecognition of such investments are recognised in statements of profit or loss.

(6) Financial investments AFS (Policy applicable before 1 April 2018)

Financial investments AFS are financial assets that are designated as available-for-sale or are not classified in any of the three (3) preceding categories.

Financial investments AFS include equity and debt securities, which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in market condition.

After initial recognition, financial investments AFS are subsequently measured at fair value. Any gain or loss arising from a change in fair value after applying amortised cost method are recognised directly in other comprehensive income, except impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective yield method which are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to statements of profit or loss as a reclassification adjustment when the financial investments AFS is derecognised.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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.)

(6) Financial investments AFS (Policy applicable before 1 April 2018) (cont'd.)

Investment in equity instruments where fair value cannot be reliably measured are recorded at cost less impairment loss.

Dividends on an equity AFS instruments are recognised in the statements of profit or loss when the Group's and the Bank's right to receive payment is established.

(ii) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from asset have expired.
- The Group and the Bank have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass through” arrangement; and either:
 - The Group and the Bank have transferred substantially all the risks and rewards of the asset; or
 - The Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the financial asset.

When the Group and the Bank have transferred its rights to receive cash flows from a financial asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the financial asset, the financial asset is recognised to the extent of the 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 (Policy applicable from 1 April 2018)

The MFRS 9 impairment requirements are based on an Expected Credit Loss (“ECL”) model that replaces the Incurred Loss model under MFRS 139. 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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 (Policy applicable from 1 April 2018) (cont'd.)

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.

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-performing	Non-performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Lifetime ECL 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 model ("PD"); (ii) loss given default model ("LGD"); and (iii) exposure at default model ("EAD").

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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 (Policy applicable from 1 April 2018) (cont'd.)

(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 overdrafts. The expected life for these revolving facilities generally refers to their behavioural life.

(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 Rates.

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 do 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 MARCH 2019 (24 REJAB 1440H)

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 (Policy applicable from 1 April 2018) (cont'd.)

(6) Valuation of collateral held as security for financial assets

The Bank's accounting policy for collateral assigned to it through its financing arrangements under MFRS 9 is the same as it was under MFRS 139.

(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 applies the MFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for other financial assets. The simplified approach excludes tracking of changes in credit risk.

(iv) Impairment of financial assets (Policy applicable before 1 April 2018)

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the customer or a group of customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in profit or principal payments and where observable data indicates that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(1) Financing and receivables

Classification of financing and receivables as impaired

Financing and receivables are classified as impaired when:

- principal or profit or both are past due for three (3) months or more;
- where financing in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or
- where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until payments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Financial assets (cont'd.)

(iv) Impairment of financial assets (Policy applicable before 1 April 2018) (cont'd.)

(1) Financing and receivables (cont'd.)

Impairment Process – Individual Assessment

The Group and the Bank assess if objective evidence of impairment exist for financing and receivables, which are deemed to be individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows discounted at the financing's original effective profit rate. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of profit or loss.

Impairment Process – Collective Assessment

Financing which are not individually significant and financing that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These financing are grouped within similar credit risk characteristics for collective assessment, whereby data from the financing portfolio (such as credit quality, levels of arrears, credit utilisation, financing to collateral ratios, etc.), concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups) are taken into consideration.

Future cash flows in a group of financing that are collectively evaluated for impairment are estimated based on the historical loss experience of the Group and of the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of financial assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

(2) Financial investments AFS

For financial investments AFS, the Group and the Bank assess at each reporting date whether there is objective evidence that a financial investment AFS is impaired.

In the case of debt instruments classified as AFS, the Group and the Bank assess individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Financial assets (cont'd.)

(iv) Impairment of financial assets (Policy applicable before 1 April 2018) (cont'd.)

(2) Financial investments AFS (cont'd.)

In the case of equity investments classified as AFS investment, the objective evidence would also include a “significant” or “prolonged” decline in the fair value of the investment below its cost. In general, the Group and the Bank treats “significant” as 25% and “prolonged” as twelve (12) months.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in statements of profit or loss is removed from equity and recognised in statements of profit or loss.

Subsequent positive price movement in regard to impairment losses on equity investments are not reversed through the income statement; instead, increases in the fair value after impairment are recognised in other comprehensive income.

For unquoted equity securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the statements of profit or loss and such impairment losses are not reversed subsequent to its recognition.

(3) Financial investments HTM

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

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

(v) Determination of fair value

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

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

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 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.

(b) Islamic debt securities

Issued Islamic debt securities are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's and the Bank's debt securities consist of subordinated sukuk.

These Islamic debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or profit or both to holders of the debt securities and that the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, all issued Islamic debt securities are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the statement of profit or loss over the period of the financing on an effective profit rate method.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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.)

(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.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is redeemed or otherwise extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

(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 statement of profit or loss unless these form part of a hedging relationship.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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

The Group and the Bank has 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.

(1) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the statement of profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statement of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective profit rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit or loss.

(2) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income into cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in statement of profit or loss. When the hedged cash flow affects the statement of profit or loss, the gain or loss on the hedging instrument previously recognised in other comprehensive income are reclassified from equity and is recorded in the corresponding income or expense line of the statement of profit or loss.

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

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

The Group and the Bank did not apply cash flow hedge as at the financial year end.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

(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 statement 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 3 to 10 years.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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

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

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

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

Buildings on freehold land	33 years
Building on leasehold land and leasehold land	33 years or remaining life of the lease, whichever is shorter
Office furniture and equipment	6 to 7 years
Buildings improvements and renovations	5 years
Motor vehicles	5 years
Computer equipment	3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in statement of profit or loss.

(i) Prepaid land lease payments

(i) Classification

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

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

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Prepaid land lease payments (cont'd.)

(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).

(iii) Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease.

The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(j) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Foreign currencies (cont'd.)

(ii) Foreign currency transactions and balances (cont'd.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in statement of profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under exchange fluctuation reserve in equity.

The exchange fluctuation reserve is reclassified from equity to statement of profit or loss of the Group 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.

(iii) Foreign operations

The results and financial position of the Group 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 makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Impairment of non-financial assets (cont'd.)

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.

(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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Employee benefits (cont'd.)

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the 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").

(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 or AFS 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 MARCH 2019 (24 REJAB 1440H)

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 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.

(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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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.)

(8) Qard

Qard is a contract of loan between two (2) parties on the basis of social welfare or to fulfil a short-term financial need of the borrower. The amount of repayment must be equivalent to the amount borrowed. It is, however, legitimate for a borrower to pay more than the amount borrowed as long as it is not stated or agreed at the point of contract. As such, no accrual of income is recognised for this contract.

(9) Musharakah Mutanaqisah

In Musharakah Mutanaqisah contract, the customer and the Bank jointly acquire and own the asset. The Bank then leases its equity or share of asset to the customer on the basis of Ijarah. The customer is given the right to acquire the Bank's equity in the asset periodically. Financing income is accounted for on the basis of reducing balance on a time apportioned basis that reflects the effective yield of the asset.

Financing income under this contract is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

Profit attributable to depositors is recognised as an expense in the 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.

(10) Rahn

In Ar-Rahn 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-Rahn, whichever is applicable.

(ii) Fee and other income recognition

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

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

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 Advisory Council. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. Zakat provision is initially calculated based on 2.5% of the growth model method. However, it will be compared against 2.5% of the Bank's audited profit before tax ("PBT") for the year, and the higher of the two (2) will be the final zakat for the Bank.

(s) Fair value measurement

The Group and the Bank measures financial instruments such as financial assets at FVTPL, financial investments at FVOCI or AFS and derivatives, and non-financial assets such as investment properties at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Fair value measurement (cont'd.)

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 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.

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 MARCH 2019 (24 REJAB 1440H)

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 2018, 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 2018.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
MFRS 9: <i>Financial Instruments</i>	1 January 2018
MFRS 15: <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 4: <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 140: <i>Transfers of Investment Property</i>	1 January 2018
Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

The adoption of the above standards do not have any significant financial impact to the Group and the Bank's financial statements, except for as disclosed below:

MFRS 9: *Financial Instruments*

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard, while the hedge accounting policies are not impacted. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained profits, fair value through other comprehensive income reserve and regulatory reserve as at 1 April 2018.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 9: Financial Instruments (cont'd.)

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statement of financial position of the Group and the Bank.

Statement of Financial Position

Group	1 April 2018 as previously stated RM'000	Classification and measurement RM'000	Expected Credit Losses RM'000	1 April 2018 restated RM'000
ASSETS				
Cash and short-term funds	1,579,923	–	–	1,579,923
Cash and placements with financial institutions	7,758	–	–	7,758
Investment accounts due from designated financial institution	146	–	–	146
Financial investments at fair value through profit or loss	161,274	129,159	–	290,433
Financial investments at fair value through other comprehensive income	–	6,306,754	–	6,306,754
Financial investments at amortised cost	–	144,966	(42,026)	102,940
Financial investments available-for-sale	6,319,413	(6,319,413)	–	–
Financial investments held-to-maturity	143,730	(143,730)	–	–
Islamic derivative financial assets	72,770	–	–	72,770
Financing of customers	14,687,846	(119,133)	(153,997)	14,414,716
Other assets	91,978	–	–	91,978
Statutory deposits with BNM	674,500	–	–	674,500
Investment properties	41,781	–	–	41,781
Intangible assets	94,069	–	–	94,069
Property, plant and equipment	52,669	–	–	52,669
Prepaid land lease payment	227	–	–	227
Deferred tax assets (net)	15,607	–	49,940	65,547
Total assets	23,943,691	(1,397)	(146,083)	23,796,211

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 9: *Financial Instruments* (cont'd.)

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statement of financial position of the Group and the Bank. (cont'd.)

Statement of Financial Position (cont'd.)

Group	1 April 2018 as previously stated RM'000	Classification and measurement RM'000	Expected Credit Losses RM'000	1 April 2018 restated RM'000
LIABILITIES				
Deposits from customers	20,172,527	–	–	20,172,527
Deposits and placements of banks and other financial institutions	8,854	–	–	8,854
Bills and acceptances payable	9,618	–	–	9,618
Islamic derivative financial liabilities	77,923	–	–	77,923
Other liabilities	117,339	–	11,747	129,086
Provision for zakat and taxation	7,914	–	–	7,914
Deferred tax liabilities (net)	587	–	–	587
Recourse obligation on financing sold to Cagamas	485,851	–	–	485,851
Subordinated sukuk	254,035	–	–	254,035
Senior sukuk	509,127	–	–	509,127
Total liabilities	21,643,775	–	11,747	21,655,522
SHAREHOLDERS' EQUITY				
Share capital	1,195,000	–	–	1,195,000
Retained profits	1,132,781	50,296	(247,147)	935,930
Regulatory reserves	1,530	–	39,064	40,594
Other reserves	(29,395)	(1,753)	313	(30,835)
Total shareholders' equity	2,299,916	48,543	(207,770)	2,140,689
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	23,943,691	48,543	(196,023)	23,796,211

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 9: Financial Instruments (cont'd.)

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statement of financial position of the Group and the Bank. (cont'd.)

Statement of Financial Position (cont'd.)

Bank	1 April 2018 as previously stated RM'000	Classification and measurement RM'000	Expected Credit Losses RM'000	1 April 2018 restated RM'000
ASSETS				
Cash and short-term funds	1,579,923	–	–	1,579,923
Cash and placements with financial institutions	7,758	–	–	7,758
Investment accounts due from designated financial institution	146	–	–	146
Financial investments at fair value through profit or loss	161,274	126,714	–	287,988
Financial investments at fair value through other comprehensive income	–	6,306,546	–	6,306,546
Financial investments at amortised cost	–	144,966	(42,026)	102,940
Financial investments available-for-sale	6,316,759	(6,316,759)	–	–
Financial investments held-to-maturity	143,730	(143,730)	–	–
Islamic derivative financial assets	72,770	–	–	72,770
Financing of customers	14,687,429	(120,924)	(153,997)	14,412,508
Other assets	89,543	–	–	89,543
Statutory deposits with BNM	674,500	–	–	674,500
Investment in subsidiaries	8,559	–	–	8,559
Investment properties	41,781	–	–	41,781
Intangible assets	93,894	–	–	93,894
Property, plant and equipment	52,661	–	–	52,661
Prepaid land lease payment	227	–	–	227
Deferred tax assets (net)	15,607	–	49,940	65,547
Total assets	23,946,561	(3,187)	(146,083)	23,797,291

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 9: *Financial Instruments* (cont'd.)

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statement of financial position of the Group and the Bank. (cont'd.)

Statement of Financial Position (cont'd.)

Bank	1 April 2018 as previously stated RM'000	Classification and measurement RM'000	Expected Credit Losses RM'000	1 April 2018 restated RM'000
LIABILITIES				
Deposits from customers	20,190,854	–	–	20,190,854
Deposits and placements of banks and other financial institutions	8,854	–	–	8,854
Bills and acceptances payable	9,618	–	–	9,618
Islamic derivative financial liabilities	77,923	–	–	77,923
Other liabilities	115,612	–	11,747	127,359
Provision for zakat and taxation	5,989	–	–	5,989
Recourse obligation on financing sold to Cagamas	485,851	–	–	485,851
Subordinated sukuk	254,035	–	–	254,035
Senior sukuk	509,127	–	–	509,127
Total liabilities	21,657,863	–	11,747	21,669,610
SHAREHOLDERS' EQUITY				
Share capital	1,195,000	–	–	1,195,000
Retained profits	1,123,420	46,648	(247,147)	922,921
Regulatory reserves	1,530	–	39,064	40,594
Other reserves	(31,252)	105	313	(30,834)
Total shareholders' equity	2,288,698	46,753	(207,770)	2,127,681
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	23,946,561	46,753	(196,023)	23,797,291

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 9: Financial Instruments (cont'd.)

- (ii) The following Table analyses the impact, net of tax, of transition to MFRS 9 and Revised Financial Reporting Policy document issued by BNM on the statement of financial position of the Group and the Bank:

	Group RM'000	Bank RM'000
Regulatory reserve		
At 1 April 2018, as previously stated	1,530	1,530
– Transfer from retained profits	39,064	39,064
At 1 April 2018, restated	40,594	40,594
Other reserves		
At 1 April 2018, as previously stated	(29,395)	(31,252)
– Classification and measurement	(1,753)	105
– Expected credit losses	313	313
At 1 April 2018, restated	(30,835)	(30,834)
Retained profits		
At 1 April 2018, as previously stated	1,132,781	1,123,420
– Classification and measurement	356	(3,292)
– Deferred tax in respect of ECL	49,940	49,940
– Transfer to regulatory reserve	(39,064)	(39,064)
– Expected credit losses	(208,083)	(208,083)
At 1 April 2018, restated	935,930	922,921

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 9: *Financial Instruments* (cont'd.)

(iii) The following Table analyses the impact, net of tax, of transition to MFRS 9 and Revised Financial Reporting Policy document issued by BNM on the capital adequacy ratio of the Group and the Bank:

	1 April 2018 as previously stated RM'000	Effect of adopting MFRS 9 RM'000	1 April 2018 restated RM'000
Group			
CET1 Capital	2,182,830	(248,231)	1,934,599
Tier 1 Capital	2,182,830	(248,231)	1,934,599
Total Capital	2,502,320	(181,646)	2,320,674
Risk Weighted Assets	13,611,266	(170,520)	13,440,746
CET1 Capital Ratio	16.04%	-1.65%	14.39%
Tier 1 Capital Ratio	16.04%	-1.65%	14.39%
Total Capital Ratio	18.38%	-1.11%	17.27%
Bank			
CET1 Capital	2,163,228	(250,021)	1,913,207
Tier 1 Capital	2,163,228	(250,021)	1,913,207
Total Capital	2,482,718	(183,436)	2,299,282
Risk Weighted Assets	13,586,800	(173,206)	13,413,594
CET1 Capital Ratio	15.92%	-1.66%	14.26%
Tier 1 Capital Ratio	15.92%	-1.66%	14.26%
Total Capital Ratio	18.27%	-1.13%	17.14%

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach (i.e. five-step model) to measure and recognise revenue. The five-step model that applies to revenue recognition under MFRS 15 is as follows:

- (1) Identify the contract(s) with a customer;
- (2) Identify the performance obligations in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract; and
- (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The Standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 include disaggregated information about revenue and information about the performance obligations remaining at the reporting date.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for the Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue-Barter Transactions Involving Advertising Services*). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group and the Bank have adopted the Standard on its effective date, using the modified retrospective method of adoption. The Standard does not apply to income or revenue associated with financial instruments which have been scoped under MFRS 9 such as financing of customers and financial investment securities.

The adoption of this Standard has no material financial impact on the Group's and the Bank's financial statements.

2.5 Significant changes in regulatory requirements

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

(a) Financial Reporting for Islamic Banking Institutions

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

The financial effects of the adoption of the revised policy document are presented in Note 2.4(ii).

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(b) Capital Adequacy Framework for Islamic Banks

The Capital Adequacy Frameworks for Islamic Banks in relation to Risk-Weighted Assets and Capital Components were updated and reissued by Bank Negara Malaysia ("BNM") on 2 February 2018 for application with effect from 1 January 2018.

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

The updates focused mainly on the following changes:

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

The updates above mainly address clarification on capital recognition and regulatory adjustment requirements arising from the implementation of MFRS 9. The impact to the capital adequacy ratios of the Bank are presented in Note 2.4 (iii).

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
MFRS 16: <i>Leases</i>	1 January 2019
Amendments to MFRS 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 119: <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
IC Interpretation 23: <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
MFRS 17: <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB

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– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

MFRS 16: Leases

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 remeasure 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 remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

The Group and the Bank will adopt MFRS 16 on 1 April 2019, using the modified retrospective method and will not restate comparative information. Instead, the Group and the Bank will recognise 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 will also elect to apply the Standard to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4. The Group and the Bank will therefore not apply the Standard to contracts that were not previously identified as containing a lease applying MFRS 117 and IFRIC 4.

The Group and the Bank will elect to use the exemptions proposed by the Standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

For leases where the Group and the Bank are lessees, the Group and the Bank will elect not to separate the non-lease components from lease components, and instead account for both components as a single lease component.

The Group and the Bank performed a preliminary assessment of the adoption of MFRS 16 as at 1 April 2019. The Group and the Bank identified the following effects to the statement of financial position, pertaining to the existing operating leases of the Group and the Bank. There will be an increase in property, plant and equipment arising from the recognition of rights-of-use assets, and an increase in lease liability pertaining to the related lease payments. The Group and the Bank expects the cumulative depreciation expense for the right-of-use assets and finance cost on the related lease liabilities as at 1 April 2019 to exceed the total operating lease expenses recognised under MFRS 117. Accordingly, this will result in a reduction to the opening balance of retained profits of the Group and the Bank.

As at the reporting date, the Group and the Bank is in the midst of completing the detailed assessment of MFRS 16 implementation.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and profit on the principal amount outstanding (the SPPP criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPP criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments are effective for annual periods beginning on or after 1 April 2019. The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Bank's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, 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 judgement 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 Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.2 Impairment of financial investments portfolio (Notes 5 and 31) (cont'd.)

Under MFRS 139, the Group and the Bank review financial investments classified as AFS and HTM at each reporting date to assess whether these are impaired. This requires similar judgement as applied to the individual assessment of financing.

The Group and the Bank also record impairment charges on AFS equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group and the Bank evaluate, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

3.3 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; 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 characteristics. This is to determine whether impairment should be made due to incurred loss events for which there is objective evidence but effects of which are not yet evident. The collective assessment takes into account of data from the financing portfolio (such as credit quality, levels of arrears, credit utilisation, financing to collateral ratios, etc.) and judgements on the effect of concentrations of risks (such as the performance of different individual groups).

3.4 Fair value estimation of financial investments at FVTPL, FVOCI and AFS (Notes 5(i), 5(ii) and 5(iv)) 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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.5 Deferred tax (Note 16)

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3.6 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 advice 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

	Note	Group and Bank	
		2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions		221,739	319,025
Money at call and interbank placements maturing within one month		609,141	1,260,898
		830,880	1,579,923
Allowances for impairment loss	(i)	(309)	–
		830,571	1,579,923

(i) Analysis of changes in allowances for impairment losses on cash and short term funds are as follows:

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
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

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

4. (B) CASH AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	2019 RM'000	2018 RM'000
Licensed Islamic banks	11,937	7,758

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 March 2019 for the Group and the Bank was 3.7% per annum and 59 days respectively (31 March 2018: 2.13% per annum and 84 days).

5. FINANCIAL INVESTMENTS

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial investments at fair value through profit or loss	(i)	660,799	161,274	658,866	161,274
Financial investments at fair value through other comprehensive income	(ii)	4,936,032	–	4,933,767	–
Financial investments at amortised cost	(iii)	103,310	–	103,310	–
Financial investments available-for-sale	(iv)	–	6,319,413	–	6,316,759
Financial investments held-to-maturity	(v)	–	143,730	–	143,730
		5,700,141	6,624,417	5,695,943	6,621,763

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000

(i) Financial investments at fair value through profit or loss

Quoted securities in Malaysia:

Quoted shares	1,933	–	–	–
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Unquoted securities in Malaysia:

Private equity funds	188,478	161,274	188,478	161,274
Malaysian government investment certificates	101,542	–	101,542	–
Bank Negara Malaysia Bills and Notes	234,750	–	234,750	–
Islamic private debt securities in Malaysia	134,096	–	134,096	–
	660,799	161,274	658,866	161,274

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

5. FINANCIAL INVESTMENTS (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(ii) Financial investments at fair value through other comprehensive income				
Debt instruments:				
Government securities and treasury bills:				
Malaysian government investment certificates	2,912,118	–	2,912,118	–
Unquoted securities:				
Islamic private debt securities in Malaysia	1,835,869	–	1,835,869	–
Cagamas sukuk	55,948	–	55,948	–
Foreign Islamic private debt securities and sukuk	22,444	–	22,444	–
	1,914,261	–	1,914,261	–
Equity instruments:				
Quoted securities in Malaysia:				
Quoted shares	102,007	–	102,007	–
Unit trusts	2,265	–	–	–
	104,272	–	102,007	–
Unquoted securities:				
Shares in Malaysia	5,381	–	5,381	–
Total financial assets at fair value through other comprehensive income	4,936,032	–	4,933,767	–

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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:

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 31 March 2019				
At 1 April 2018, as previously stated	–	–	–	–
Effect of adopting MFRS 9	313	–	81,210	81,523
At 1 April 2018, as restated	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		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At amortised cost				
Unquoted Islamic corporate sukuk in Malaysia	144,730	–	144,730	–
Accumulated impairment losses	(41,420)	–	(41,420)	–
Total financial investments at amortised cost	103,310	–	103,310	–

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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:

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 31 March 2019				
At 1 April 2018, as previously stated	–	–	–	–
Effect of adopting MFRS 9	3	42,024	–	42,027
At 1 April 2018, as restated	3	42,024	–	42,027
Amount written back in respect of recoveries	(2)	(605)	–	(607)
At 31 March 2019	1	41,419	–	41,420

(iv) Financial investments available-for-sale

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian government investment certificates	–	3,864,730	–	3,864,730
Quoted securities in Malaysia:				
Quoted shares	–	118,670	–	116,016
Unquoted securities:				
Islamic corporate sukuk in Malaysia	–	2,318,499	–	2,318,499
Cagamas bonds	–	60,530	–	60,530
Foreign Islamic corporate sukuk	–	32,813	–	32,813
	–	2,411,842	–	2,411,842
Accumulated impairment loss	–	(81,210)	–	(81,210)
	–	6,314,032	–	6,311,378
At cost				
Unquoted securities:				
Shares in Malaysia	–	5,381	–	5,381
Total financial investments available-for-sale	–	6,319,413	–	6,316,759

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

5. FINANCIAL INVESTMENTS (CONT'D.)

(v) Financial investments held-to-maturity

	Group and Bank	
	2019 RM'000	2018 RM'000

At amortised cost

Unquoted Islamic corporate sukuk in Malaysia	–	143,730
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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.

Group and Bank	2019			2018		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Foreign exchange contracts:						
– Currency forwards						
Less than one year	1,322,983	13,765	(7,963)	777,177	1,660	(71,428)
– Currency swaps						
Less than one year	1,858,525	8,835	(12,946)	841,470	70,995	(1,498)
– Currency spot						
Less than one year	363,985	2,253	(708)	88,744	115	(55)
	3,545,493	24,853	(21,617)	1,707,391	72,770	(72,981)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	950,000	–	(2,123)	325,000	–	(2,391)
Hedged IPRS	1,200,000	–	(24,422)	875,000	–	(2,551)
Total	5,695,493	24,853	(48,162)	2,907,391	72,770	(77,923)

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

6. ISLAMIC DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONT'D.)

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

	31 March 2019			31 March 2018		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Group and Bank						
IPRS	1,200,000	–	(24,422)	875,000	–	(2,551)

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 financial investments.

For the year ended 31 March 2019, the Group and the Bank:

- (i) recognised a net loss of RM22,110,559 (31 March 2018: RM3,778,471) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM33,297,224 (31 March 2018: net loss of RM5,157,995); and
- (ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM2,101,533 (31 March 2018: RM4,810,910) due to the derecognition of the hedged items.

► NOTES TO THE FINANCIAL STATEMENTS

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7. FINANCING OF CUSTOMERS

(i) By type and Shariah concepts

Group 31 March 2019	Bai' Bithaman Ajil RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Kafalah RM'000	Shirkah Mutanafisah RM'000	Rahn 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	-	-	-	-	-	-	98,692	-	-	-	-	-	98,692
Claims on customers under acceptance credits	-	-	-	-	-	946,466	-	-	-	-	-	-	946,466
Staff financing	41,807	-	-	-	58,499	-	-	-	491	-	-	-	100,797
Revolving credit	-	-	-	-	1,329,468	-	-	-	-	-	-	-	1,329,468
Ar-Rahn	-	-	-	-	-	-	-	-	-	-	-	126,747	126,747
Total gross financing	2,222,841	-	506,876	4,966	11,422,990	946,466	98,692	83,217	853	434	51,054	126,747	15,465,136
Fair value changes arising from fair value hedge	-	-	-	-	23,045	-	-	-	-	-	-	-	23,045
Less: Allowance for impaired financing	2,222,841	-	506,876	4,966	11,446,035	946,466	98,692	83,217	853	434	51,054	126,747	15,488,181
At amortised cost													
– Stage 1 – 12 Months ECL	(1,195)	-	(960)	(75)	(50,035)	(661)	(133)	(199)	(11)	-	-	(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	11,327,888	945,596	92,603	82,950	842	214	51,054	121,326	15,330,895

* Included in financing of customers are financing at fair value through profit or loss amounting to RM723,047,089.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

7. FINANCING OF CUSTOMERS (CONT'D.)

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

Group 31 March 2018	Bai' Bithaman Ajlil RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Shirkah Mutanajisah RM'000	Rahn RM'000	Total financing RM'000
Cash line	–	–	5,586	338,899	–	–	–	–	–	–	344,485
Term financing:											
Home financing	1,999,243	–	–	2,602,669	–	–	11,981	–	–	–	4,613,893
Syndicated financing	–	–	–	686,022	–	–	–	–	–	–	686,022
Hire purchase receivables	42,305	–	580,913	–	–	–	–	–	–	–	623,218
Leasing receivables	–	1,277	–	–	–	–	–	–	–	–	1,277
Personal financing	74,474	–	358	3,486,773	–	–	–	–	–	–	3,561,605
Other term financing	272,279	–	521,640	1,546,953	–	–	88,605	511	37,639	–	2,467,627
Trust receipts	–	–	–	–	–	143,981	–	–	–	–	143,981
Claims on customers under acceptance credits	–	–	–	–	849,045	–	–	–	–	–	849,045
Staff financing	47,656	–	–	53,554	–	–	272	412	–	–	101,894
Revolving credit	–	–	–	1,268,018	–	–	–	–	–	–	1,268,018
Sukuk	–	–	–	–	–	116,586	–	–	–	–	116,586
Ar-Rahn	–	–	–	–	–	–	–	–	–	109,245	109,245
Total gross financing	2,435,957	1,277	580,913	527,584	9,982,888	849,045	100,858	923	37,639	109,245	14,886,896
Fair value changes arising from fair value hedge	–	–	–	(1,473)	(3,723)	–	–	–	–	–	(5,196)
Less: Allowance for impaired financing											
– Collective assessment	(19,762)	–	(8,431)	(541)	(144,160)	(594)	(79)	(22)	–	(2,479)	(176,922)
– Individual assessment	(717)	–	(4,155)	–	(10,367)	(1,621)	(23)	–	–	–	(16,932)
Total net financing	2,415,478	1,277	568,327	525,570	9,824,638	846,830	100,756	901	37,639	106,766	14,687,846

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

7. FINANCING OF CUSTOMERS (CONT'D.)

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

Bank 31 March 2019	Bai' Bithaman Ajili RM'000	Jarah Thumma Al-Bai RM'000	Jarah 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	Rahn 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	53,802	434	-	3,372,190
Trust receipts	-	-	-	-	-	-	98,692	-	-	-	-	98,692
Claims on customers under acceptance credits	-	-	-	-	-	946,466	-	-	-	-	-	946,466
Staff financing	41,807	-	-	-	58,499	-	-	-	491	-	-	100,797
Revolving credit	-	-	-	-	1,329,468	-	-	-	-	-	-	1,329,468
Ar-Rahn	-	-	-	-	-	-	-	-	-	-	126,747	126,747
Total gross financing	2,222,841	-	506,876	4,966	11,422,990	946,466	98,692	83,217	54,293	434	126,747	15,467,522
Fair value changes arising from fair value hedge	-	-	-	-	23,045	-	-	-	-	-	-	23,045
Less: Allowance for impaired financing	2,222,841	-	506,876	4,966	11,446,035	946,466	98,692	83,217	54,293	434	126,747	15,490,567
At amortised cost												
– Stage 1 – 12 Months ECL	(1,195)	-	(960)	(75)	(50,035)	(661)	(133)	(199)	(11)	-	(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	11,327,888	945,596	92,603	82,950	54,282	214	121,326	15,333,281

* Included in financing of customers are financing at fair value through profit or loss amounting to RM776,847,089.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

7. FINANCING OF CUSTOMERS (CONT'D.)

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

Bank 31 March 2018	Bai' Bithaman Ajl RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Rahnu RM'000	Total financing RM'000
Cash line	–	–	–	5,586	338,899	–	–	–	–	–	344,485
Term financing:											
Home financing	1,999,243	–	–	–	2,602,669	–	–	11,981	–	–	4,613,893
Syndicated financing	–	–	–	–	686,022	–	–	–	–	–	686,022
Hire purchase receivables	42,305	–	580,913	–	–	–	–	–	–	–	623,218
Leasing receivables	–	1,277	–	–	–	–	–	–	–	–	1,277
Personal financing	74,474	–	–	358	3,486,773	–	–	–	–	–	3,561,605
Other term financing	272,279	–	–	521,640	1,546,955	–	–	88,605	42,664	–	2,472,143
Trust receipts	–	–	–	–	–	–	143,981	–	–	–	143,981
Claims on customers under acceptance credits	–	–	–	–	–	849,045	–	–	–	–	849,045
Staff financing	47,656	–	–	–	53,554	–	–	272	412	–	101,894
Revolving credit	–	–	–	–	1,268,018	–	–	–	–	–	1,268,018
Sukuk	–	–	–	–	–	–	116,586	–	–	–	116,586
Ar-Rahnu	–	–	–	–	–	–	–	–	–	109,245	109,245
Total gross financing	2,435,957	1,277	580,913	527,584	9,982,890	849,045	260,567	100,858	43,076	109,245	14,891,412
Fair value changes arising from fair value hedge	–	–	–	(1,473)	(3,723)	–	–	–	–	–	(5,196)
Less: Allowance for impaired financing	2,435,957	1,277	580,913	526,111	9,979,167	849,045	260,567	100,858	43,076	109,245	14,886,216
Collective assessment	(19,762)	–	(8,431)	(541)	(144,160)	(594)	(855)	(79)	(22)	(2,478)	(176,922)
Individual assessment	(77)	–	(4,155)	–	(10,367)	(1,621)	(49)	(23)	(4,933)	–	(21,865)
Total net financing	2,415,478	1,277	568,327	525,570	9,824,640	846,830	259,663	100,756	38,121	106,767	14,687,429

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

7. FINANCING OF CUSTOMERS (CONT'D.)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Uses of Qard fund:				
Staff financing	491	412	491	412
Other term financing	362	511	53,802	42,664
	853	923	54,293	43,076

(ii) By type of customer

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic non-banking institutions	641,457	625,823	641,457	625,823
Domestic business enterprises				
– Small business enterprises	46,070	80,535	46,070	80,535
– Others	3,830,580	3,985,017	3,832,966	3,989,533
Government and statutory bodies	931,692	755,713	931,692	755,713
Individuals	9,991,495	9,423,561	9,991,495	9,423,561
Other domestic entities	5,228	6,505	5,228	6,505
Foreign entities	18,614	9,742	18,614	9,742
Gross financing	15,465,136	14,886,896	15,467,522	14,891,412

(iii) By profit rate sensitivity

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate:				
Home financing	294,984	342,502	294,984	342,502
Hire purchase receivables	581,632	623,219	581,632	623,219
Others	3,305,713	2,824,512	3,308,099	2,829,028
Variable rate:				
Home financing	4,290,170	4,271,390	4,290,170	4,271,390
Others	6,992,637	6,825,273	6,992,637	6,825,273
Gross financing	15,465,136	14,886,896	15,467,522	14,891,412

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(iv) By sector

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Agriculture	22,348	18,110	22,348	18,110
Mining and quarrying	4,954	3,189	4,954	8,122
Manufacturing	683,164	737,768	684,847	737,768
Electricity, gas and water	139,810	155,999	139,810	155,999
Construction	363,630	412,378	363,630	412,378
Household	10,000,044	9,426,731	10,000,044	9,426,731
Real estate	1,319,460	1,228,141	1,319,460	1,228,141
Wholesale, retail and restaurant	842,281	862,522	842,281	862,522
Transport, storage and communication	78,100	194,726	78,099	194,726
Finance, takaful and business services	752,865	740,018	752,865	740,018
Community, social and personal service	303,743	353,074	304,447	352,657
Government and statutory bodies	954,737	754,240	954,737	754,240
Gross financing	15,465,136	14,886,896	15,467,522	14,891,412

(v) By residual contractual maturity

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Maturity				
– within one year	4,076,604	4,479,979	4,076,604	4,479,979
– more than one to five years	4,999,965	4,716,748	5,002,351	4,716,748
– more than five years	6,388,567	5,690,169	6,388,567	5,694,685
Gross financing	15,465,136	14,886,896	15,467,522	14,891,412

(vi) By geographical area

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic	15,465,136	14,886,896	15,467,522	14,891,412
Gross financing	15,465,136	14,886,896	15,467,522	14,891,412

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(vii) By economic purpose

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	823,486	58,905	823,486	58,905
Purchase of transport vehicles	578,611	612,964	578,611	612,964
Purchase of landed properties of which:				
– residential	4,535,553	4,642,424	4,535,553	4,642,424
– non-residential	390,897	459,399	390,897	459,399
Purchase of fixed assets (excluding landed properties)	76,104	98,455	76,104	98,455
Personal use	3,789,338	3,840,151	3,789,338	3,840,151
Construction	932,843	791,432	932,843	791,432
Working capital	4,010,057	3,425,991	4,012,443	3,430,507
Other purposes	328,247	957,175	328,247	957,175
Gross financing	15,465,136	14,886,896	15,467,522	14,891,412

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 (2018: RM875 million). The cumulative change in fair value of the financings attributable to changes in profit rate risks amount to a gain of RM23,045,089 (2018: loss of RM5,195,727) and the change for the current year is a gain of RM26,767,470 (2018: loss of RM5,157,995). 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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(viii) Movements in the loss allowance for financing of customers

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 31 March 2019				
At 1 April 2018, as previously stated	–	–	–	–
Effect of adopting MFRS 9	64,460	17,354	270,971	352,785
At 1 April 2018, as restated	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)	177,608	36,850
New financing originated	29,381	3,001	8,264	40,646
Financing derecognised	(22,011)	(3,930)	(39,646)	(65,587)
Amount written-off/realised	(62,134)	(4,294)	(140,984)	(207,412)
Other movements	4	–	–	4
At 31 March 2019	55,886	7,448	93,952	157,286

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

8. IMPAIRED FINANCING

(i) Movements in the impaired financing

As at 31 March 2019	Group RM'000	Bank RM'000
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 MARCH 2019 (24 REJAB 1440H)

8. IMPAIRED FINANCING (CONT'D.)

(i) Movements in the impaired financing (cont'd.)

As at 31 March 2018	Group RM'000	Bank RM'000
At beginning of period	351,920	356,853
Classified as impaired during the year	431,092	431,092
Reclassified as performing during the year	(337,245)	(337,245)
Recovered during the year	(82,895)	(82,895)
Written off during the year	(77,456)	(77,456)
Gross impaired financing	285,416	290,349
Less: Individual and collective allowance	(132,575)	(137,508)
Net impaired financing	152,841	152,841
Calculation ratio of impaired financing:		
Gross financing of customers	14,886,896	14,891,412
Less: Individual and collective allowance	(132,575)	(137,508)
Net financing of customers	14,754,321	14,753,904
Ratio of gross impaired financing to total financing	1.92%	1.95%
Net impaired financing ratio	1.04%	1.04%

(ii) Movements in the allowance for impaired financing

Collective assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2019		
At 1 April 2018, as previously stated	176,922	176,922
Effect of adopting MFRS 9	(176,922)	(176,922)
At 1 April 2018, as restated	–	–
As at 31 March 2018		
At beginning of period	236,159	236,159
Allowance made during the period	293,271	293,271
Amount written-back	(328,924)	(328,924)
Amount written-off	(23,584)	(23,584)
At end of period	176,922	176,922
As % of gross financing, less individual assessment allowance (including regulatory reserve)	1.20%	1.20%

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

8. IMPAIRED FINANCING (CONT'D.)

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

Individual assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2019		
At 1 April 2018, as previously stated	16,932	21,865
Effect of adopting MFRS 9	(16,932)	(21,865)
At 1 April 2018, restated	–	–
As at 31 March 2018		
At beginning of period	76,865	81,798
Allowance made during the period	12,849	12,849
Amount written-back	(25,011)	(25,011)
Amount written-off	(47,771)	(47,771)
At end of period	16,932	21,865

(iii) Impaired financing by geographical area

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic	221,216	285,416	221,216	290,349

(iv) Impaired financing by sector

	Group	
	2019 RM'000	2018 RM'000
Agriculture	–	6
Manufacturing	362	783
Construction	6,820	5,698
Household	171,310	241,803
Real estate	19,186	363
Wholesale and retail and restaurant	11,754	8,215
Transport, storage and communication	7,915	22,292
Finance, takaful and business services	3,165	4,650
Purchase of transport vehicles	–	250
Community, social and personal service	704	1,356
	221,216	285,416

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

8. IMPAIRED FINANCING (CONT'D.)

(iv) Impaired financing by sector (cont'd.)

	Bank	
	2019 RM'000	2018 RM'000
Agriculture	–	6
Manufacturing	362	783
Construction	6,820	5,698
Household	171,310	241,803
Real estate	19,186	363
Wholesale and retail and restaurant	11,754	8,215
Mining and quarrying	–	4,933
Transport, storage and communication	7,915	22,292
Finance, takaful and business services	3,165	4,650
Purchase of transport vehicles	–	250
Community, social and personal service	704	1,356
	221,216	290,349

(v) Impaired financing by economic purpose

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	–	60	–	60
Purchase of transport vehicles	4,232	17,856	4,232	17,856
Purchase of landed properties of which:				
– Residential	104,733	94,017	104,733	94,017
– Non-residential	30,037	10,884	30,037	10,884
Purchase of fixed assets (excluding landed properties)	–	1,403	–	1,403
Personal use	50,088	125,378	50,088	125,378
Construction	–	23	–	23
Working capital	31,154	33,553	31,154	38,486
Other purposes	972	2,242	972	2,242
	221,216	285,416	221,216	290,349

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

9. OTHER ASSETS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits	7,504	7,188	7,404	7,090
Prepayments	8,999	8,142	8,814	7,944
Tax prepayment	48,956	49,327	48,810	49,327
Golf club membership	600	600	600	600
Other receivables	7,581	12,319	7,581	12,319
Other debtors	12,506	14,402	14,843	12,263
	86,146	91,978	88,052	89,543
Less: Accumulated impairment losses (Note 9(a))	(4,521)	–	(4,521)	–
	81,625	91,978	83,531	89,543

(a) Movements in the accumulated impairment losses are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
At 1 April 2018	–	–
Allowance made	(4,521)	–
At 31 March 2019	(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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

11. INVESTMENT IN SUBSIDIARIES

	Bank	
	2019 RM'000	2018 RM'000
Unquoted shares at cost – in Malaysia	13,823	10,823
Less: Accumulated impairment losses (Note 11(a))	(1,264)	(2,264)
	12,559	8,559

(a) Movements in the accumulated impairment losses are as follows:

	Bank	
	2019 RM'000	2018 RM'000
At 1 April 2018	2,264	2,768
Impairment writeback	(1,000)	(504)
At 31 March 2019	1,264	2,264

Details of the subsidiary companies that are all incorporated in Malaysia are as follows:

Name	Principal activities	Percentage of equity held		Paid up capital	
		2019 %	2018 %	2019 RM	2018 RM
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	100	100	13,000,000	10,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	100	100	100,002	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100	2,500	2,500
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	100	100	2,500	2,500

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

12. INVESTMENT PROPERTIES

Group and Bank	Freehold land RM'000	Buildings on freehold land RM'000	Investment properties under construction RM'000	Total RM'000
As at 31 March 2019				
As at 1 April 2018	13,481	28,300	–	41,781
Additions	–	–	1,942	1,942
Change in fair value recognised in income statement (Note 29)	520	1,060	–	1,580
As at 31 March 2019	14,001	29,360	1,942	45,303
As at 31 March 2018				
As at 1 April 2017	13,481	21,154	4,143	38,778
Additions	–	–	588	588
Change in fair value recognised in income statement (Note 29)	–	2,415	–	2,415
Reclassification	–	4,731	(4,731)	–
As at 31 March 2018	13,481	28,300	–	41,781

The Group's and the Bank's investment properties consist of a few units of commercial properties and a few pieces of undeveloped freehold commercial land.

As at 31 March 2019, the fair values of the properties are based on valuations performed by Proharta Consultancy Sdn. Bhd., an accredited independent valuer. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. Fair value hierarchy disclosures for investment properties have been further disclosed in Note 47.

Description of valuation techniques used and key inputs to valuation on investment properties:

Types of investment properties	Valuation Technique	Significant unobservable inputs
<ul style="list-style-type: none"> 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.

► NOTES TO THE FINANCIAL STATEMENTS

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13. INTANGIBLE ASSETS

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
As at 31 March 2018			
Cost			
As at 1 April 2017	210,069	3,406	213,475
Additions	6,250	6,659	12,909
Write off	(10)	(368)	(378)
Reclassification	5,509	(5,748)	(239)
As at 31 March 2018	221,818	3,949	225,767
Accumulated amortisation			
As at 1 April 2017	103,965	–	103,965
Charge for the year (Note 37)	27,743	–	27,743
Write off	(10)	–	(10)
As at 31 March 2018	131,698	–	131,698
Carrying amount as at 31 March 2018	90,120	3,949	94,069

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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
As at 31 March 2018			
Cost			
As at 1 April 2017	209,064	3,406	212,470
Additions	6,250	6,659	12,909
Write off	(10)	(368)	(378)
Reclassification	5,509	(5,748)	(239)
As at 31 March 2018	220,813	3,949	224,762
Accumulated amortisation			
As at 1 April 2017	103,350	–	103,350
Charge for the year (Note 37)	27,528	–	27,528
Write off	(10)	–	(10)
As at 31 March 2018	130,868	–	130,868
Carrying amount as at 31 March 2018	89,945	3,949	93,894

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in-progress RM'000	Total RM'000
As at 31 March 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
As at 31 March 2018					
Cost					
As at 1 April 2017	2,909	17,189	241,151	3,405	264,654
Additions	5,488	–	4,968	6,912	17,368
Write off	–	–	(984)	–	(984)
Disposals	–	–	(217)	–	(217)
Reclassification	1,897	–	6,543	(8,201)	239
As at 31 March 2018	10,294	17,189	251,461	2,116	281,060
Accumulated depreciation					
As at 1 April 2017	674	6,132	205,539	–	212,345
Charge for the year (Note 37)	125	430	16,669	–	17,224
Write off	–	–	(972)	–	(972)
Disposals	–	–	(206)	–	(206)
As at 31 March 2018	799	6,562	221,030	–	228,391
Carrying amount as at 31 March 2018	9,495	10,627	30,431	2,116	52,669

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in- progress RM'000	Total RM'000
As at 31 March 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 March 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
As at 31 March 2018					
Cost					
As at 1 April 2017	2,909	17,189	240,844	3,405	264,347
Additions	5,488	–	4,965	6,912	17,365
Write off	–	–	(984)	–	(984)
Disposals	–	–	(217)	–	(217)
Reclassification	1,897	–	6,543	(8,201)	239
As at 31 March 2018	10,294	17,189	251,151	2,116	280,750
Accumulated depreciation					
As at 1 April 2017	674	6,132	205,271	–	212,077
Charge for the year (Note 37)	125	430	16,635	–	17,190
Write off	–	–	(972)	–	(972)
Disposals	–	–	(206)	–	(206)
As at 31 March 2018	799	6,562	220,728	–	228,089
Carrying amount as at 31 March 2018	9,495	10,627	30,423	2,116	52,661

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– 31 MARCH 2019 (24 REJAB 1440H)

15. PREPAID LAND LEASE PAYMENTS

	Group and Bank	
	2019 RM'000	2018 RM'000
At beginning of the year	227	231
Amortisation (Note 37)	(4)	(4)
At end of the year	223	227
Analysed as:		
Long term leasehold land	223	227

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of the year, as previously stated	15,020	2,566	15,607	9,652
Effect of adopting MFRS 9	49,940	–	49,940	–
At beginning of the year, as restated	64,960	2,566	65,547	9,652
Recognised in the income statement (Note 40)	(38,525)	7,347	(39,047)	7,347
Recognised in other comprehensive income	(8,758)	5,107	(8,758)	(1,392)
At end of the year	17,677	15,020	17,742	15,607

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets, net	17,742	15,607	17,742	15,607
Deferred tax liabilities, net	(65)	(587)	–	–
	17,677	15,020	17,742	15,607

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– 31 MARCH 2019 (24 REJAB 1440H)

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	26,607	24,235	26,607	24,235
Deferred tax liabilities	(8,930)	(9,215)	(8,865)	(8,628)
	17,677	15,020	17,742	15,607

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	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2018, as previously stated	–	–	9,266	4,153	10,568	248	24,235
Effect of adopting MFRS 9	49,940	9,266	(9,266)	–	–	–	49,940
At 1 April 2018, restated	49,940	9,266	–	4,153	10,568	248	74,175
Recognised in income statements	(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

	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 1 April 2017	10,753	2,376	6,291	265	19,685
Recognised in income statements	–	1,777	4,277	(17)	6,037
Recognised in other comprehensive income	(1,487)	–	–	–	(1,487)
As at 31 March 2018	9,266	4,153	10,568	248	24,235

► 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:
(cont'd.)

Deferred tax liabilities of the Group:

	Financial assets at FVTPL RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2018	(587)	(8,628)	(9,215)
Recognised in income statement	523	(237)	286
As at 31 March 2019	(65)	(8,865)	(8,930)

	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
As at 1 April 2017	(7,181)	(9,938)	(17,119)
Recognised in income statement	–	1,310	1,310
Recognised in other comprehensive income	6,594	–	6,594
As at 31 March 2018	(587)	(8,628)	(9,215)

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2018, as previously stated	–	–	9,266	4,153	10,568	248	24,235
Effect of adopting MFRS 9	49,940	9,266	(9,266)	–	–	–	49,940
At 1 April 2018, restated	49,940	9,266	–	4,153	10,568	248	74,175
Recognised in income statements	(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

	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 1 April 2017	10,753	2,376	6,291	265	19,685
Recognised in income statements	–	1,777	4,277	(17)	6,037
Recognised in other comprehensive income	(1,487)	–	–	–	(1,487)
As at 31 March 2018	9,266	4,153	10,568	248	24,235

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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: (cont'd.)

Deferred tax liabilities of the Bank:

	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2018	(8,628)	(8,628)
Recognised in income statement	(237)	(237)
As at 31 March 2019	(8,865)	(8,865)

	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
As at 1 April 2017	(95)	(9,938)	(10,033)
Recognised in income statement	–	1,310	1,310
Recognised in other comprehensive income	95	–	95
As at 31 March 2018	-	(8,628)	(8,628)

► NOTES TO THE FINANCIAL STATEMENTS

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17. DEPOSITS FROM CUSTOMERS

(i) By types of deposits

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Savings deposits				
Qard	1,039,081	947,906	1,039,081	947,906
Tawarruq	354,575	267,224	354,575	267,224
	1,393,656	1,215,130	1,393,656	1,215,130
Demand deposits				
Qard	3,104,620	3,391,839	3,111,107	3,397,366
Tawarruq	844,916	399,182	844,916	399,182
	3,949,536	3,791,021	3,956,023	3,796,548
Term deposits				
Negotiable Islamic debt certificate	908,842	1,156,951	908,842	1,156,951
General investment deposits	94,877	119,429	94,877	119,429
Short term accounts	2,199,402	3,052,657	2,199,402	3,052,657
Fixed term accounts tawarruq	10,564,188	10,803,931	10,581,488	10,816,731
	13,767,309	15,132,968	13,784,609	15,145,768
Other deposits	33,617	33,408	33,617	33,408
	19,144,118	20,172,527	19,167,905	20,190,854

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

17. DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) By types of customer

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Government and statutory bodies	4,712,851	5,181,925	4,712,851	5,181,925
Business enterprises	7,330,308	7,107,471	7,354,095	7,125,798
Individuals	2,040,314	2,277,087	2,040,314	2,277,087
Domestic non-bank financial institutions	3,342,090	4,176,090	3,342,090	4,176,090
Domestic banking financial institutions	404,126	649,377	404,126	649,377
Others	1,314,429	780,577	1,314,429	780,577
	19,144,118	20,172,527	19,167,905	20,190,854

The maturity structure of term deposits are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Due within six months	11,150,968	13,052,870	11,168,268	13,065,670
More than six months to one year	2,337,193	1,496,642	2,337,193	1,496,642
More than one year to three years	278,727	532,636	278,727	532,636
More than three year to five years	421	50,820	421	50,820
	13,767,309	15,132,968	13,784,609	15,145,768

18. INVESTMENT ACCOUNTS

(a) Investment accounts due from designated financial institution

	Group and Bank	
	2019 RM'000	2018 RM'000
Licensed Islamic bank	–	146

► NOTES TO THE FINANCIAL STATEMENTS

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18. INVESTMENT ACCOUNTS (CONT'D.)

(b) Investment account of customers

Restricted investment account ("RIA") is an arrangement between the Bank and investment account holders ("IAH") where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets. RIA amounting to RM20,944,000 (31 March 2018: RM44,493,000) is accounted for as off balance sheet as the Bank has passed its rights and obligations in respect of the assets related to the RIA or the residual cash flows from those assets to the IAH except for the Wakalah performance incentive fee income generated by the Bank for managing the RIA.

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wakalah				
Maturity				
– within one year	20,444	40,000	20,944	40,000
– more than one to five year	–	2,090	–	4,493
	20,444	42,090	20,944	44,493

(ii) By types of customer are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Business enterprise	–	21,911	500	24,314
Individuals	18,043	16,442	18,043	16,442
Others	2,401	3,737	2,401	3,737
	20,444	42,090	20,944	44,493

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Restricted investment accounts				
Term financing	444	2,090	944	4,493
Ar-Rahnu	20,000	40,000	20,000	40,000
Total investment	20,444	42,090	20,944	44,493

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– 31 MARCH 2019 (24 REJAB 1440H)

18. INVESTMENT ACCOUNTS (CONT'D.)

(b) Investment account of customers (cont'd.)

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

	Group and Bank 2019		Group and Bank 2018	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Investment account of customers	91.0%	6.8%	89.5%	7.0%

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2019 RM'000	2018 RM'000
Non-Mudharabah		
Bank Negara Malaysia	6,747	8,854
	6,747	8,854

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.

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– 31 MARCH 2019 (24 REJAB 1440H)

21. OTHER LIABILITIES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sundry creditors	5,062	2,829	1,134	831
Allowances for impairment losses on loan commitments and financial guarantee contracts (Note 21(a))	6,898	–	6,898	–
Accrual for bonus	23,211	28,421	22,789	28,124
Accrued expenses	14,905	56,683	15,061	57,513
Accrual for directors' fees	60	840	60	840
Accrual for audit fees	1,096	1,279	1,075	1,254
Other liabilities	27,218	27,287	27,139	27,050
	78,450	117,339	74,156	115,612

(a) Movements in the allowances for impairment losses on loan commitments and financial guarantee contracts are as follows:

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 31 March 2019				
At 1 April 2018, as previously stated	–	–	–	–
Effect of adopting MFRS 9	4,172	2,815	4,760	11,747
At 1 April 2018, as restated	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 financing originated	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

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

22. PROVISION FOR ZAKAT AND TAXATION

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Zakat	6,661	6,540	6,597	5,989
Taxation	9	1,374	–	–
	6,670	7,914	6,597	5,989

23. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to the Bank. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

24. SUKUK

(a) Subordinated sukuk

On 15 June 2016, the Bank set up a RM1.0 billion Sukuk programme of which RM250.0 million was subscribed up to the closing date. The Sukuk programme has loss absorption features to meet Basel III criteria and qualifies as Tier 2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.

The subordinated sukuk bears profit/dividend at 5.8% per annum, up to the date of early redemption in full of such sukuk or maturity date, whichever is earlier. The dividend is payable semi-annually in June and December.

(b) Senior sukuk

On 25 November 2016, the Bank has issued RM500.0 million (5 years maturity) of senior sukuk respectively through a RM2.0 billion Senior Sukuk Programme.

The Senior Sukuk bears profit/dividend at 5.5% per annum, up to the date of early redemption in full of such sukuk or maturity date, whichever is earlier. The dividend is payable semi-annually in May and November each year.

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25. SHARE CAPITAL

	Number of shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Ordinary shares				
As at 1 April/31 March	1,195,000	1,195,000	1,195,000	1,195,000

26. RESERVES

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Regulatory reserve	(a)	63,585	1,530	63,585	1,530
Retained profits	(b)	1,094,765	1,132,781	1,087,937	1,123,420
Exchange fluctuation reserve	(c)	(417)	(1,779)	(417)	(1,779)
Fair value through other comprehensive income	(d)	(1,514)	–	(1,513)	–
Available-for-sale reserve	(e)	–	(27,616)	–	(29,473)
		1,156,419	1,104,916	1,149,592	1,093,698

(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 March 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.

(e) Available-for-sale reserve

This represent the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed or impaired.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income derived from investment of:				
(i) Fixed term deposits	686,214	634,903	686,214	634,903
(ii) Other deposits	562,564	557,446	562,564	557,446
	1,248,778	1,192,349	1,248,778	1,192,349

(i) Income derived from investment of fixed term deposits

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance income and hibah:				
Income from financing	496,668	471,921	496,668	471,921
Financial investments designated at FVTPL	4,566	1	4,566	1
Financial investments held-for-maturity	–	491	–	491
Financial investments available-for-sale	–	118,756	–	118,756
Financial assets at fair value through other comprehensive income	128,127	–	128,127	–
Financial assets at amortised cost	1,556	–	1,556	–
Money at call and deposit with financial institutions	17,650	13,124	17,650	13,124
	648,567	604,293	648,567	604,293
Amortisation of premium, net	(1,896)	(607)	(1,896)	(607)
Total finance income and hibah	646,671	603,686	646,671	603,686
Other operating income				
Net gain from sale of:				
– financial investments designated at FVTPL	480	281	480	281
– financial investments available-for-sale	–	6,388	–	6,388
– debt instruments at fair value through other comprehensive income	9,379	–	9,379	–
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	423	(1)	423	(1)
	10,282	6,668	10,282	6,668

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fees and commission				
Guarantee fees	738	752	738	752
Safekeeping fees	7,704	7,245	7,704	7,245
Processing fees	1,885	647	1,885	647
Service charges and fees	6,233	5,538	6,233	5,538
Commission	12,701	10,367	12,701	10,367
	29,261	24,549	29,261	24,549
Total	686,214	634,903	686,214	634,903

(ii) Income derived from investment of other deposits

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance income and hibah				
Income from financing	407,172	414,348	407,172	414,348
Financial investments designated at FVTPL	3,743	1	3,743	1
Financial investments held-for-maturity	–	431	–	431
Financial investments available-for-sale	–	104,268	–	104,268
Financial assets at fair value through other comprehensive income	105,040	–	105,040	–
Financial assets at amortised cost	1,275	–	1,275	–
Money at call and deposit with financial institutions	14,470	11,522	14,470	11,522
	531,700	530,570	531,700	530,570
Amortisation of premium, net	(1,555)	(533)	(1,555)	(533)
Total finance income and hibah	530,145	530,037	530,145	530,037

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(ii) Income derived from investment of other deposits (cont'd.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other operating income				
Net gain from sale of:				
– financial investments designated at FVTPL	394	247	394	247
– financial investments available-for-sale	–	5,609	–	5,609
– debt instruments at fair value through other comprehensive income	7,689	–	7,689	–
Unrealised gain on revaluation from financial investments designated at FVTPL	347	–	347	–
Total	8,430	5,856	8,430	5,856
Fees and commission				
Guarantee fees	605	661	605	661
Safekeeping fees	6,316	6,361	6,316	6,361
Processing fees	1,545	568	1,545	568
Service charges and fees	5,110	4,862	5,110	4,862
Commission	10,413	9,101	10,413	9,101
	23,989	21,553	23,989	21,553
Total	562,564	557,446	562,564	557,446

28. INCOME DERIVED FROM INVESTMENT OF ACCOUNT FUNDS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance income and hibah				
Investment of account funds	2	16	2	16
	2	16	2	16
Fees and commission				
Service charges and fees	509	31	509	31
Total	511	47	511	47

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance income and hibah				
Financial investments available-for-sale	–	15,673	–	15,673
Financial assets at fair value through other comprehensive income	13,311	–	13,311	–
Money at call and deposit with financial institutions	1,676	1,448	1,676	1,448
Accretion of discounts, net	2,222	3,170	2,222	3,170
Total finance income and hibah	17,209	20,291	17,209	20,291
Other operating income				
Net gain/(loss) on revaluation of foreign exchange transaction	8,322	(22,607)	8,322	(22,607)
Net gain/(loss) from foreign exchange derivatives	3,448	(1,562)	3,448	(1,562)
Net gain from sale of financial investment available-for-sale	–	22,272	–	6,854
Net gain from sale of financial investment designated at FVTPL	79	800	–	–
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	36,535	(12,203)	37,788	(12,203)
Net gain from sale of debt instruments at fair value through other comprehensive income	385	–	385	–
Gross dividend income				
– unquoted shares in Malaysia	53	502	–	–
– subsidiary	–	–	–	14,315
Net dividend paid for Islamic profit rate swap	(7,146)	(7,434)	(7,146)	(7,434)
Unrealised (loss)/gain on revaluation of Islamic profit rate swap	(21,604)	3,549	(21,604)	3,549
Unrealised gain/(loss) on revaluation of hedged items	33,297	(5,158)	33,297	(5,158)
Gain from derecognition of fair value of hedged items	2,102	4,811	2,102	4,811
	55,471	(17,030)	56,592	(19,435)

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fees and commission				
Corporate advisory fees	4,576	4,787	3,018	3,245
Service charges and fees	1,881	6,521	231	381
Commission	2,412	9,220	2,412	9,220
	8,869	20,528	5,661	12,846
Other income				
Rental income	1,103	1,160	1,223	1,280
Gain from sale of property, plant and equipment	70	45	70	45
Fair value adjustments of investment properties (Note 12)	1,580	2,415	1,580	2,415
	2,753	3,620	2,873	3,740
Total	84,302	27,409	82,335	17,442

30. (WRITEBACK OF)/ALLOWANCE FOR IMPAIRMENT ON FINANCING

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Allowance for/(writeback of) impairment losses on financing of customer:				
– individual allowance made	26,610	12,849	26,610	12,849
– individual allowance written back	(24,925)	(25,011)	(24,925)	(25,011)
– collective allowance made	234,040	293,271	234,040	293,271
– collective allowance written back	(226,549)	(328,924)	(226,549)	(328,924)
Impaired financing written off	2,592	6,684	2,592	6,684
Impaired financing recovered	(18,123)	(8,995)	(23,045)	(8,995)
	(6,355)	(50,126)	(11,277)	(50,126)

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– 31 MARCH 2019 (24 REJAB 1440H)

31. WRITEBACK OF IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impairment writeback on financial investments available-for-sale	–	(3,343)	–	(3,343)
Impairment writeback on investment in subsidiary	–	–	(1,000)	(504)
Writeback of impairment losses on debt instruments at FVOCI	(194)	–	(194)	–
Writeback of impairment losses on debt instruments at amortised cost	(607)	–	(607)	–
	(801)	(3,343)	(1,801)	(3,847)

32. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS, NET

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and short term funds				
– ECL, net	309	–	309	–
Other assets	4,521	–	4,521	–
	4,830	–	4,830	–

33. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits from customers				
– Mudharabah funds	1,578	1,904	1,578	1,904
– Non-Mudharabah funds	604,250	570,686	604,698	571,152
Deposits and placements of banks and other financial institutions				
– Non-Mudharabah funds	7,408	4,910	7,408	4,910
	613,236	577,500	613,684	577,966

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

34. PERSONNEL EXPENSES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salary and wages	137,364	130,118	136,071	128,658
Contribution to defined contribution plan	26,313	26,949	26,118	26,736
Social security contributions	1,552	1,380	1,538	1,366
Allowances and bonuses	21,551	30,985	21,162	30,515
Mutual Separation Scheme	475	3,683	475	3,683
Others	27,321	19,900	27,250	19,816
	214,576	213,015	212,614	210,774

35. DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Executive Director/Chief Executive Officer				
Salaries and wages	2,277	2,030	1,701	1,575
Bonus	1,364	686	1,313	619
Other emoluments	634	479	543	395
Benefits-in-kind	64	88	64	81
	4,339	3,283	3,621	2,670
(b) Non-Executive Directors				
Fees	1,175	1,102	1,135	1,062
Benefits-in-kind	49	23	49	23
Other emoluments	724	590	714	586
	1,948	1,715	1,898	1,671
(c) Shariah Committee members				
Allowance	316	263	316	263
Total	6,603	5,261	5,835	4,604
Total (excluding benefits-in-kind)	6,490	5,150	5,722	4,500

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35. DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows:

Group 2019	<----- Remuneration received from the Group ----->					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000

Note 35(a):

Executive Director:

Dato' Haji Mohd Redza Shah

Abdul Wahid	1,701	–	1,313	543	64	3,621
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Executive Director of the subsidiaries:

Norahmadi Sulong

377	–	–	64	–	441
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Mohd Faruk bin Abdul Karim

199	–	51	27	–	277
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2,277	–	1,364	634	64	4,339
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Note 35(b):

Non-Executive Directors:

Tan Sri Dato' Dr Mohd Munir

Abdul Majid	–	234	–	38	49	321
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Tengku Dato' Seri Hasmuddin

Tengku Othman	–	6	–	2	–	8
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Dato' Haji Mohd Izani Ghani*

–	120	–	66	–	186
---	-----	---	----	---	-----

Dato' Azmi Abdullah

–	55	–	36	–	91
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Dato' Haji Kamil Khalid Ariff

–	120	–	108	–	228
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Dato' Sri Che Khalib Mohamad

Noh	–	120	–	50	–	170
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Dr Azura Othman

–	120	–	123	–	243
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Ghazali Hj Darman

–	120	–	125	–	245
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Dato' Hj Che Pee Samsudin

–	120	–	76	–	196
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Dato' Ibrahim Taib

–	120	–	90	–	210
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Director – subsidiaries:

Fakiah Azahari

–	20	–	5	–	25
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Dato' Adnan Alias

–	20	–	5	–	25
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–	1,175	–	724	49	1,948
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Total Directors' remuneration	2,277	1,175	1,364	1,358	113	6,287
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* Director's fees payable to Khazanah Nasional Berhad.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

35. DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

Group 2019	<----- Remuneration received from the Group ----->					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000

Note 35(c):

Shariah Committee:

En Azizi Che Seman	–	55	–	19	1	75
Dr Mohamad Sabri Haron	–	49	–	9	1	59
Engku Ahmad Fadzil	–	49	–	10	1	60
Engku Ali						
Dr Ab Halim Muhammad	–	49	–	8	1	58
Dr Wan Marhaini	–	49	–	8	1	58
Wan Ahmad						
Mohd Shahid Mohd Noh	–	5	–	1	–	6
	–	256	–	55	5	316

Group 2018	<----- Remuneration received from the Group ----->					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000

Note 35(a):

Executive Director:

Dato' Haji Mohd	1,575	–	619	395	81	2,670
Redza Shah Abdul Wahid						

Executive Director of the subsidiaries:

Norahmadi Sulong	455	–	67	84	7	613
	2,030	–	686	479	88	3,283

► NOTES TO THE FINANCIAL STATEMENTS

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35. DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

Group 2018	<----- Remuneration received from the Group ----->					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 35(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	–	222	–	29	23	274
Tengku Dato' Seri Hasmuddin Tengku Othman	–	120	–	102	–	222
Dato' Haji Mohd Izani Ghani *	–	120	–	54	–	174
Dato' Azmi Abdullah	–	120	–	104	–	224
Dato' Haji Kamil Khalid Ariff	–	120	–	95	–	215
Dato' Sri Che Khalib Mohamad Noh	–	120	–	61	–	181
Dr Azura Othman	–	120	–	68	–	188
Ghazali Hj Darman	–	120	–	73	–	193
Director – subsidiaries:						
Fakihah Azahari	–	20	–	2	–	22
Dato' Adnan Alias	–	20	–	2	–	22
	–	1,102	–	590	23	1,715
Total Directors' remuneration	2,030	1,102	686	1,069	111	4,998

* Director's fees payable to Khazanah Nasional Berhad.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

35. DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

Group 2018	<----- Remuneration received from the Group ----->					
	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
En Azizi Che Seman	–	48	–	11	1	60
Dr Mohamad Sabri Haron	–	42	–	9	1	52
Engku Ahmad Fadzil Engku Ali	–	42	–	9	1	52
Dr Ab Halim Muhammad	–	42	–	4	1	47
Dr Wan Marhaini Wan Ahmad	–	42	–	9	1	52
	–	216	–	42	5	263

Note 35(c):

Shariah Committee:

En Azizi Che Seman	–	48	–	11	1	60
Dr Mohamad Sabri Haron	–	42	–	9	1	52
Engku Ahmad Fadzil Engku Ali	–	42	–	9	1	52
Dr Ab Halim Muhammad	–	42	–	4	1	47
Dr Wan Marhaini Wan Ahmad	–	42	–	9	1	52
	–	216	–	42	5	263

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

Bank 2019	<----- Remuneration received from the Bank ----->					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Dato' Haji Mohd Redza Shah Abdul Wahid	1,701	–	1,313	543	64	3,621
	1,701	–	1,313	543	64	3,621

Note 35(a):

Executive Director:

Dato' Haji Mohd Redza Shah Abdul Wahid	1,701	–	1,313	543	64	3,621
	1,701	–	1,313	543	64	3,621

► NOTES TO THE FINANCIAL STATEMENTS

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35. 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 2019	Salary RM'000	Allowance 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 fees 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

► NOTES TO THE FINANCIAL STATEMENTS

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35. DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows: (cont'd.)

Bank 2018	<----- Remuneration received from the Bank ----->					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000

Note 35(a):

Executive Director:

Dato' Haji Mohd

Redza Shah Abdul Wahid	1,575	–	619	395	81	2,670
	1,575	–	619	395	81	2,670

Note 35(b):

Non-Executive Directors:

Tan Sri Dato' Dr Mohd

Munir Abdul Majid	–	222	–	29	23	274
Tengku Dato'						
Seri Hasmuddin						
Tengku Othman	–	120	–	102	–	222
Dato' Haji Mohd Izani Ghani *	–	120	–	54	–	174
Dato' Azmi Abdullah	–	120	–	104	–	224
Dato' Hj Kamil Khalid Ariff	–	120	–	95	–	215
Dato' Sri Che Khalib						
Mohamad Noh	–	120	–	61	–	181
Dr Azura Othman	–	120	–	68	–	188
Ghazali Hj Darman	–	120	–	73	–	193
	–	1,062	–	586	23	1,671
Total Directors' remuneration	1,575	1,062	619	981	104	4,341

* Director's fees payable to Khazanah Nasional Berhad.

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35. DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows: (cont'd.)

Bank 2018	Salary RM'000	Allowance 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	–	48	–	11	1	60
Dr Mohamad Sabri Haron	–	42	–	9	1	52
Engku Ahmad Fadzil Engku Ali	–	42	–	9	1	52
Dr Ab Halim Muhammad	–	42	–	4	1	47
Dr Wan Marhaini Wan Ahmad	–	42	–	9	1	52
	–	216	–	42	5	263

36. KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of directors and other key members of management during the financial year was as follows:

	Group	
	2019 RM'000	2018 RM'000
Short-term employees benefits	11,426	9,250
Included in the total key management personnel are:		
Executive Director's remuneration (Note 35(a))	4,339	3,283

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36. KEY MANAGEMENT PERSONNEL REMUNERATION (CONT'D.)

The remuneration of directors and other key members of management during the financial year was as follows: (cont'd.)

	Bank	
	2019 RM'000	2018 RM'000
Short-term employees benefits (salary, bonus, allowances)	10,708	8,637
Included in the total key management personnel are:		
Executive Director's remuneration (Note 35(a))	3,621	2,670

37. OTHER OVERHEADS AND EXPENDITURES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Marketing				
Advertisement and publicity	9,724	12,090	9,724	12,090
Donation and sponsorship	4,454	4,796	4,454	4,796
Others	1,969	2,039	1,955	2,021
	16,147	18,925	16,133	18,907
Establishment				
Rental	13,136	13,047	12,530	12,443
Depreciation of property, plant and equipment (Note 14)	15,564	17,224	15,557	17,190
Amortisation of intangible assets (Note 13)	30,299	27,743	30,138	27,528
Amortisation of prepaid land lease payments (Note 15)	4	4	4	4
Information technology expenses	50,521	42,105	50,521	42,104
Repair and maintenance	3,409	2,734	3,045	2,263
Hire of equipment	3,857	5,008	3,487	4,622
Takaful	8,584	7,708	8,584	7,707
Utilities expenses	5,112	5,062	5,087	5,039
Security expenses	9,884	9,301	9,884	9,301
Others	4,723	3,876	4,723	3,876
	145,093	133,812	143,560	132,077

► NOTES TO THE FINANCIAL STATEMENTS

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37. OTHER OVERHEADS AND EXPENDITURES (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
General expenses				
Auditors' fees				
- statutory audit				
– current year	437	417	414	394
– underprovision in prior year	–	6	–	–
- regulatory related services	278	293	260	275
- others	768	1,070	757	1,065
Professional fees	3,412	1,534	3,187	1,192
Legal expenses	2,675	2,290	2,675	2,290
Telephone	2,244	1,845	2,239	1,841
Stationery and printing	2,068	1,750	2,050	1,732
Postage and courier	1,578	1,474	1,578	1,474
Travelling	2,099	1,930	2,092	1,924
Directors remuneration and Shariah Committee allowance (Note 35)	6,603	5,261	5,835	4,604
Intangible assets written off (Note 13)	–	368	–	368
Property, plant and equipment written off (Note 14)	53	12	53	12
Others	8,576	10,248	10,732	12,454
	30,791	28,498	31,872	29,625
	192,031	181,235	191,565	180,609

38. FINANCE COSTS

	Group and Bank	
	2019 RM'000	2018 RM'000
Dividend paid on subordinated sukuk	14,420	14,500
Dividend paid on senior sukuk	27,417	27,498
Financing sold to Cagamas	22,326	21,239
	64,163	63,237

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39. ZAKAT

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Provision of zakat for the year	6,255	6,138	6,195	5,587
	6,255	6,138	6,195	5,587

40. TAXATION

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax	16,716	51,280	16,250	47,388
Under/(over) provision in prior years	198	(1,148)	(44)	(805)
	16,914	50,132	16,206	46,583
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	38,297	(7,347)	38,819	(7,347)
Under provision in prior years	228	–	228	–
	38,525	(7,347)	39,047	(7,347)
	55,439	42,785	55,253	39,236

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	241,188	230,548	247,123	223,486
Taxation at Malaysian statutory tax rate 24% (2018: 24%)	57,885	55,332	59,310	53,637
Income not subject to tax	(11,979)	(18,614)	(8,344)	(21,664)
Expenses not deductible for tax purposes	9,107	7,215	4,103	8,068
Under/(over) provision of income tax in prior years	198	(1,148)	(44)	(805)
Under provision of deferred tax in prior years	228	–	228	–
Income tax expense for the year	55,439	42,785	55,253	39,236

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

40. TAXATION (CONT'D.)

The Group has not recognised the following unused tax losses of a subsidiary for the Group:

	Group	
	2019 RM'000	2018 RM'000
Unutilised tax losses	–	2,153

Under the Income Tax Act, 1967 and guidelines issued by the tax authority, the unutilised tax losses can be utilised for offsetting against future taxable profits for a maximum period of seven (7) years of assessment. The unutilised tax losses of the Group amounting to RM2,153,095 have been accumulated since year of assessment 2012. Since the unutilised tax losses of the Group have exceeded the maximum period of seven (7) years of assessment, the unutilised tax losses of the Group is “nil” as at 31 March 2019 (2018: RM2,153,095).

41. EARNINGS PER SHARE

Basic and diluted	Group	
	2019 RM'000	2018 RM'000
Profit attributable to ordinary equity holders of the Bank (RM'000)	179,494	181,625
Weighted average number of ordinary shares in issue ('000)	1,195,000	1,195,000
Basic and diluted earnings per share (sen)	15.02	15.20

42. DIVIDENDS

The directors did not declare any final dividend for the financial year ended 31 March 2019.

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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

The Group and the Bank have related party relationships with its substantial shareholders, subsidiaries and key Management personnel. The Group's and the Bank's significant transactions and balances with related parties are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Holding company				
Expenditure				
- hibah on deposit	6,931	8,818	6,931	8,818
- others	–	2	–	2
Amounts due to				
- deposits	147,624	338,066	147,624	338,066
- accrued expenses	–	43,680	–	43,680
Subsidiaries				
Income				
- dividend received	–	–	–	14,315
- rental income	–	–	272	311
- management fee	–	–	612	600
- arrangement fee	–	–	260	100
Expenditure				
- fund management fee	–	–	2,176	2,256
- profit sharing incentive	–	–	107	559
- hibah on deposit	–	–	448	466
Amounts due from				
- financing	–	–	58,373	42,153
Amounts due to				
- management fee/profit sharing	–	–	365	559
- deposits	–	–	23,787	18,327
Key Management personnel				
Amounts due from				
- financing	2,010	496	1,713	441

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Related companies*				
Income				
- profit on financing	9,848	11,385	9,848	11,385
Expenditure				
- hibah on deposit	10,151	8,244	10,151	8,244
- seconded staff salary and related expenses	1,361	841	1,361	841
- mailing and courier service	430	428	430	428
- rental (offsite ATM and branch)	235	231	235	231
- purchase of fixed assets	224	–	224	–
- sponsorship	48	253	48	253
- others	522	485	522	485
Amounts due to				
- deposits	334,347	469,832	334,347	469,832
Amounts due from				
- financing	119,163	259,093	119,163	259,093
Other related companies**				
Expenditure				
- security services and equipment	–	247	–	247
- takaful expenses	1,771	3,436	1,771	3,436
- staff travelling expenses	517	498	517	498
- corporate attire expenses	–	1	–	1
- rental (offsite ATM and branch)	769	795	769	795
- sponsorship	–	130	–	130
- others	163	5	163	5
Amounts due to				
- deposits	405,673	623,943	405,673	623,943
Amounts due from				
- financing	1,101,828	1,111,438	1,101,828	1,111,438

* 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.

► NOTES TO THE FINANCIAL STATEMENTS

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44. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group	
	2019 RM'000	2018 RM'000
Outstanding credit exposures with connected parties	1,463,503	1,374,346
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	5.9%	5.3%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	–	–

	Bank	
	2019 RM'000	2018 RM'000
Outstanding credit exposures with connected parties	1,514,141	1,416,499
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.1%	5.5%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	–	–

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective on 1 January 2008.

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

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

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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					
	2019			2018		
	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	203,424	203,424	169,198	237,010	237,010	208,603
Trade-related contingencies	83,279	16,656	7,763	25,603	5,121	528
Transaction related contingencies	425,159	212,580	199,194	342,229	171,114	166,532
Commitments						
Credit extension commitment:						
– Maturity within one (1) year	624,707	124,941	123,594	927,991	185,598	170,493
– Maturity exceeding one (1) year	2,232,408	1,116,204	350,760	2,336,704	1,168,352	371,012
Islamic derivative financial instruments						
Foreign exchange related contracts	3,545,493	63,942	39,235	1,707,391	98,531	30,839
Profit rate related contract	2,150,000	85,938	17,188	1,200,000	10,875	2,175
	9,264,470	1,823,685	906,932	6,776,928	1,876,601	950,182

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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 the 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 an uniform view of risks across the Group and Bank and form strong risk governance.

The Board of Directors has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that these risks are properly managed. While the Board of Directors is ultimately responsible for risk management of the Group and the Bank, it has entrusted the Board Risk Management Committee ("BRMC") to carry out its functions. BRMC, which is chaired by an independent director of the Board, oversees the overall management of risks.

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– 31 MARCH 2019 (24 REJAB 1440H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Risk governance (cont'd.)

The execution of the Board's risk strategies and policies is the responsibility of the Group's and the Bank's Management and the conduct of these functions are being exercised under a management committee structure, namely, the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The Committee focuses on the overall business strategies and day-to-day business operations of the Group and the Bank in respect of risk management.

In addition, as an Islamic Bank, a Shariah Committee ("SC") is set up as an independent external body to decide on Shariah issues and simultaneously to assist towards risk mitigation and compliance with the Shariah principles.

There are other risk committees set up at the Management level to oversee specific risk areas and control function of which the following are the details:

Committee	Objective
Asset & Liability Working Committee ("ALCO")	To ensure 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.

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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 facility 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 ERM implement and execute the strategies and policies in managing credit risk to ensure that the Bank's exposure to credit are always kept within the Group's and the Bank's risk appetite parameters, and the Group and the Bank 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 includes, 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.

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– 31 MARCH 2019 (24 REJAB 1440H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

The Group's and the Bank's credit risk disclosures also cover past due and impaired financing including the approaches in determining the individual and collective impairment provisions.

(i) Maximum credit risk exposures and credit risk concentration

The following tables 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 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	1,453,422	445,509	463,118	212,101	3,529	50,203	229,233	2,857,115
Islamic derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	1,497,863	6,234,149	595,714	553,737	26,982	56,744	299,281	9,264,470
Total credit exposures	6,730,643	7,701,010	3,575,374	2,071,774	27,684	9,928,884	1,908,398	31,943,767

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– 31 MARCH 2019 (24 REJAB 1440H)

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 2018	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	–	1,579,923	–	–	–	–	–	1,579,923
Cash and placements with financial institutions	–	7,758	–	–	–	–	–	7,758
Investment accounts due from designated financial institution	–	146	–	–	–	–	–	146
Financial investments designated at fair value through profit and loss	–	161,274	–	–	–	–	–	161,274
Financial investments available-for-sale	4,232,765	302,598	686,821	126,720	–	–	970,509	6,319,413
Financial investments held-to-maturity	143,730	–	–	–	–	–	–	143,730
Islamic derivative financial assets	–	72,770	–	–	–	–	–	72,770
Financing of customers	752,535	666,164	1,688,051	1,619,699	14,233	9,259,428	687,736	14,687,846
Statutory deposits with Bank Negara Malaysia	674,500	–	–	–	–	–	–	674,500
Other assets	–	–	–	–	–	–	91,978	91,978
	5,803,530	2,790,633	2,374,872	1,746,419	14,233	9,259,428	1,750,223	23,739,338
Commitments and contingencies								
Contingent liabilities	21,907	50,016	142,830	343,163	6,257	3,836	36,833	604,842
Commitments	1,478,093	234,876	538,018	827,977	3,181	54,620	127,930	3,264,695
Islamic derivative financial instruments	–	2,907,391	–	–	–	–	–	2,907,391
	1,500,000	3,192,283	680,848	1,171,140	9,438	58,456	164,763	6,776,928
Total credit exposures	7,303,530	5,982,916	3,055,720	2,917,559	23,671	9,317,884	1,914,986	30,516,266

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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 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	1,453,422	445,509	463,118	212,101	3,529	50,203	229,233	2,857,115
Derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	1,497,863	6,234,149	595,714	553,737	26,982	56,744	299,281	9,264,470
Total credit exposures	6,730,643	7,701,010	3,575,826	2,071,774	26,982	9,928,884	1,908,742	31,943,861

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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 2018	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	–	1,579,923	–	–	–	–	–	1,579,923
Cash and placements with financial institutions	–	7,758	–	–	–	–	–	7,758
Investment accounts due from designated financial institution	–	146	–	–	–	–	–	146
Financial investments designated at fair value through profit and loss	–	161,274	–	–	–	–	–	161,274
Financial investments available-for-sale	4,232,765	302,598	686,821	126,720	–	–	967,855	6,316,759
Financial investments held-to-maturity	143,730	–	–	–	–	–	–	143,730
Islamic derivative financial assets	–	72,770	–	–	–	–	–	72,770
Financing of customers	752,535	666,164	1,688,051	1,619,699	14,234	9,259,428	687,318	14,687,429
Statutory deposits with Bank Negara Malaysia	674,500	–	–	–	–	–	–	674,500
Other assets	–	–	–	–	–	–	89,543	89,543
	5,803,530	2,790,633	2,374,872	1,746,419	14,234	9,259,428	1,744,716	23,733,832
Commitments and contingencies								
Contingent liabilities	21,907	50,016	142,830	343,163	6,257	3,836	36,833	604,842
Commitments	1,478,093	234,876	538,018	827,977	3,181	54,620	127,930	3,264,695
Derivative financial instruments	–	2,907,391	–	–	–	–	–	2,907,391
	1,500,000	3,192,283	680,848	1,171,140	9,438	58,456	164,763	6,776,928
Total credit exposures	7,303,530	5,982,916	3,055,720	2,917,559	23,672	9,317,884	1,909,479	30,510,760

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– 31 MARCH 2019 (24 REJAB 1440H)

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
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	2,857,115	–	2,857,115	–
Islamic 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

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– 31 MARCH 2019 (24 REJAB 1440H)

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 (cont'd.)

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2018				
On Balance Sheet Exposures				
Cash and short-term funds	1,490,563	89,360	1,490,563	89,360
Cash and placements with financial institutions	7,758	–	7,758	–
Investment accounts due from designated financial institution	146	–	146	–
Financial investments designated at fair value through profit and loss	–	161,274	–	161,274
Financial investments available-for-sale	6,300,136	19,277	6,297,482	19,277
Financial investments held-to-maturity	143,730	–	143,730	–
Islamic derivative financial assets	72,770	–	72,770	–
Financing of customers	14,687,846	–	14,687,429	–
Statutory deposits with Bank Negara Malaysia	674,500	–	674,500	–
Other assets	91,975	3	89,540	3
	23,469,424	269,914	23,463,918	269,914
Commitments and contingencies				
Contingent liabilities	604,842	–	604,842	–
Commitments	3,264,695	–	3,264,695	–
Islamic derivative financial instruments	2,907,391	–	2,907,391	–
	6,776,928	–	6,776,928	–
Total credit exposures	30,246,352	269,914	30,240,846	269,914

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– 31 MARCH 2019 (24 REJAB 1440H)

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	Neither past due nor impaired		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory RM'000			
2019					
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
2018					
Term financing					
– Home financing	4,063,791	265,306	189,049	95,747	4,613,893
– Syndicated financing	686,022	–	–	–	686,022
– Hire purchase receivables	564,463	24,235	16,540	17,981	623,219
– Leasing receivables	–	–	–	1,277	1,277
– Other term financing	5,636,624	186,346	55,208	145,843	6,024,021
Other financing	2,753,659	134,149	20,892	24,568	2,933,268
	13,704,559	610,036	281,689	285,416	14,881,700
Less:					
– Collective assessment allowance	–	–	–	–	(176,922)
– Individual assessment allowance	–	–	–	(16,932)	(16,932)
Total net financing	13,704,559	610,036	281,689	268,484	14,687,846

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– 31 MARCH 2019 (24 REJAB 1440H)

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	Neither past due nor impaired		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory RM'000			
2019					
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
2018					
Term financing					
– Home financing	4,063,791	265,306	189,049	95,747	4,613,893
– Syndicated financing	686,022	–	–	–	686,022
– Hire purchase receivables	564,463	24,235	16,540	17,981	623,219
– Leasing receivables	–	–	–	1,277	1,277
– Other term financing	5,636,207	186,346	55,208	150,776	6,028,537
Other financing	2,753,659	134,149	20,892	24,568	2,933,268
	13,704,142	610,036	281,689	290,349	14,886,216
Less:					
– Collective assessment allowance	–	–	–	–	(176,922)
– Individual assessment allowance	–	–	–	(21,865)	(21,865)
Total net financing	13,704,142	610,036	281,689	268,484	14,687,429

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– 31 MARCH 2019 (24 REJAB 1440H)

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	Less than 1 month RM'000	1-2 months RM'000	>2-3 months RM'000	Total RM'000
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
2018				
Term financing				
– Home financing	–	126,747	62,302	189,049
– Hire purchase receivables	–	11,281	5,259	16,540
– Other term financing	–	34,409	20,799	55,208
Other financing	824	14,863	5,205	20,892
Total	824	187,300	93,565	281,689

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– 31 MARCH 2019 (24 REJAB 1440H)

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

	2019 RM'000	2018 RM'000
Purchase of transport vehicles	11,580	16,481
Purchase of landed properties of which:		
– residential	141,093	186,463
– non-residential	12,882	21,893
Purchase of fixed assets (excluding landed properties)	–	19
Personal use	25,350	51,320
Working capital	2,515	3,887
Other purpose	289	1,626
	193,709	281,689

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 96.6% and 96.6%, respectively, as at 31 March 2019 (the Group and the Bank are at 90.1% and 90.0% as at 31 March 2018). Meanwhile, the financial effect of collateral held for other financial assets is not significant.

As at 31 March 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 RM50,738,280 as compared against 31 March 2018 total amount of RM60,009,987. The collateral consists of cash, securities, letters of guarantee, and properties.

Reposessed collateral

It is the Group's and the Bank's policy that dictates disposal of reposessed collateral to be carried out in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral reposessed are subject to disposal as soon as it is practical to do so. Foreclosed properties are recognised in other assets on the statement of financial position. At present, the Group and the Bank do not occupy reposessed properties for its own business use.

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– 31 MARCH 2019 (24 REJAB 1440H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets:

Group 2018	Financing of customers RM'000	Financial investments at FVOCI RM'000	Total RM'000
Individual assessment allowance			
At 1 April 2017	76,865	86,578	163,443
Allowance made during the year	12,849	–	12,849
Amount written back	(25,011)	(3,343)	(28,354)
Amount written off	(47,771)	–	(47,771)
Foreign exchange differences	–	(2,025)	(2,025)
As at 31 March 2018	16,932	81,210	98,142

Bank 2018	Financing of customers RM'000	Financial investments at FVOCI RM'000	Total RM'000
Individual assessment allowance			
As at 1 April 2017	81,798	86,578	168,376
Allowance made during the year	12,849	–	12,849
Amount written back	(25,011)	(3,343)	(28,354)
Amount written off	(47,771)	–	(47,771)
Foreign exchange differences	–	(2,025)	(2,025)
As at 31 March 2018	21,865	81,210	103,075

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– 31 MARCH 2019 (24 REJAB 1440H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Analysis of inputs to the ECL model under multiple economic scenarios (Policy applicable from 1 April 2018)

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.

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 March 2019.

31 March 2019

Key Variable	ECL Scenario	Assigned Probabilities (%)	2018	2019	2020
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

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– 31 MARCH 2019 (24 REJAB 1440H)

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:

Group	Financial investments at amortised cost			Financial investments at FVOCI			
	Non-Money Market Instruments – Debt Securities			Non-Money Market Instruments – Debt Securities			
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Other assets RM'000
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
2018							
AAA+ to AA-	–	–	–	–	1,019,619	1,019,619	–
A+ to A-	–	–	–	19,277	25,015	44,292	–
BBB+ to BB-	–	143,730	143,730	–	–	–	–
Unrated	–	–	–	–	138,821	138,821	91,978
Defaulted	–	–	–	–	3,343	3,343	–
Sovereign	–	–	–	–	5,028,189	5,028,189	–
Total	–	143,730	143,730	19,277	6,214,987	6,234,264	91,978

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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.)

Bank	Financial investments at amortised cost Non-Money Market Instruments – Debt Securities			Financial investments at FVOCI Non-Money Market Instruments – Debt Securities			
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Other assets RM'000
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
2018							
AAA+ to AA-	–	–	–	–	1,019,619	1,019,619	–
A+ to A-	–	–	–	19,277	25,015	44,292	–
BBB+ to BB-	–	143,730	143,730	–	–	–	–
Unrated	–	–	–	–	138,821	138,821	89,543
Defaulted	–	–	–	–	3,343	3,343	–
Sovereign	–	–	–	–	5,028,189	5,028,189	–
Total	–	143,730	143,730	19,277	6,214,987	6,234,264	89,543

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 gross outstanding amount of RM34,285,600 (2018: RM81,629,437), which have been classified as impaired and fully provided for.

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– 31 MARCH 2019 (24 REJAB 1440H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(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.

(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 uses various tools including repricing gap reports, sensitivity analysis, and income scenario simulations to measure its rate of return risk. The impact on earnings and EVE is considered at all times in measuring the rate of return risk and is subject to limits approved by the Board 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 financings or early withdrawal of deposits.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 2019	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 12 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	1.3%
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	

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– 31 MARCH 2019 (24 REJAB 1440H)

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 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.

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– 31 MARCH 2019 (24 REJAB 1440H)

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 2018	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 12 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	1251,598	8,774	-	-	-	-	-	-	319,551	-	1,579,923	2.6%
Cash and placements with financial institutions	-	7,727	-	-	-	-	-	-	31	-	7,758	2.6%
Investment accounts due from designated financial institution	-	-	-	145	-	-	-	-	1	-	146	-
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	161,274	-	161,274	-
Financial investments												
available-for-sale	26,148	91,360	659,693	412,545	654,723	350,149	1,065,366	2,932,220	127,209	-	6,319,413	3.9%
Financial investments held-to-maturity	-	-	-	-	-	-	-	143,730	-	-	143,730	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	72,770	72,770	-
Financing of customers:												
– non-impaired	10,250,310	1,084,845	417,085	209,096	94,317	141,923	278,740	2,081,957	38,011	-	14,596,284	6.0%
– impaired*	-	-	-	-	-	-	-	-	268,484	-	268,484	-
– collective assessment allowance	-	-	-	-	-	-	-	-	(176,922)	-	(176,922)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	970,831	-	970,831	-
TOTAL ASSETS	11,528,056	1,192,706	1,076,778	621,786	749,040	492,072	1,344,106	5,157,907	1,708,470	72,770	23,943,691	

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– 31 MARCH 2019 (24 REJAB 1440H)

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 2018	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	12,250,408	4,215,250	2,924,646	300,937	225,449	50,018	206	-	205,613	-	20,172,527	2.4%
Deposits and placements of banks and other financial institutions	230	305	979	1,473	2,228	2,258	1,381	-	-	-	8,854	3.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	9,618	-	9,618	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,923	77,923	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	-	485,665	-	186	-	485,851	4.7%
Subordinated sukuk	-	-	-	-	-	250,000	-	-	4,035	-	254,035	5.8%
Senior Sukuk	-	-	-	-	-	500,000	-	-	9,127	-	509,127	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	125,840	-	125,840	-
Total Liabilities	12,250,638	4,215,555	2,925,625	302,410	227,677	802,276	487,252	-	354,419	77,923	21,643,775	
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,299,916	-	2,299,916	-
TOTAL LIABILITIES AND EQUITY	12,250,638	4,215,555	2,925,625	302,410	227,677	802,276	487,252	-	2,654,335	77,923	23,943,691	
On-balance sheet profit sensitivity gap	(722,582)	(3,022,849)	(1,848,847)	319,376	521,363	(310,204)	856,854	5,157,907	(945,865)	(5,153)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	(722,582)	(3,022,849)	(1,848,847)	319,376	521,363	(310,204)	856,854	5,157,907	(945,865)	1,194,847	1,200,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

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– 31 MARCH 2019 (24 REJAB 1440H)

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 2019	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 12 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 investments 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	1.3%
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	

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 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	-	-	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 MARCH 2019 (24 REJAB 1440H)

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 2018	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 12 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	1,251,598	8,774	-	-	-	-	-	-	319,551	-	1,579,923	2.6%
Cash and placements with financial institutions	-	7,727	-	-	-	-	-	-	31	-	7,758	2.6%
Investment accounts due from designated financial institution	-	-	-	145	-	-	-	-	1	-	146	-
Financial investment designated at held for trading	-	-	-	-	-	-	-	-	-	-	-	-
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	161,274	-	161,274	-
Financial investments available-for-sale	26,148	91,360	659,693	412,545	654,723	350,149	1,065,366	2,932,220	124,555	-	6,316,759	3.9%
Financial investments held-to-maturity	-	-	-	-	-	-	-	143,730	-	-	143,730	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	72,770	72,770	-
Financing of customers:												
– non-impaired	10,250,310	1,084,845	417,085	209,096	94,317	141,923	278,740	2,081,957	37,594	-	14,595,867	6.0%
– impaired*	-	-	-	-	-	-	-	-	268,484	-	268,484	-
– collective assessment allowance	-	-	-	-	-	-	-	-	(176,922)	-	(176,922)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	976,772	-	976,772	-
TOTAL ASSETS	11,528,056	1,192,706	1,076,778	621,786	749,040	492,072	1,344,106	5,157,907	1,711,340	72,770	23,946,561	

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– 31 MARCH 2019 (24 REJAB 1440H)

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 2018	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	12,263,208	4,215,250	2,924,646	300,937	225,449	50,018	206	-	211,140	-	20,190,854	2.4%
Deposits and placements of banks and other financial institutions	230	305	979	1,475	2,228	2,257	1,380	-	-	-	8,854	3.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	9,618	-	9,618	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,923	77,923	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	-	485,665	-	186	-	485,851	4.7%
Subordinated sukuk	-	-	-	-	-	250,000	-	-	4,035	-	254,035	5.8%
Senior Sukuk	-	-	-	-	-	500,000	-	-	9,127	-	509,127	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	121,601	-	121,601	-
Total Liabilities	12,263,438	4,215,555	2,925,625	302,412	227,677	802,275	487,251	-	355,707	77,923	21,657,863	-
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,288,698	-	2,288,698	-
TOTAL LIABILITIES AND EQUITY	12,263,438	4,215,555	2,925,625	302,412	227,677	802,275	487,251	-	2,644,405	77,923	23,946,561	-
On-balance sheet profit sensitivity gap	(735,382)	(3,022,849)	(1,848,847)	319,374	521,363	(310,203)	856,855	5,157,907	(933,065)	(5,153)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	(735,382)	(3,022,849)	(1,848,847)	319,374	521,363	(310,203)	856,855	5,157,907	(933,065)	1,194,847	1,200,000	-

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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.

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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 (cont'd.)

– Gap analysis (cont'd.)

A rate sensitive gap greater than one (>1) implies that the rate of return in sensitive assets is greater than the rate of return in sensitive liabilities. As rate of return rises, the income on assets will increase faster than the funding costs, resulting in higher spread income.

A rate sensitive gap less than one (<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.

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– 31 MARCH 2019 (24 REJAB 1440H)

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	
	Tax rate %	–50 Basis Points RM'000	+50 Basis Points RM'000	–50 Basis Points RM'000	+50 Basis Points RM'000
2019					
Effect on profit after tax	24%	(4,046)	4,046	(4,046)	4,046
Effect on other comprehensive income, net of tax	24%	79,816	(79,816)	78,392	(78,392)
Effect on equity		93,409	(93,409)	91,435	(91,435)
2018					
Effect on profit after tax	24%	(2,179)	2,179	(2,125)	2,125
Effect on other comprehensive income, net of tax	24%	109,102	(109,102)	107,682	(107,682)
Effect on equity		126,988	(126,988)	125,144	(125,144)

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.

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– 31 MARCH 2019 (24 REJAB 1440H)

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, 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 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
Investment accounts due from designated financial institution	-	-	-	-	-	-	-	-	-
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 in subsidiaries	-	-	-	-	-	-	-	-	-
Investment properties	45,303	-	-	-	-	-	-	-	45,303
Intangible assets	84,684	-	-	-	-	-	-	-	84,684
Property, plant and equipment	58,361	-	-	-	-	-	-	-	58,361
Prepaid land lease payments	223	-	-	-	-	-	-	-	223
Deferred tax assets	17,742	-	-	-	-	-	-	-	17,742
Total assets	22,513,469	343,527	57	286	3,118	3,179	13,760	8,214	22,885,610

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 2018	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	1,097,041	430,170	(4)	357	514	5,452	38,780	7,613	1,579,923
Cash and placements with financial institutions	–	7,758	–	–	–	–	–	–	7,758
Investment accounts due from designated financial institution	146	–	–	–	–	–	–	–	146
Financial investments designated at fair value through profit and loss	–	161,274	–	–	–	–	–	–	161,274
Financial investments available-for-sale	6,295,646	21,113	–	–	–	–	–	–	6,316,759
Financial investments held-to-maturity	143,730	–	–	–	–	–	–	–	143,730
Islamic derivative financial assets	72,770	–	–	–	–	–	–	–	72,770
Financing of customers	14,661,827	25,602	–	–	–	–	–	–	14,687,429
Other assets	89,543	–	–	–	–	–	–	–	89,543
Statutory deposits with Bank Negara Malaysia	674,500	–	–	–	–	–	–	–	674,500
Investment in subsidiaries	8,559	–	–	–	–	–	–	–	8,559
Investment properties	41,781	–	–	–	–	–	–	–	41,781
Intangible assets	93,894	–	–	–	–	–	–	–	93,894
Property, plant and equipment	52,661	–	–	–	–	–	–	–	52,661
Prepaid land lease payments	227	–	–	–	–	–	–	–	227
Deferred tax assets	15,607	–	–	–	–	–	–	–	15,607
Total assets	23,247,932	645,917	(4)	357	514	5,452	38,780	7,613	23,946,561

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 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	18,535,852	597,380	55	-	5,010	2,181	-	3,640	19,144,118
Deposits from customers									
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 MARCH 2019 (24 REJAB 1440H)

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 2018	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	1,097,041	430,170	(4)	357	514	5,452	38,780	7,613	1,579,923
Cash and placements with financial institutions	–	7,758	–	–	–	–	–	–	7,758
Investment accounts due from designated financial institution	146	–	–	–	–	–	–	–	146
Financial investments designated at fair value through profit and loss	–	161,274	–	–	–	–	–	–	161,274
Financial investments available-for-sale	6,298,300	21,113	–	–	–	–	–	–	6,319,413
Financial investments held-to-maturity	143,730	–	–	–	–	–	–	–	143,730
Islamic derivative financial assets	72,770	–	–	–	–	–	–	–	72,770
Financing of customers	14,662,244	25,602	–	–	–	–	–	–	14,687,846
Other assets	91,978	–	–	–	–	–	–	–	91,978
Statutory deposits with Bank Negara Malaysia	674,500	–	–	–	–	–	–	–	674,500
Investment in subsidiaries	–	–	–	–	–	–	–	–	–
Investment properties	41,781	–	–	–	–	–	–	–	41,781
Intangible assets	94,069	–	–	–	–	–	–	–	94,069
Property, plant and equipment	52,669	–	–	–	–	–	–	–	52,669
Prepaid land lease payments	227	–	–	–	–	–	–	–	227
Deferred tax assets	15,607	–	–	–	–	–	–	–	15,607
Total assets	23,245,062	645,917	(4)	357	514	5,452	38,780	7,613	23,943,691

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 2018 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	19,727,330	438,204	7	–	1,589	2,798	–	2,599	20,172,527
Deposits and placements of banks and other financial institutions	8,854	–	–	–	–	–	–	–	8,854
Bills and acceptances payable	9,612	1	–	–	–	–	–	5	9,618
Islamic derivative financial liabilities	77,923	–	–	–	–	–	–	–	77,923
Other liabilities	71,622	–	(10)	357	(1,075)	2,655	38,780	5,010	117,339
Provision for taxation and zakat	7,914	–	–	–	–	–	–	–	7,914
Recourse obligation on financing sold to Cagamas	485,851	–	–	–	–	–	–	–	485,851
Deferred tax liabilities	587	–	–	–	–	–	–	–	587
Subordinated sukuk	254,035	–	–	–	–	–	–	–	254,035
Senior sukuk	509,127	–	–	–	–	–	–	–	509,127
Total liabilities	21,152,855	438,205	(3)	357	514	5,453	38,780	7,614	21,643,775
On-balance sheet open position	2,092,207	207,712	(1)	–	–	(1)	–	(1)	2,299,916
Less: Islamic derivative financial assets	(72,770)	–	–	–	–	–	–	–	(72,770)
Add: Islamic derivative financial liabilities	77,923	–	–	–	–	–	–	–	77,923
Net open position	2,097,360	207,712	(1)	–	–	(1)	–	(1)	2,305,069

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 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
Investment accounts due from designated financial institution	-	-	-	-	-	-	-	-	-
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 equipment	58,360	-	-	-	-	-	-	-	58,360
Prepaid land lease payments	223	-	-	-	-	-	-	-	223
Deferred tax assets	17,742	-	-	-	-	-	-	-	17,742
Total assets	22,525,997	343,527	57	286	3,118	3,179	13,760	8,214	22,898,138

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 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	18,559,639	597,380	55	-	5,010	2,181	-	3,640	19,167,905
Deposits from customers									
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
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
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

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 2018 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	19,745,657	438,204	7	–	1,589	2,798	–	2,599	20,190,854
Deposits and placements of banks and other financial institutions	8,854	–	–	–	–	–	–	–	8,854
Bills and acceptances payable	9,612	1	–	–	–	–	–	5	9,618
Islamic derivative financial liabilities	77,923	–	–	–	–	–	–	–	77,923
Other liabilities	69,895	–	(10)	357	(1,075)	2,655	38,780	5,010	115,612
Provision for taxation and zakat	5,989	–	–	–	–	–	–	–	5,989
Recourse obligation on financing sold to Cagamas	485,851	–	–	–	–	–	–	–	485,851
Deferred tax liabilities	–	–	–	–	–	–	–	–	–
Subordinated sukuk	254,035	–	–	–	–	–	–	–	254,035
Senior sukuk	509,127	–	–	–	–	–	–	–	509,127
Total liabilities	21,166,943	438,205	(3)	357	514	5,453	38,780	7,614	21,657,863
On-balance sheet open position	2,080,989	207,712	(1)	–	–	(1)	–	(1)	2,288,698
Less: Islamic derivative financial assets	(72,770)	–	–	–	–	–	–	–	(72,770)
Add: Islamic derivative financial liabilities	77,923	–	–	–	–	–	–	–	77,923
Net open position	2,086,142	207,712	(1)	–	–	(1)	–	(1)	2,293,851

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			
	2019		2018	
	RM'000 1% appreciation	RM'000 1% depreciation	RM'000 1% appreciation	RM'000 1% depreciation
Impact to profit after tax and reserves	2,273	(2,273)	(2,077)	2,077

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 measures 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 monitors the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group's and the Bank 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 (behavioural 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 March 2019 based on remaining contractual maturities.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 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	1,959,821	2,857,114
Islamic derivative financial instruments	833,563	1,015,362	798,705	1,397,864	375,000	1,275,000	5,695,494
Total commitments and contingencies	909,242	1,184,904	995,271	1,482,076	990,000	3,702,977	9,264,470

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 2018	Up to 7 Days RM'000	>7 Days- 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	1,515,035	56,114	8,774	–	–	–	1,579,923
Cash and placements with financial institution	–	–	7,758	–	–	–	7,758
Investment accounts due from designated financial institution	–	–	–	–	–	146	146
Financial investments designated at fair value through profit and loss	–	–	–	–	–	161,274	161,274
Financial investments available-for-sale	–	18,934	91,360	60,521	601,802	5,546,796	6,319,413
Financial investments held-to-maturity	–	–	–	–	–	143,730	143,730
Islamic derivative financial assets	100	28,088	21,013	13,895	9,674	–	72,770
Financing of customers	223,985	1,283,979	1,437,751	722,867	792,454	10,226,810	14,687,846
Other assets	–	7,038	–	–	84,341	879,452	970,831
Total assets	1,739,120	1,394,153	1,566,656	797,283	1,488,271	16,958,208	23,943,691
Liabilities							
Deposits from customers	7,241,751	5,039,176	4,307,053	1,466,052	1,501,273	617,222	20,172,527
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,340	8,854
Bills and acceptances payable	–	9,618	–	–	–	–	9,618
Islamic derivative financial liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Other liabilities	–	61,151	–	–	64,102	587	125,840
Recourse obligation on financing sold to Cagamas Berhad	–	–	186	–	–	485,665	485,851
Subordinated sukuk	–	4,262	–	–	–	249,773	254,035
Senior sukuk	–	9,601	–	–	–	499,526	509,127
Total liabilities	7,241,869	5,152,851	4,328,379	1,480,274	1,575,879	1,864,523	21,643,775
Net maturity mismatch	(5,502,749)	(3,758,698)	(2,761,723)	(682,991)	(87,608)	15,093,685	2,299,916
Commitments and contingencies							
Contingent liabilities	2,833	21,551	13,487	22,604	123,450	420,917	604,842
Commitments	45,959	79,120	152,564	78,402	60,866	2,847,784	3,264,695
Islamic derivative financial instruments	127,470	483,609	422,090	365,143	559,080	949,999	2,907,391
Total commitments and contingencies	176,262	584,280	588,141	466,149	743,396	4,218,700	6,776,928

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 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	1,959,821	2,857,114
Islamic derivative financial instruments	833,563	1,015,362	798,705	1,397,864	375,000	1,275,000	5,695,494
Total commitments and contingencies	909,242	1,184,904	995,271	1,482,076	990,000	3,702,977	9,264,470

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– 31 MARCH 2019 (24 REJAB 1440H)

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 2018	Up to 7 Days RM'000	>7 Days- 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	1,515,035	56,114	8,774	–	–	–	1,579,923
Cash and placements with financial institution	–	–	7,758	–	–	–	7,758
Investment accounts due from designated financial institution	–	–	–	–	–	146	146
Financial investments designated at fair value through profit and loss	–	–	–	–	–	161,274	161,274
Financial investments available-for-sale	–	18,725	91,360	60,521	599,357	5,546,796	6,316,759
Financial investments held-to-maturity	–	–	–	–	–	143,730	143,730
Islamic derivative financial assets	100	28,088	21,013	13,895	9,674	–	72,770
Financing of customers	223,985	1,283,979	1,437,751	722,867	792,454	10,226,393	14,687,429
Other assets	9	7,038	–	–	81,896	887,829	976,772
Total assets	1,739,129	1,393,944	1,566,656	797,283	1,483,381	16,966,168	23,946,561
Liabilities							
Deposits from customers	7,247,277	5,049,476	4,309,554	1,466,052	1,501,273	617,222	20,190,854
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,340	8,854
Bills and acceptances payable	–	9,618	–	–	–	–	9,618
Islamic derivative financial liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Other liabilities	–	59,984	–	–	61,617	–	121,601
Recourse obligation on financing sold to Cagamas Berhad	–	–	186	–	–	485,665	485,851
Subordinated sukuk	–	4,262	–	–	–	249,773	254,035
Senior sukuk	–	9,601	–	–	–	499,526	509,127
Total liabilities	7,247,395	5,161,984	4,330,880	1,480,274	1,573,394	1,863,936	21,657,863
Net maturity mismatch	(5,508,266)	(3,768,040)	(2,764,224)	(682,991)	(90,013)	15,102,232	2,288,698
Commitments and contingencies							
Contingent liabilities	2,833	21,551	13,487	22,604	123,450	420,917	604,842
Commitments	45,959	79,120	152,564	78,402	60,866	2,847,784	3,264,695
Islamic derivative financial instruments	127,470	483,609	422,090	365,143	559,080	949,999	2,907,391
Total commitments and contingencies	176,262	584,280	588,141	466,149	743,396	4,218,700	6,776,928

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– 31 MARCH 2019 (24 REJAB 1440H)

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						
	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
Group							
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)	–
2018							
By contractual maturity	7,241,751	5,039,176	4,307,053	1,466,052	1,501,273	617,222	20,172,527
By behavioural maturity	2,799,139	1,858,592	1,453,811	932,894	1,507,358	11,620,733	20,172,527
Difference	4,442,612	3,180,584	2,853,242	533,158	(6,085)	(11,003,511)	–
Bank							
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)	–
2018							
By contractual maturity	7,247,277	5,049,476	4,309,554	1,466,052	1,501,273	617,222	20,190,854
By behavioural maturity	2,800,654	1,859,745	1,455,004	933,814	1,508,848	11,632,789	20,190,854
Difference	4,446,623	3,189,731	2,854,550	532,238	(7,575)	(11,015,567)	–

(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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– 31 MARCH 2019 (24 REJAB 1440H)

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	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
2019							
Non-derivative liabilities							
Deposits from customers	7,565,166	4,638,056	2,399,406	1,957,731	2,390,741	664,392	19,615,492
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	2,056,696	31,181,803
2018							
Non-derivative liabilities							
Deposits from customers	7,241,751	5,039,176	4,307,053	1,466,052	1,501,273	657,727	20,213,032
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,722	9,236
Bills and acceptances payable	-	9,618	-	-	-	-	9,618
Other liabilities	-	61,151	-	-	64,102	587	125,840
Recourse obligation on financing sold to Cagamas Berhad	-	-	186	-	-	572,057	572,243
Subordinated sukuk	-	4,262	-	-	-	250,822	255,084
Senior sukuk	-	9,601	-	-	-	509,571	519,172
Derivative liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Total financial liabilities	7,241,869	5,152,851	4,328,379	1,480,274	1,575,879	2,002,896	21,782,148

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– 31 MARCH 2019 (24 REJAB 1440H)

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	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
2019							
Non-derivative liabilities							
Deposits from customers	7,575,687	4,648,938	2,401,910	1,957,695	2,390,701	664,392	19,639,323
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	2,056,696	21,201,340
2018							
Non-derivative liabilities							
Deposits from customers	7,247,277	5,049,476	4,309,554	1,466,052	1,501,273	657,727	20,231,359
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,722	9,236
Bills and acceptances payable	–	9,618	–	–	–	–	9,618
Other liabilities	–	59,984	–	–	61,617	–	121,601
Recourse obligation on financing sold to Cagamas Berhad	–	–	186	–	–	572,057	572,243
Subordinated sukuk	–	4,262	–	–	–	250,822	255,084
Senior sukuk	–	9,601	–	–	–	509,571	519,172
Derivative liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Total financial liabilities	7,247,395	5,161,984	4,330,880	1,480,274	1,573,394	2,002,309	21,796,236

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– 31 MARCH 2019 (24 REJAB 1440H)

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 minimise 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.

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– 31 MARCH 2019 (24 REJAB 1440H)

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:

Group	Valuation technique using:			
	Quoted Market Price Level 1 RM'000	Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	Total RM'000
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
2018				
Non-financial assets				
Investment properties	–	–	41,781	41,781
Financial assets				
Financial investments designated at fair value through profit or loss	–	–	161,274	161,274
Financial investments available-for-sale	118,670	6,192,018	8,725	6,319,413
Derivative financial assets	–	72,770	–	72,770
Total financial assets measured at fair value	118,670	6,264,788	169,999	6,553,457
Financial liabilities				
Derivative financial liabilities	–	77,923	–	77,923
Total financial liabilities measured at fair value	–	77,923	–	77,923

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– 31 MARCH 2019 (24 REJAB 1440H)

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.)

Bank	Valuation technique using:			
	Quoted Market Price Level 1 RM'000	Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	Total RM'000
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
2018				
Non-financial assets				
Investment properties	–	–	41,781	41,781
Financial assets				
Financial investments designated at fair value through profit or loss	–	–	161,274	161,274
Financial investments available-for-sale	116,016	6,192,018	8,725	6,316,759
Derivative financial assets	–	72,770	–	72,770
Total financial assets measured at fair value	116,016	6,264,788	169,999	6,550,803
Financial liabilities				
Derivative financial liabilities	–	77,923	–	77,923
Total financial liabilities measured at fair value	–	77,923	–	77,923

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 April 2018	169,999	202,523	169,999	202,523
Gain/(loss) recognised in statements of profit or loss	35,688	(7,946)	35,688	(7,946)
Purchases	–	2,259	–	2,259
Sales	(17,588)	–	(17,588)	–
Reclassification	123,847	–	123,847	–
Foreign exchange translation difference	9,104	(26,837)	9,104	(26,837)
At 31 March 2019	321,050	169,999	321,050	169,999

	Group and Bank	
	2019 RM'000	2018 RM'000

Total gain/(loss) recognised in statements of profit or loss for financial instruments measured at fair value at the end of the financial year	35,688	(7,946)
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– 31 MARCH 2019 (24 REJAB 1440H)

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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
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	19,144,118
Deposits and placements of banks and other financial institutions	–	–	6,375	6,375	6,747
Bills and acceptances payable	–	–	15,678	15,678	15,678
Subordinated sukuk	–	255,935	–	255,935	254,025
Senior sukuk	–	515,009	–	515,009	509,174
2018					
Financial assets					
Financial investments held-to-maturity	–	159,357	–	159,357	143,730
Financing of customers	–	8,629,201	5,208,288	13,837,489	14,687,846
Financial liabilities					
Deposits from customers	–	2,184,038	17,989,573	20,173,611	20,172,527
Deposits and placements of banks and other financial institutions	–	–	8,436	8,436	8,854
Bills and acceptances payable	–	–	9,618	9,618	9,618
Subordinated sukuk	–	254,795	–	254,795	254,035
Senior sukuk	–	513,812	–	513,812	509,127

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– 31 MARCH 2019 (24 REJAB 1440H)

47. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value (cont'd.)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
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	19,167,905
Deposits and placements of banks and other financial institutions	–	–	6,375	6,375	6,747
Bills and acceptances payable	–	–	15,678	15,678	15,678
Subordinated sukuk	–	255,935	–	255,935	254,025
Senior sukuk	–	515,009	–	515,009	509,174
2018					
Financial assets					
Financial investments held-to-maturity	–	159,357	–	159,357	143,730
Financing of customers	–	8,629,201	5,207,871	13,837,072	14,687,429
Financial liabilities					
Deposits from customers	–	2,183,078	18,008,859	20,191,937	20,190,854
Deposits and placements of banks and other financial institutions	–	–	8,436	8,436	8,854
Bills and acceptances payable	–	–	9,618	9,618	9,618
Subordinated sukuk	–	254,795	–	254,795	254,035
Senior sukuk	–	513,812	–	513,812	509,127

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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, deposits and placements of banks and other financial institutions

The fair values of deposits from customers, deposits and placements of banks and other financial institutions 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 sukuk and senior sukuk are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for financing with similar risk profiles.

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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 related to financial collateral RM'000	Net amount RM'000
2019						
Derivative assets	24,853	–	24,853	–	–	24,853
Derivative liabilities	48,162	–	48,162	–	–	48,162
2018						
Derivative assets	72,770	–	72,770	–	–	72,770
Derivative liabilities	77,923	–	77,923	–	–	77,923

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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

49. CAPITAL AND OTHER COMMITMENTS

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Approved and contracted for	18,424	25,864	18,424	25,864
Approved but not contracted for	96,053	44,885	96,163	44,885
	114,477	70,749	114,587	70,749

50. CAPITAL ADEQUACY

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	Group	
	2019 RM'000	2018 RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	12,560,247	12,411,610
Total market RWA	31,021	38,159
Total operational RWA	1,190,113	1,161,497
Total RWA	13,781,381	13,611,266

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

50. CAPITAL ADEQUACY (CONT'D.)

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows: (cont'd.)

	Group	
	2019 RM'000	2018 RM'000
Computation of capital ratios		
<u>Tier-I capital</u>		
Share capital	1,195,000	1,195,000
Retained profits	1,094,765	1,132,781
Other Reserves		
Regulatory reserve	63,585	1,530
Unrealised losses on FVOCI financial instruments	(1,514)	–
Unrealised losses on available-for-sale financial instruments	–	(27,616)
Foreign exchange translation reserve	(417)	(1,779)
Less: Regulatory Adjustment		
Deferred tax assets	(26,607)	(24,235)
Investment property gain	(7,460)	(5,880)
Regulatory reserve	(63,585)	(1,530)
Intangible asset (net of deferred tax liabilities)	(75,754)	(85,441)
Total Common Equity Tier-I Capital	2,178,013	2,182,830
Total Tier-I Capital	2,178,013	2,182,830
<u>Tier-II capital</u>		
Subordinated sukuk	254,025	254,035
Loss provision/loss provision and regulatory reserve*	126,918	62,809
Add: Investment property gain	3,357	2,646
Total Tier-II Capital	384,300	319,490
Total Capital Base	2,562,313	2,502,320
<u>Ratio (%)</u>		
CET 1 Capital	15.80%	16.04%
Tier 1 Capital	15.80%	16.04%
Total Capital	18.59%	18.38%

- Tier 2 Capital for 2018 comprise collective allowance on non-impaired financing customers and regulatory reserve.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

50. CAPITAL ADEQUACY (CONT'D.)

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows: (cont'd.)

	Bank	
	2019 RM'000	2018 RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	12,560,708	12,404,662
Total market RWA	31,021	38,159
Total operational RWA	1,176,241	1,143,979
Total RWA	13,767,970	13,586,800
Computation of capital ratios		
<u>Tier-I capital</u>		
Share capital	1,195,000	1,195,000
Retained profits	1,087,937	1,123,420
<u>Other Reserves</u>		
Regulatory reserve	63,585	1,530
Unrealised losses on FVOCI financial instruments	(1,513)	–
Unrealised losses on available-for-sale financial instruments	–	(29,473)
Foreign exchange translation reserve	(417)	(1,779)
<u>Regulatory Adjustment</u>		
Deferred tax assets	(26,607)	(24,235)
Investment property gain	(7,460)	(5,880)
Regulatory reserve	(63,585)	(1,530)
Investment in subsidiaries	(12,559)	(8,559)
Intangible asset (net of deferred tax liabilities)	(75,695)	(85,266)
Total Common Equity Tier-I Capital	2,158,686	2,163,228
Total Tier-I Capital	2,158,686	2,163,228
<u>Tier-II capital</u>		
Subordinated sukuk	254,025	254,035
Loss provision/loss provision and regulatory reserve*	126,918	62,809
Add: Investment property gain	3,357	2,646
Total Tier-II Capital	384,300	319,490
Total Capital Base	2,542,986	2,482,718

- Tier 2 Capital for 2018 comprise collective allowance on non-impaired financing customers and regulatory reserve.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

50. CAPITAL ADEQUACY (CONT'D.)

(a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows: (cont'd.)

	Bank	
	2019 RM'000	2018 RM'000

Computation of capital ratios (cont'd.)

Ratio (%)

CET 1 Capital	15.68%	15.92%
Tier 1 Capital	15.68%	15.92%
Total Capital	18.47%	18.27%

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 the 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 (2018: 4.5%, 6.0% and 8.0% of total RWA).

(b) Credit risk disclosure by risk weights of the Group as at 31 March, are as follows:

	Group			
	2019		2018	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000 Restated	Total risk weighted assets RM'000 Restated
0%	7,029,256	–	7,610,997	–
20%	2,093,458	418,692	2,918,651	583,730
35%	2,932,351	1,026,323	3,136,586	1,097,805
50%	1,378,176	689,088	1,723,833	861,917
75%	2,954,416	2,215,812	1,711,429	1,283,572
100%	8,148,106	8,148,106	8,526,867	8,526,867
150%	41,484	62,226	38,480	57,719
Risk weighted assets for credit risk	24,577,247	12,560,247	25,666,843	12,411,610

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

50. CAPITAL ADEQUACY (CONT'D.)

(b) Credit risk disclosure by risk weights of the Group as at 31 March, are as follows: (cont'd.)

	Group			
	2019		2018	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000 Restated	Total risk weighted assets RM'000 Restated

Risk weighted assets for market risk	31,021	38,159
Risk weighted assets for operational risk	1,190,113	1,161,497
Total risk weighted assets	13,781,381	13,611,266

	Bank			
	2019		2018	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000 Restated	Total risk weighted assets RM'000 Restated

0%	7,029,256	–	7,610,997	–
20%	2,093,458	418,692	2,918,651	583,730
35%	2,932,351	1,026,323	3,136,586	1,097,805
50%	1,378,176	689,088	1,723,833	861,917
75%	2,954,416	2,215,812	1,711,429	1,283,572
100%	8,147,888	8,147,888	8,524,211	8,524,211
150%	41,936	62,905	35,618	53,427

Risk weighted assets for credit risk	24,577,481	12,560,708	25,661,325	12,404,662
Risk weighted assets for market risk		31,021		38,159
Risk weighted assets for operational risk		1,176,241		1,143,979
Total risk weighted assets		13,767,970		13,586,800

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
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
2018					
Revenue	296,258	645,199	250,100	28,248	1,219,805
Total income	151,469	400,587	15,193	75,056	642,305
Writeback for impairment on financing	16,286	33,807	33	–	50,126
Writeback of impairment on investments	–	–	3,343	–	3,343
Other expenses	–	–	–	(7,739)	(7,739)
Total net income	167,755	434,394	18,569	67,317	688,035
Total overhead expenses					(457,487)
Profit before zakat and taxation					230,548
Zakat					(6,138)
Taxation					(42,785)
Profit for the year					181,625

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Bank	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
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 for impairment on financing	17,680	(11,333)	4,930	–	11,277
Writeback of/(allowance for) impairment on financing	–	–	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
2018					
Revenue	296,258	645,199	240,133	28,248	1,209,838
Total Income	151,469	400,587	4,760	75,056	631,872
Writeback for impairment on financing	16,286	33,807	33	–	50,126
Writeback of impairment on investments	–	–	3,343	504	3,847
Other expenses	–	–	–	(7,739)	(7,739)
Total net income	167,755	434,394	8,136	67,821	678,106
Total overhead expenses					(454,620)
Profit before zakat and taxation					223,486
Zakat					(5,587)
Taxation					(39,236)
Profit for the year					178,663

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

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 relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

► NOTES TO THE FINANCIAL STATEMENTS

– 31 MARCH 2019 (24 REJAB 1440H)

52. SHARIAH DISCLOSURES (CONT'D.)

(a) Shariah governance (cont'd.)

(i) Shariah non-compliance income and events

2019	No. of event	RM
Monthly Nostro interest received	Nil	286

2018	No. of event	RM
Monthly Nostro interest received	Nil	573

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.

Example of unidentified funds are cash excess discovered at branch counter and ATMs, and unidentified credit balances.

	2019 RM'000	2018 RM'000
At 1 April 2018	92	80
Sources of charity funds		
Shariah non-compliance income during the year	55	80
Uses of charity funds		
Contribution to non-profit organisation	(146)	(68)
Undistributed charity funds as at 31 March 2019/2018	1	92

(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.

BASEL II – PILLAR 3 DISCLOSURES

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

In accordance with the requirement of BNM's Guideline on Capital Adequacy Framework for Islamic Banks ('CAFIB') – Disclosure Requirement ('Pillar 3'), and on behalf of the Board and management of Bank Muamalat Malaysia Berhad, I am pleased to provide an attestation on the Pillar 3 disclosures of the Group and the Bank for year ended 31 March 2019.

Dato' Haji Mohd Redza Shah bin Abdul Wahid

Chief Executive Officer

► BASEL II – PILLAR 3 DISCLOSURES

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► BASEL II – PILLAR 3 DISCLOSURES

ABBREVIATIONS

ALCO	Asset-Liability Management Committee	RA	Risk Assessment
ALM	Asset and Liability Management	R&I	Rating and Investment Information, Inc
BCM	Business Continuity Management	RAM	RAM Rating Services Berhad
BCP	Business Continuity Plan	RORBB	Rate of Return Risk in Banking Book
BIA	Business Impact Analysis	RMD	Risk Management Department
BOD	Board of Director	RWA	Risk Weighted Assets
BNM	Bank Negara Malaysia	RWCAF	Risk Weighted Capital Adequacy Framework
BRMC	Board Risk Management Committee	TBPS	Trading Book Policy Statement
BU	Business Unit	S&P	Standard and Poor's
CAFIB	Capital Adequacy Framework for Islamic Banks	SC	Shariah Committee
CBs	Corporate Bonds	SNCI	Shariah Non-Compliance Income
CC	Credit Committee	SRP	Shariah Review Program
CCR	Counterparty Credit Risk	SU	Support Unit
CEO	Chief Executive Officer	VaR	Value at Risk
CPs	Commercial Papers		
CR	Credit Risk		
CRP	Credit Risk Policy		
CRM	Credit Risk Mitigation		
CSRD	Credit Supervision and Recovery Department		
EAR	Earning At Risk		
ECAI	External Credit Assessment Institutions		
ERMC	Executive Risk Management Committee		
EVE	Economic Value Perspective		
FRS139	Financial Reporting Standards 139		
FDI	Foreign Direct Investments		
GCRP	Guidelines to Credit Risk Policies		
IC	Investment Committee		
ICAAP	Internal Capital Adequacy Assessment Process		
IFIs	Islamic Financial Institutions		
IFSB-10	Institute Offering Islamic Financial Services		
IPRS	Islamic Profit Rate Swap		
IRB Approach	Internal Ratings Based Approach		
MARC	Malaysian Rating Corporation Berhad		
MDB	Multilateral Development Bank		
MISB	Muamalat Invest Sdn Bhd		
MR	Market Risk		
OR	Operational Risk		
ORM	Operational Risk Management		
ORMC	Operational Risk Management Committee		
PDS	Private Debt Securities		
PSEs	Non-Federal Government Public Sector Entities		

► BASEL II – PILLAR 3 DISCLOSURES

OVERVIEW

The Pillar 3 Disclosure is a regulatory requirement aimed at enhancing market transparency and discipline. It is prepared in accordance to the Bank Negara Malaysia's ("BNM's") guidelines "Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3")" and contains qualitative and quantitative information on Bank Muamalat Malaysia Berhad's (BMMB's) risk exposures and capital adequacy levels as well as on its capital and risk management practices.

In assessing its capital position, BMMB applies the prescribed Standardised Approach to measure its credit and market risk exposures and the Basic Indicator Approach for operational risk, as outlined under the BNM's CAFIB guidelines.

This Pillar 3 disclosure is published for the financial year ended 31 March 2019 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 March 2019.

► BASEL II – PILLAR 3 DISCLOSURES

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on BMMB and its subsidiaries (hereinafter referred as “the Group and the Bank”). Information on subsidiaries is available in Note 11 to the financial statements.

The basis of consolidation for financial accounting purposes is described in Notes 2.2 to the financial statements, and differs from that used for regulatory capital purposes. The investment in subsidiary companies is deducted from regulatory capital at entity level and consolidated at group level.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

All information in the ensuing paragraphs is based on the Group’s position. Certain information on capital adequacy relating to the Group and the Bank is presented on a voluntary basis to provide additional information to users. The capital-related information of the Group and the Bank, which is presented on a global basis, includes its offshore banking activities in Labuan as determined under the CAFIB.

This document discloses the Group and the Bank 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.

► BASEL II – PILLAR 3 DISCLOSURES

2.0 CAPITAL MANAGEMENT

BMMB's capital management framework was designed to protect the interests of its key stakeholders and maximise shareholder value through optimum use of its capital resources. The primary capital management objective is to ensure efficient capital utilization while in pursuit of strategic and business objectives. It is also aimed at ensuring sufficient level of capital is maintained at all times to support the business growth targets and that it is kept in line with the Bank's risk appetite and regulatory requirements.

To determine the appropriate level and composition of capital to be held, the Bank uses the risk and capital adequacy assessment approaches as outlined under the Internal Capital Adequacy Assessment Process ("ICAAP"). The capital levels are assessed based on the Bank's strategic and business targets, taking into account current and forecasted economic and market conditions as well as the regulatory capital standards.

The Bank prepares its strategic, business and capital plans on an annual basis. Guided by the Board-approved risk appetite statement, the plans cover a minimum three-year planning horizon and are subjected to a stress test covering several possible stressed scenarios. Based on the ICAAP and stress test analysis, internal capital targets are set for key capital ratios to facilitate ongoing capital management and monitoring.

Arising from the strategic planning and capital assessment process, an annual capital plan is drawn up to ensure that sufficient capital is held to meet business growth targets as well as to maintain adequate buffer under adverse economic scenarios. The capital plan also addresses any capital issuance requirements, capital instrument composition and maturity profile, and capital contingency planning.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

BMMB's approach towards assessing the adequacy of its internal capital levels in relation to its risk profile is addressed in the Internal Capital Adequacy Assessment Process ("ICAAP"). This is in line with BNM's requirement as stipulated under the guideline, "Capital Adequacy Framework for Islamic Banks ("CAFIB") – Internal Capital Adequacy Assessment Process ("Pillar 2")".

The ICAAP covers an assessment of all risk exposures, particularly on those deemed as material risks, and the effectiveness of related risk controls and mitigations. The risk and capital assessment also looks at the adequacy of capital in relation to other discretionary and non-discretionary risk and where required, additional capital and buffers are allocated for risk exposures that are deemed inadequately covered under the Pillar 1 capital.

The ICAAP further addresses the current and future capital levels to be considered or maintained to ensure its adequacy to support the Bank's business operations on a going-concern basis. In terms of its capital mix, the Bank's capital consists primarily of Tier 1 capital and common equity, which enhances the Bank's ability to absorb potential losses under unforeseeable circumstances.

► BASEL II – PILLAR 3 DISCLOSURES

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (“ICAAP”) (CONT'D)

Stress Test

Stress testing is an important tool used in assessing and determining appropriateness of capital levels to ensure its ability to absorb stress events in order to protect the depositors and other stakeholders.

Stress testing is performed to identify early warning signs and potential risk events that may adversely impact the Bank's risk profile. Stress testing is also used to determine the level of capital buffers that are considered adequate to ensure that the Bank does not breach the minimum regulatory ratios under stress scenarios and to formulate appropriate management actions.

The Bank employs two stress test approaches, namely sensitivity and scenario analyses. The stress testing supports management and decision making in the following areas:

- i. Assessment of the Bank's material risk profile under stress events and estimate the potential impact and implications to the Bank;
- ii. Assessment of capital adequacy in relation to the Bank's risk profile, which is integral to the (“ICAAP”);
- iii. Facilitate capital and liquidity contingency planning across a range of stressed conditions and aiding in the development and formulation of appropriate strategies for maintaining required level of capital and management of identified risks; and
- iv. Embedded as an integral part of the strategic planning and management process.

The tables below present the capital adequacy ratios of the Group and the Bank.

Table 1: Capital adequacy ratios

	Group		Bank	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Core Capital Ratio	15.80%	16.04%	15.68%	15.92%
Risk-weighted capital ratio	18.59%	18.38%	18.47%	18.27%

The following table represents the Group's and Bank's capital position as at 31 March 2019. Details on capital instruments, including share capital and reserves are found in notes 25 to 26 of the financial statements.

► BASEL II – PILLAR 3 DISCLOSURES

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (“ICAAP”) (CONT'D)

Table 2: Capital structure

	Group		Bank	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Tier-I capital				
Share capital	1,195,000	1,195,000	1,195,000	1,195,000
Retained profits	1,094,765	1,132,781	1,087,937	1,123,420
Other Reserves				
Regulatory reserve	63,585	1,530	63,585	1,530
Unrealised losses on fair value through other comprehensive income (“FVOCI”) financial instruments	(1,514)	(27,616)	(1,515)	(29,473)
Foreign exchange translation reserve	(418)	(1,779)	(417)	(1,779)
Regulatory Adjustment				
Less: Regulatory reserve	(63,585)	(1,530)	(63,585)	(1,530)
Less: Investment property gain	(7,460)	(5,880)	(7,460)	(5,880)
Less: Deferred tax assets	(26,607)	(24,235)	(26,607)	(24,235)
Less: Investment in subsidiaries	—	—	(12,559)	(8,559)
Less: Intangible Asset (net of deferred tax liabilities)	(75,753)	(85,441)	(75,693)	(85,266)
Total Tier-I Capital	2,178,013	2,182,830	2,158,686	2,163,228
Tier-II capital				
Subordinated sukuk	254,025	254,035	254,025	254,035
Collective assessment allowance for non-impaired financing and regulatory reserve	126,918	62,809	126,918	62,809
Add: Investment property gain	3,357	2,646	3,357	2,646
Total Tier-II Capital	384,300	319,490	384,300	319,490
Total Capital	2,562,313	2,502,320	2,542,986	2,482,718

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 (2018: 4.5%, 6.0% and 8.0% of total RWA).

► BASEL II – PILLAR 3 DISCLOSURES

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (“ICAAP”) (CONT'D)

The following tables present the minimum regulatory capital requirement to support the Group and the Bank's risk-weighted assets:

Table 3: Minimum capital requirement and risk-weighted assets

	31 March 2019		31 March 2018	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	12,560,246	1,004,820	12,411,610	992,929
Market Risk	31,022	2,482	38,159	3,053
Operational Risk	1,190,113	95,209	1,161,497	92,920
Total	13,781,381	1,102,510	13,611,266	1,088,901
Bank				
Credit Risk	12,560,708	1,004,857	12,404,662	992,373
Market Risk	31,021	2,482	38,159	3,053
Operational Risk	1,176,241	94,099	1,143,979	91,518
Total	13,767,970	1,101,438	13,586,800	1,086,944

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.

► BASEL II – PILLAR 3 DISCLOSURES

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (“ICAAP”) (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows:

Table 4: Minimum capital requirement and risk-weighted assets by exposures

Group 31 March 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	–	–
PSEs	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	324,747	202,763	16,221
Defaulted Exposures	141,053	141,053	124,614	9,969
	22,838,913	22,753,563	11,653,317	932,265
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,673,805	1,673,805	850,508	68,041
Derivative financial instruments	149,879	149,879	56,422	4,514
	1,823,684	1,823,684	906,930	72,554
Total Credit Exposures	24,662,597	24,577,247	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

► BASEL II – PILLAR 3 DISCLOSURES

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 2018	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,747,388	6,747,388	—	—
PSEs	839,266	839,045	167,809	13,425
Banks, Development Financial Institution & MDBs	460,602	460,602	131,960	10,557
Corporates	6,022,001	5,932,715	4,423,249	353,860
Regulator Retail	4,883,585	4,873,919	4,465,385	357,231
Residential Real Estate	4,403,799	4,403,799	1,855,903	148,472
Higher Risk Assets	2,861	2,861	4,292	343
Other Assets	373,726	373,726	253,546	20,284
Defaulted Exposures	156,185	156,185	159,285	12,743
	23,889,414	23,790,241	11,461,430	916,914
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,767,196	1,767,196	917,166	73,373
Derivative financial instruments	109,406	109,406	33,014	2,641
	1,876,602	1,876,602	950,180	76,014
Total Credit Exposures	25,766,015	25,666,843	12,411,610	992,929
	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	811	(802)	9,711	777
Foreign Currency Risk	6,421	(26,550)	28,448	2,276
Equity Position Risk	—	—	—	—
			38,159	3,053
(iii) Operational Risk (Basic Indicators Approach)			1,161,497	92,920
(iv) Total RWA and Capital Requirements			13,611,266	1,088,901

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

► BASEL II – PILLAR 3 DISCLOSURES

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	–	–
PSEs	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	326,794	204,810	16,385
Defaulted Exposures	141,053	141,053	124,614	9,969
	22,839,148	22,753,797	11,653,778	932,302
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,673,805	1,673,805	850,508	68,041
Derivative financial instruments	149,879	149,879	56,422	4,514
	1,823,684	1,823,684	906,930	72,555
Total Credit Exposures	24,662,832	24,577,481	12,560,708	1,004,857
	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	1,101,438

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

► BASEL II – PILLAR 3 DISCLOSURES

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (“ICAAP”) (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank 31 March 2018	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,747,388	6,747,388	—	—
PSEs	839,266	839,045	167,809	13,425
Banks, Development Financial Institution & MDBs	460,602	460,602	131,960	10,557
Corporates	6,021,792	5,932,506	4,423,040	353,843
Regulator Retail	4,883,585	4,873,919	4,465,385	357,231
Residential Real Estate	4,403,799	4,403,799	1,855,903	148,472
Higher Risk Assets	—	—	—	—
Other Assets	371,279	371,279	251,099	20,088
Defaulted Exposures	156,185	156,185	159,285	12,743
	23,883,896	23,784,723	11,454,481	916,358
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,767,196	1,767,196	917,167	73,373
Derivative financial instruments	109,406	109,406	33,014	2,641
	1,876,602	1,876,602	950,181	76,014
Total Credit Exposures	25,760,498	25,661,325	12,404,662	992,373
	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	811	(802)	9,711	777
Foreign Currency Risk	6,421	(26,550)	28,448	2,276
Equity Position Risk	—	—	—	—
			38,159	3,053
(iii) Operational Risk (Basic Indicators Approach)			1,143,979	91,518
(iv) Total RWA and Capital Requirements			13,586,800	1,086,944

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

► BASEL II – PILLAR 3 DISCLOSURES

3.0 RISK MANAGEMENT

Overview

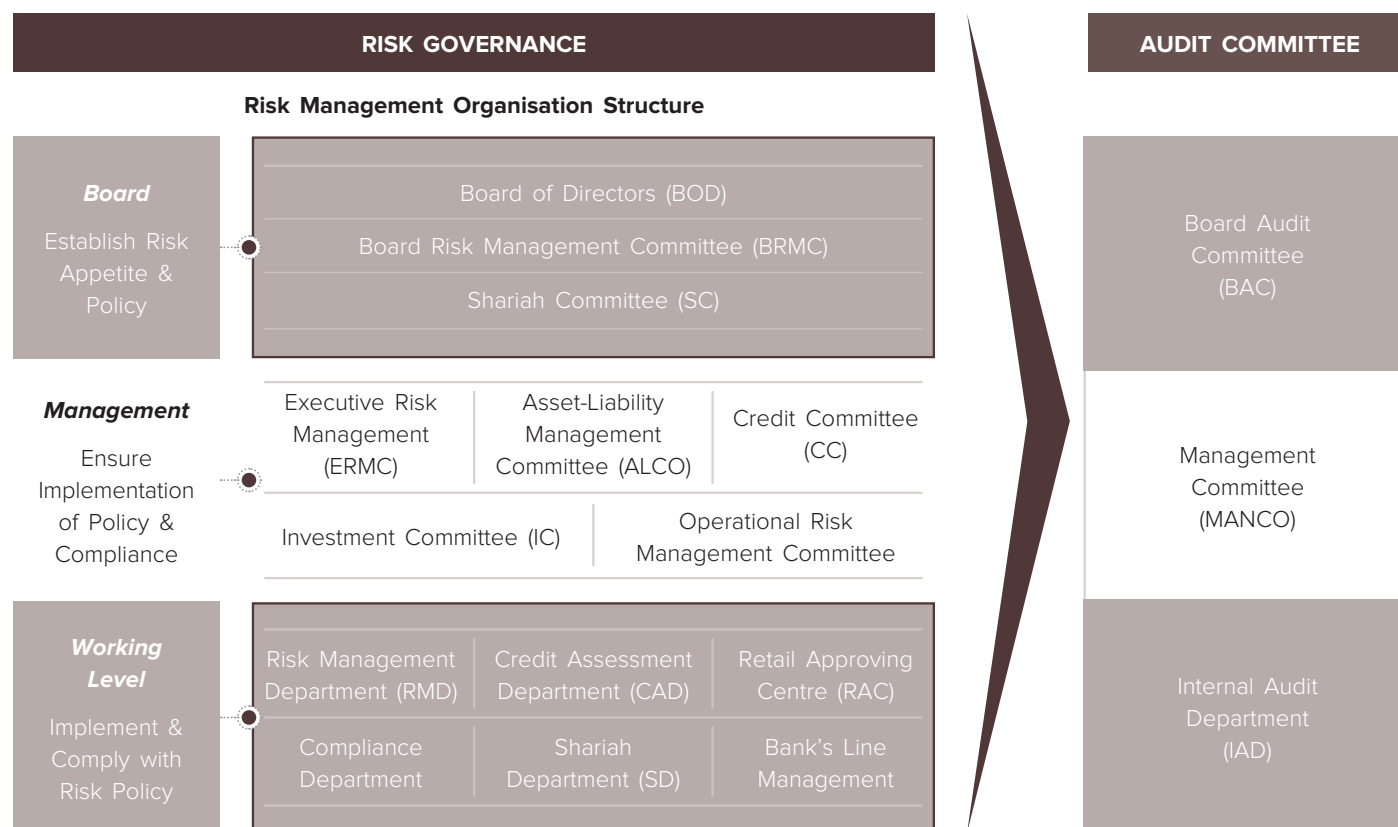
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance processes that outline responsibilities for risk management activities, as well as the governance and oversight of these activities.

An integral part of this approach is the systematic process of risk identification and measurement. Appropriate risk management strategies are then developed in line with the Bank's business plans and objectives, which include the ongoing monitoring and control of the identified risk exposures. The management and control over the principal risk areas of credit, market, asset and liability management, operational and Shariah are integrated to optimise 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



► BASEL II – PILLAR 3 DISCLOSURES

3.0 RISK MANAGEMENT (CONT'D)

Risk Governance (cont'd)

The Board's primary oversight role is to understand the risks undertaken by the Bank and ensure that these risks are properly managed. While the Board is ultimately responsible for the Bank's management of risks, it has entrusted the Board Risk Management Committee ("BRMC") to carry out specific risk management oversight functions on its behalf.

BRMC, which is chaired by an independent director of the Board, is a board-level committee that oversees the overall management of risks and deliberates on risk-related issues and resolutions. The BRMC, acting on behalf of the Board, also ensures that the appropriate processes, resources, policies and guidelines are in place to manage the Bank's risks.

In addition, the Board is also supported by the Shariah Committee ("SC"), which was set up as an independent external body to decide on Shariah issues and to simultaneously assist towards risk mitigation and compliance with the Shariah principles.

The execution of the board-approved risk strategies and policies is the responsibility of the Bank's management and these functions are also exercised under a committee structure. Heading the management-level risk committees is the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The ERMC focuses on the overall business strategies and the Bank's day-to-day operations in respect of risk management.

Other management-level risk committees are set up to oversee specific risk areas and its related control functions as described below:

Table 6: Risk Committees & Functions

Committee	Objective
Asset & Liability Working Committee ("ALCO")	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by the BRMC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's financing exposures (business and consumer). These include authority to decide on new and/or additional exposures and review the direction of existing exposure.
Investment Committee ("IC")	To manage the Bank's investments and decide on new and/or additional investment in securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

A dedicated and independent Risk Management Department ("RMD") supports the above committees by carrying out the day-to-day risk management functions, drafting of risk-related policies and procedures, and providing reports, risk analyses and recommendations for the management and Board's decision-making.

► BASEL II – PILLAR 3 DISCLOSURES

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 <ul style="list-style-type: none"> Business Units 	<ul style="list-style-type: none"> Responsible for managing risks assumed in day-to-day activities Follow approved risk process Apply internal controls and risk responses
The Second Line of <ul style="list-style-type: none"> Risk Management Compliance 	<ul style="list-style-type: none"> Provide specialised resources for developing risk frameworks, policies and methodologies Provide guidance and direction Oversee and challenge risk management
The Third Line of Defense <ul style="list-style-type: none"> Audit 	<ul style="list-style-type: none"> Review the first and second lines 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 behaviour 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 minimise 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.

► BASEL II – PILLAR 3 DISCLOSURES

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 ERM 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.

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

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration

Table 8: Credit risk exposures and credit risk concentration by sector analysis

Group 31 March 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	1,453,422	445,509	463,118	212,101	3,529	50,203	229,233	2,857,115
Islamic derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	1,497,863	6,234,149	595,714	553,737	26,982	56,744	299,281	9,264,470
Total credit exposures	6,730,643	7,701,010	3,575,374	2,071,774	27,684	9,928,884	1,908,398	31,943,767

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 2018	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	–	1,579,923	–	–	–	–	–	1,579,923
Cash and placements with financial institutions	–	7,758	–	–	–	–	–	7,758
Investment accounts due from designated financial institution	–	146	–	–	–	–	–	146
Financial investments designated at fair value through profit and loss	–	161,274	–	–	–	–	–	161,274
Financial investment available-for-sale	4,232,765	302,598	686,821	126,720	–	–	970,509	6,319,413
Islamic derivative financial assets	–	72,770	–	–	–	–	–	72,770
Financing of customers	752,535	666,164	1,688,051	1,619,699	14,233	9,259,428	687,736	14,687,846
Statutory deposits with Bank Negara Malaysia	674,500	–	–	–	–	–	–	674,500
Other assets	–	–	–	–	–	–	91,978	91,978
	5,803,530	2,790,633	2,374,872	1,746,419	14,233	9,259,428	1,750,223	23,739,338
Commitments and contingencies								
Contingent liabilities	21,907	50,016	142,830	343,163	6,257	3,836	36,833	604,842
Commitments	1,478,093	234,876	538,018	827,977	3,181	54,620	127,930	3,264,695
Derivative financial instruments	–	2,907,391	–	–	–	–	–	2,907,391
	1,500,000	3,192,283	680,848	1,171,140	9,438	58,456	164,763	6,776,928
Total credit exposures	7,303,530	5,982,916	3,055,720	2,917,559	23,671	9,317,884	1,914,986	30,516,266

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
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	1,453,422	445,509	463,118	212,101	3,529	50,203	229,233	2,857,115
Derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	1,497,863	6,234,149	595,714	553,737	26,982	56,744	299,281	9,264,470
Total credit exposures	6,730,643	7,701,010	3,575,826	2,071,774	26,982	9,928,884	1,908,742	31,943,861

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 2018	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,579,923	-	-	-	-	-	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	7,758
Investment accounts due from designated financial institution	-	146	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	161,274
Financial investment available-for-sale	4,232,765	302,598	686,821	126,720	-	-	967,855	6,316,759
Financial investment held-to-maturity	143,730	-	-	-	-	-	-	143,730
Islamic derivative financial assets	-	72,770	-	-	-	-	-	72,770
Financing of customers	752,535	666,164	1,688,051	1,619,699	14,234	9,259,428	687,318	14,687,429
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	674,500
Other assets	-	-	-	-	-	-	89,543	89,543
	5,803,530	2,790,633	2,374,872	1,746,419	14,234	9,259,428	1,744,716	23,733,832
Commitments and contingencies								
Contingent liabilities	21,907	50,016	142,830	343,163	6,257	3,836	36,833	604,842
Commitments	1,478,093	234,876	538,018	827,977	3,181	54,620	127,930	3,264,695
Derivative financial instruments	-	2,907,391	-	-	-	-	-	2,907,391
	1,500,000	3,192,283	680,848	1,171,140	9,438	58,456	164,763	6,776,928
Total credit exposures	7,303,530	5,982,916	3,055,720	2,917,559	23,672	9,317,884	1,909,479	30,510,760

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

► BASEL II – PILLAR 3 DISCLOSURES

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

31 March 2019	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
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 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

► BASEL II – PILLAR 3 DISCLOSURES

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: (cont'd)

31 March 2018	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
On Balance Sheet Exposures				
Cash and short-term funds	1,490,563	89,360	1,490,563	89,360
Cash and placements with financial institutions	7,758	–	7,758	–
Investment accounts due from designated financial institution	146	–	146	–
Financial investment designated at fair value through profit and loss	–	161,274	–	161,274
Financial investment available-for-sale	6,300,136	19,277	6,297,482	19,277
Financial investment held-to-maturity	143,730	–	143,730	–
Islamic derivative financial assets	72,770	–	72,770	–
Financing of customers	14,687,846	–	14,687,429	–
Statutory deposits with Bank Negara Malaysia	674,500	–	674,500	–
Other assets	91,975	3	89,540	3
	23,469,424	269,914	23,463,918	269,914
Commitments and contingencies				
Contingent liabilities	604,842	–	604,842	–
Commitments	3,264,695	–	3,264,695	–
Derivative financial instruments	2,907,391	–	2,907,391	–
	6,776,928	–	6,776,928	–
Total credit exposures	30,246,352	269,914	30,240,846	269,914

► BASEL II – PILLAR 3 DISCLOSURES

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	Up to 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
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	4,138,281	1,679,597	7,977,128	8,884,385	22,679,297
31 March 2018					
On-Balance Sheet Exposures					
Cash and short-term funds	1,579,923	–	–	–	1,579,923
Cash and placements with financial institutions	7,758	–	–	–	7,758
Investment accounts due from designated financial institution	–	–	146	–	146
Financial investments designated at fair value through profit and loss	–	–	–	161,274	161,274
Financial investment available-for-sale	170,815	601,802	2,612,365	2,934,431	6,319,413
Financial investment held-to-maturity	–	–	–	143,730	143,730
Islamic derivative financial assets	63,096	9,674	–	–	72,770
Financing of customers	3,668,582	792,454	4,554,599	5,672,211	14,687,846
Statutory deposits with Bank Negara Malaysia	–	–	–	674,500	674,500
Other assets	–	91,978	–	–	91,978
Total On-Balance Sheet Exposures	5,490,174	1,495,908	7,167,110	9,586,146	23,739,338

► BASEL II – PILLAR 3 DISCLOSURES

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	Up to 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
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	450,686	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
31 March 2018					
On-Balance Sheet Exposures					
Cash and short-term funds	1,579,923	–	–	–	1,579,923
Cash and placements with financial institutions	7,758	–	–	–	7,758
Investment accounts due from designated financial institution	–	–	146	–	146
Financial investments designated at fair value through profit and loss	–	–	–	161,275	161,275
Financial investment available-for-sale	170,606	599,357	2,609,712	2,937,084	6,316,759
Financial investment held-to-maturity	–	–	–	143,730	143,730
Islamic derivative financial assets	63,096	9,674	–	–	72,770
Financing of customers	3,668,580	792,454	4,554,599	5,671,795	14,687,428
Statutory deposits with Bank Negara Malaysia	–	–	–	674,500	674,500
Other assets	–	89,543	–	–	89,543
Total On-Balance Sheet Exposures	5,489,963	1,491,028	7,164,457	9,588,384	23,733,832

► BASEL II – PILLAR 3 DISCLOSURES

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 analyse 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 unfavourable 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 categorisation 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.

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.

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers

Table 11: Credit quality of financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group	Neither past due nor impaired		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory RM'000			
31 March 2019					
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
31 March 2018					
Term financing					
– Home financing	4,063,791	265,306	189,049	95,747	4,613,893
– Syndicated financing	686,022	–	–	–	686,022
– Hire purchase receivables	564,463	24,235	16,540	17,981	623,219
– Leasing receivables	–	–	–	1,277	1,277
– Other term financing	5,636,624	186,346	55,208	145,843	6,024,021
Other financing	2,753,659	134,149	20,892	24,568	2,933,268
	13,704,559	610,036	281,689	285,416	14,881,700
Less:					
– Collective assessment allowance	–	–	–	–	(176,922)
– Individual assessment allowance	–	–	–	(16,932)	(16,932)
Total net financing	13,704,559	610,036	281,689	268,484	14,687,846

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Bank	Neither past due nor impaired		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory RM'000			
31 March 2019					
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
31 March 2018					
Term financing					
– Home financing	4,063,791	265,306	189,049	95,747	4,613,893
– Syndicated financing	686,022	–	–	–	686,022
– Hire purchase receivables	564,463	24,235	16,540	17,981	623,219
– Leasing receivables	–	–	–	1,277	1,277
– Other term financing	5,636,207	186,346	55,208	150,776	6,028,537
Other financing	2,753,659	134,149	20,892	24,568	2,933,268
	13,704,142	610,036	281,689	290,349	14,886,216
Less:					
– Collective assessment allowance	–	–	–	–	(176,922)
– Individual assessment allowance	–	–	–	(21,865)	(21,865)
Total net financing	13,704,142	610,036	281,689	268,484	14,687,429

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Financing of customers are analysed as follows: (cont'd.)

(i) Neither past due nor impaired

Gross financing and advances which are neither past due nor impaired:

- “Good Grade” refers to financing and advances which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.
- “Satisfactory Grade” refers to financing and advances which may have been past due or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

(ii) Rescheduled/restructured financing

Rescheduling or restructuring activities include extended payment arrangements, and the modification and deferral of payments. The carrying amounts by type of financing that would otherwise be past due or impaired whose terms have been renegotiated are as follows:

Table 12: Rescheduled/restructured financing

Rescheduling or restructuring activities include extended payment arrangements, and the modification and deferral of payments. The carrying amount by type of financing that would otherwise be past due or impaired whose terms have been renegotiated are as follows:

Group and Bank	31 March 2019 RM'000	31 March 2018 RM'000
Term financing		
– Home financing	–	–
– Hire purchase receivables	–	–
– Other term financing	–	–
Total	–	–

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Financing of customers are analysed as follows: (cont'd.)

(iii) Past due but not impaired

Past due but not impaired financing of customers refers to where the customer has failed to make a principal or profit payment after the contractual due date for more than one day but less than three (3) months.

Aging analysis of past due but not impaired is as follows:

Table 13: Past due but not impaired

Group and Bank	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
31 March 2018				
Term financing				
– Home financing	–	126,747	62,302	189,049
– Hire purchase receivables	–	11,281	5,259	16,540
– Other term financing	–	34,409	20,799	55,208
Other financing	824	14,863	5,205	20,892
Total	824	187,300	93,565	281,689

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

(iii) Past due but not impaired (cont'd)

The following tables present an analysis of the past due but not impaired financing by economic purpose.

Group and Bank	31 March 2019 RM'000	31 March 2018 RM'000
Purchase of transport vehicles	11,580	16,481
Purchase of landed properties of which:		—
– residential	141,093	186,463
– non-residential	12,882	21,893
Purchase of fixed assets (excluding landed properties)	—	19
Personal use	25,350	51,320
Working capital	2,515	3,887
Other purpose	289	1,626
	193,709	281,689

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	31 March 2019 RM'000	31 March 2018 RM'000
Domestic	193,710	281,689
Labuan Offshore	—	—
	193,710	281,689

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

(iv) 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 and the Bank's financial statements are disclosed in Note 2.4.

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose

The following tables present an analysis of the impaired financing by economic purpose.

	31 March 2019								
	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
Group									
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	972	2,292	652	1,640	(1,235)	405	-	1,191	1,191
	221,216	16,931	(76,155)	93,086	(431)	67,110	25,545	131,741	157,286

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

	31 March 2018						
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 April as previously stated 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
Group							
Purchase of securities	60	–	–	–	–	44	44
Purchase of transport vehicles	17,856	6,301	(2,519)	–	3,782	8,891	12,673
Purchase of landed properties of which:							
– residential	94,017	–	–	–	–	26,907	26,907
– non-residential	10,884	–	–	–	–	6,115	6,115
Purchase of fixed assets (excluding landed properties)	1,403	111	(68)	–	42	90	132
Personal use	125,611	–	(548)	–	(548)	124,130	123,582
Construction	23	19,111	(19,089)	–	22	980	1,002
Working capital	33,554	49,050	10,062	(47,771)	11,341	7,821	19,162
Other purpose	2,008	2,292	–	–	2,292	1,943	4,235
	285,416	76,865	(12,162)	(47,771)	16,931	176,921	193,852

► BASEL II – PILLAR 3 DISCLOSURES

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								
	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
Bank									
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	972	2,291	651	1,640	(1,235)	405	-	1,191	1,191
	221,216	21,864	(71,222)	93,086	(431)	67,110	25,545	131,741	157,286

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

	31 March 2018						
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 April as previously stated 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
Bank							
Purchase of securities	60	–	–	–	–	44	44
Purchase of transport vehicles	17,856	6,301	(2,519)	–	3,782	8,891	12,673
Purchase of landed properties of which:							
– residential	94,017	–	–	–	–	26,907	26,907
– non-residential	10,884	–	–	–	–	6,115	6,115
Purchase of fixed assets (excluding landed properties)	1,403	111	(68)	–	42	90	133
Personal use	125,611	–	(548)	–	(548)	124,130	123,582
Construction	23	19,112	(19,089)	–	23	980	1,003
Working capital	38,486	53,982	10,063	(47,771)	16,274	7,822	24,096
Other purpose	2,009	2,292	(1)	–	2,291	1,943	4,234
	290,349	81,798	(12,162)	(47,771)	21,864	176,922	198,787

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 15: Impaired financing by geographical distribution

The following tables present an analysis of the impaired financing by geographical distribution.

► BASEL II – PILLAR 3 DISCLOSURES

	31 March 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 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing RM'000
Group							
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

	31 March 2018						
	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
Group							
Domestic	285,416	76,865	(12,162)	(47,771)	16,931	176,922	193,854
Labuan offshore	—	—	—	—	—	—	—
	285,416	76,865	(12,162)	(47,771)	16,931	176,922	193,854

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 15: Impaired financing by geographical distribution (cont'd)

The following tables present an analysis of the impaired financing by geographical distribution.

	31 March 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 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing RM'000
Bank							
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

	31 March 2018						
	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
Bank							
Domestic	290,349	81,798	(12,162)	(47,771)	21,864	176,922	198,787
Labuan offshore	—	—	—	—	—	—	—
	290,349	81,798	(12,162)	(47,771)	21,864	176,922	198,787

► BASEL II – PILLAR 3 DISCLOSURES

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

(iv) Impaired financing (cont'd)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing – mortgages over residential properties;
- For syndicated financing – charges over the properties being financed;
- For hire purchase financing – charges over the vehicles financed;
- For share margin financing – pledges over securities from listed exchange;
- For other financing – charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at **96.6% and 96.6%** respectively as at 31 March 2019 (Group and the Bank are at 90.1% and 90.0% as at 31 March 2018). The financial effect of collateral held for other financial assets is not significant.

As at 31 March 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 RM50,738,280 as compared against 31 March 2018 total amount of RM60,009,987. The collateral consists of cash, securities, letters of guarantee, and properties.

(v) Repossessed Collateral

It is the Group's and the Bank's policy to dispose of repossessed collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral repossessed are subject to disposal as soon as practicable. Foreclosed properties are recognised in other assets on the statement of financial position. The Group and the Bank does not occupy repossessed properties for its own business use.

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH)

The Group and the Bank use the external rating agencies such as MARC, RAM, Moody's, Standard & Poors, Fitch and R&I for rating of commercial papers (CPs) and corporate bonds (CBs) or participation of syndication or underwriting of PDS issuance.

Each ECAI is used based on the types of exposures as described per Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's and the Bank's credit exposures that are presently not mapped to the ECAI ratings are depicted below as unrated. Rating for financing exposure based on the obligor rating and treasury exposure based on issue rating of the exposure.

Table 16: Rating distribution on credit exposures

Group 31 March 2019	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	Rating by Approved ECAIS				P1/MARCI RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
					A RM'000	BBB RM'000	BB+ TO BB- RM'000					
Exposure Class												
On and Off Balance-Sheet Exposures												
Credit Exposures – Standardised												
Approach												
Sovereigns/Central Banks	6,907,271	-	-	-	-	-	-	-	-	-	-	6,907,271
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	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	6,723,380
Regulatory Retail	-	-	-	-	-	-	-	-	6,299,084	-	6,299,084	6,299,084
Residential Mortgages	-	-	-	-	-	-	-	-	3,731,834	-	3,731,834	3,731,834
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	326,791	-	326,791	326,791
Total	8,938,928	40,095	203,409	75,751	417,423	354,261	3,343.44	142,892	14,485,379	1,116	24,662,597	24,662,597

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Group 31 March 2018	AAA RM'000	AA+	AA RM'000	AA- RM'000	Rating by Approved ECAIS				P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
					A RM'000	BBB RM'000	BBB+ TO BB- RM'000					
Exposure Class												
On and Off Balance-Sheet Exposures												
Credit Exposures – Standardised												
Approach												
Sovereigns/Central Banks	7,490,816	-	-	-	-	-	-	-	-	-	-	7,490,816
Public Sector Entities	-	-	-	-	-	-	-	-	-	853,183	-	853,183
Banks, Development Financial Institutions & MDBs	30,088	-	30,302	-	132,798	-	-	115,324	247,342	30	555,885	
Corporates	2,104,252	99,857	361,607	91,800	179,965	144,286	-	38,702	3,688,206	309,091	7,017,766	
Regulatory Retail	-	-	-	-	-	-	-	-	5,000,540	-	5,000,540	
Residential Mortgages	-	-	-	-	-	-	-	-	4,476,546	-	4,476,546	
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	371,279	-	371,279	
Total	9,625,156	99,857	391,909	91,800	312,764	144,286	-	154,026	14,637,096	309,122	25,766,015	

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Bank 31 March 2019	AAA RM'000	AA+	AA RM'000	AA-	Rating by Approved ECAIS				P1/MARCI RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
					A RM'000	BBB RM'000	BBB+ TO BB-	RM'000				
Exposure Class												
On and Off Balance-Sheet Exposures												
Credit Exposures – Standardised												
Approach												
Sovereigns/Central Banks	6,907,271	-	-	-	-	-	-	-	-	-	-	6,907,271
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	3,731,834	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	-	-	-	-	-	-	-	-	326,791	-	-	326,791
Total	8,938,928	40,095	203,409	75,751	417,423	354,261	3,343	142,892	14,485,614	1,116	24,662,832	

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Bank 31 March 2018	AAA RM'000	AA+	AA RM'000	AA- RM'000	Rating by Approved ECAIS				P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
					A RM'000	BBB RM'000	BBB+ TO BB- RM'000					
Exposure Class												
On and Off Balance-Sheet Exposures												
Credit Exposures – Standardised												
Approach												
Sovereigns/Central Banks	7,490,816	-	-	-	-	-	-	-	-	-	-	7,490,816
Public Sector Entities	-	-	-	-	-	-	-	-	-	853,183	-	853,183
Banks, Development Financial Institutions & MDBs	30,088	-	30,302	-	132,798	-	-	-	115,324	247,342	30	555,885
Corporates	2,104,252	99,857	361,607	91,800	179,965	144,286	-	-	38,702	3,682,689	309,091	7,012,248
Regulatory Retail	-	-	-	-	-	-	-	-	-	5,000,540	-	5,000,540
Residential Mortgages	-	-	-	-	-	-	-	-	-	4,476,546	-	4,476,546
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	371,279	-	371,279
Total	9,625,156	99,857	391,909	91,800	312,764	144,286	-	-	154,026	14,631,579	309,122	25,760,498

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

BASEL II – PILLAR 3 DISCLOSURES

Exposure Class	Ratings of Corporate by Approved ECALs					
	Moody's S&P Fitch RAM MARC RII Inc RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B to D B+ to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000
On and Off Balance-Sheet Exposures						
Credit Exposures (Using Corporate Risk Weights)						
Group and Bank						
31 March 2019						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	–	–	–	–	–	255,707
Insurance Cos, 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	
Group and Bank						
31 March 2018						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	–	–	–	–	–	853,183
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–
Corporates	2,696,218	179,965	144,286	–	3,991,780	
Total	2,696,218	179,965	144,286	–	4,844,963	

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs						
	Moody's S&P Fitch RAM MARC RII Inc RM'000	P-1 A-1 F1+,F1 P-1 MARC-1 a-1+,a-1 RM'000	P-2 A-2 2 P-2 MARC-2 a-2 RM'000	P-3 A-3 3 P-3 MARC-3- a-3 RM'000	Others Others B to D NP MARC-4 b,c RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000	
On and Off Balance-Sheet Exposures							
Group and Bank							
31 March 2019							
Banks, MDBs and FDIs							
Credit Exposures (using Corporate Risk Weights)							
Corporates		115,989	-	-	-	-	-
Total		115,989	-	-	-	-	-
Group and Bank							
31 March 2018							
Banks, MDBs and FDIs		115,324	-	-	-	-	-
Credit Exposures (using Corporate Risk Weights)							
Corporates		-	-	-	-	-	-
Total		115,324	-	-	-	-	-

► BASEL II – PILLAR 3 DISCLOSURES

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Group and Bank 31 March 2019	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's S&P Fitch RII Inc RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D CCC+ to C RM'000	Unrated Unrated Unrated Unrated RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Group and Bank 31 March 2018	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's S&P Fitch RII Inc RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D CCC+ to C RM'000	Unrated Unrated Unrated Unrated RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

BASEL II – PILLAR 3 DISCLOSURES

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's S&P Fitch RAM MARC RII Inc RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D CCC+ to C RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000
On and Off Balance-Sheet Exposures							
Group and Bank 31 March 2019							
Banks, MDBs and FDIs	60,487		102,007	-	-	-	140,046
Total	60,487		102,007	-	-	-	140,046
Group and Bank 31 March 2018							
Banks, MDBs and FDIs	60,390		132,798	-	-	-	247,372
Total	60,390		132,798	-	-	-	247,372

► BASEL II – PILLAR 3 DISCLOSURES

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Credit risk disclosure by risk weights (including deducted exposures) are as follows:

Table 17: Credit risk disclosure by risk weights

31 March 2019 Group	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%	6,907,271	-	-	-	-	-	-	-	121,984	7,029,256
20%	-	255,563	316,522	1,521,373	-	-	-	-	-	2,093,458
35%	-	-	-	-	-	2,932,351	-	-	-	2,932,351
50%	-	-	102,007	659,027	8,979	608,162	-	-	-	1,378,176
75%	-	-	-	-	2,941,123	13,292	-	-	-	2,954,416
100%	-	-	-	4,428,453	3,338,863	178,029	-	-	202,760	8,148,106
150%	-	-	-	41,484	-	-	-	-	-	41,484
Total	6,907,271	255,563	418,529	6,650,337	6,288,966	3,731,834	-	-	324,745	24,577,245
										12,560,245

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2018 Group	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%	7,490,816	-	-	-	-	-	-	-	120,181	7,610,997
20%	-	852,962	423,087	1,642,602	-	-	-	-	-	2,918,651
35%	-	-	-	-	-	3,136,586	-	-	-	3,136,586
50%	-	-	132,798	553,578	28,196	1,009,261	-	-	-	1,723,833
75%	-	-	-	-	1,693,490	17,939	-	-	-	1,711,429
100%	-	-	-	4,702,489	3,258,072	312,761	-	-	253,545	8,526,867
150%	-	-	-	24,502	11,116	-	-	2,861	-	38,480
Total	7,490,816	852,962	555,885	6,923,171	4,990,875	4,476,546	-	2,861	373,726	25,666,843
										12,411,610

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2019 Bank	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%	6,907,271	-	-	-	-	-	-	-	121,984	7,029,256
20%	-	255,563	316,522	1,521,373	-	-	-	-	-	2,093,458
35%	-	-	-	-	-	2,932,351	-	-	-	2,932,351
50%	-	-	102,007	659,027	8,979	608,162	-	-	-	1,378,176
75%	-	-	-	-	2,941,123	13,292	-	-	-	2,954,416
100%	-	-	-	4,426,188	3,338,863	178,029	-	-	204,808	8,147,888
150%	-	-	-	41,936	-	-	-	-	-	41,937
Total	6,907,271	255,563	418,529	6,648,525	6,288,966	3,731,834	-	-	326,792	24,577,481
										12,560,708

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2018 Bank	Exposures after Netting and Credit Risk Mitigation								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%	7,490,816	-	-	-	-	-	-	-	120,181	7,610,997
20%	-	852,962	423,087	1,642,602	-	-	-	-	-	2,918,651
35%	-	-	-	-	-	3,136,586	-	-	-	3,136,586
50%	-	-	132,798	553,578	28,196	1,009,261	-	-	-	1,723,833
75%	-	-	-	-	1,693,490	17,939	-	-	-	1,711,429
100%	-	-	-	4,702,280	3,258,072	312,761	-	-	251,098	8,524,211
150%	-	-	-	24,502	11,116	-	-	-	-	35,618
Total	7,490,816	852,962	555,885	6,922,962	4,990,875	4,476,546	-	-	371,279	25,661,325
										12,404,662

► BASEL II – PILLAR 3 DISCLOSURES

6.0 CREDIT RISK MITIGATION (CRM) DISCLOSURES UNDER THE STANDARDISED APPROACH

Upon assessment of a customer's credit standing and payment capacity and identification of the proposed financing's source of repayment, the Bank may provide a financing facility on a secured, partially secured or unsecured basis. In mitigating its credit exposure, the Group and the Bank may employ Credit Risk Mitigants (CRM) in the form of collaterals and other supports. Examples of these CRMs include charges over residential and commercial properties being financed; pledge over shares and marketable securities, ownership claims over vehicles being financed, and supports in the form of debentures, assignments and guarantees.

The Bank utilise specific techniques to identify eligible collaterals and securities and ascertain their value, and subsequently, implement adequate monitoring process to ensure continued coverage and enforceability.

Credit documentation, administration and disbursement are carried out under clear guidelines and procedures to ensure protection and enforceability of collaterals and other credit risk mitigants. Valuation updates of collaterals are concurrently done during the periodic review of the financing facilities to reflect current market value and ensure adequacy and continued coverage.

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group and the Bank does not have any credit exposure which is reduced through the application of other eligible collateral.

Table 18: Credit risk mitigation on credit exposures

Group 31 March 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	5,716,682
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
	22,838,913	85,353	22,753,563
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,673,805	–	1,673,805
Derivative financial instruments	149,879	–	149,879
	1,823,684	–	1,823,684
Total Credit Exposures	24,662,597	85,353	24,577,247

* After netting and credit risk mitigation

► BASEL II – PILLAR 3 DISCLOSURES

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 2018	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	6,747,388	–	6,747,388
Public sector entities	839,266	221	839,045
Banks, Development Financial Institution & MDBs	460,602	–	460,602
Corporates	6,022,001	89,286	5,932,715
Regulatory retail	4,883,585	9,666	4,873,919
Residential real estate	4,403,799	–	4,403,799
Higher risk assets	2,861	–	2,861
Other assets	373,726	–	373,726
Defaulted exposure	156,185	–	156,185
	23,889,414	99,173	23,790,241
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,767,196	–	1,767,196
Derivative financial instruments	109,406	–	109,406
	1,876,602	–	1,876,602
Total Credit Exposures	25,766,015	99,173	25,666,843

* After netting and credit risk mitigation

► BASEL II – PILLAR 3 DISCLOSURES

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 Exposures	141,053	–	141,053
	22,839,148	85,353	22,753,796
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,673,805	–	1,673,805
Derivative Financial Instruments	149,879	–	149,879
	1,823,685	–	1,823,685
Total Credit Exposures	24,662,833	85,353	24,577,481

* After netting and credit risk mitigation

► BASEL II – PILLAR 3 DISCLOSURES

6.0 CREDIT RISK MITIGATION (CRM) DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Bank 31 March 2018	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central Banks	6,747,388	–	6,747,388
Public Sector Entities	839,266	221	839,045
Banks, Development Financial Institution & MDBs	460,602	–	460,602
Corporates	6,021,792	89,286	5,932,506
Regulatory Retail	4,883,585	9,666	4,873,919
Residential Real Estate	4,403,799	–	4,403,799
Higher Risk Assets	–	–	–
Other Assets	371,279	–	371,279
Defaulted Exposures	156,185	–	156,185
	23,883,896	99,173	23,784,723
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,767,196	–	1,767,196
Derivative Financial Instruments	109,406	–	109,406
	1,876,602	–	1,876,602
Total Credit Exposures	25,760,498	99,173	25,661,325

* After netting and credit risk mitigation

► BASEL II – PILLAR 3 DISCLOSURES

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 utilisation 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

The commitments and contingencies constitute the following:	Group and Bank					
	31 March 2019			31 March 2018		
	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	203,424	203,424	169,198	237,010	237,010	208,603
Trade-related contingencies	83,279	16,656	7,763	25,603	5,121	528
Transaction related contingencies	425,159	212,580	199,194	342,229	171,114	166,532
Commitments						
Credit extension commitment:						
– Maturity within one year	624,707	124,941	123,594	927,991	185,598	170,493
– Maturity exceeding one year	2,232,408	1,116,204	350,760	2,336,704	1,168,352	371,012
Islamic derivative financial instruments						
Foreign exchange related contracts	3,545,493	63,942	39,235	1,707,392	98,531	30,839
Profit rate related contract	2,150,000	85,938	17,188	1,200,000	10,875	2,175
Total off-balance sheet exposures	9,264,470	1,823,687	906,930	6,776,929	1,876,602	950,181

► BASEL II – PILLAR 3 DISCLOSURES

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)

Group and Bank	2019			2018		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts:						
– Currency forwards						
Less than one year	1,322,983	13,765	(7,963)	777,177	1,660	(71,428)
– Currency swaps						
Less than one year	1,858,525	8,835	(12,946)	841,470	70,995	(1,498)
– Currency spot						
Less than one year	363,985	2,253	(708)	88,744	115	(55)
– Dual currency investment option	–	–	–	–	–	–
	3,545,493	24,853	(21,617)	1,707,391	72,770	(72,981)
Islamic profit rate swap (“IPRS”)						
Unhedged IPRS	950,000	–	(2,123)	325,000	–	(2,391)
Hedged IPRS	1,200,000	–	(24,422)	875,000	–	(2,551)
Total	5,695,493	24,853	(48,162)	2,907,391	72,770	(77,923)

► BASEL II – PILLAR 3 DISCLOSURES

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) (cont'd.)

Group and Bank	31 March 2019			31 March 2018		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
IPRS	1,200,000	–	(24,422)	875,000	–	(2,551)

Fair Value hedges

Fair value hedges are used by the Group and the Bank to protect against changes in the fair value of financial assets due to movements in profit rates. The financial instruments hedged for profit rate risk include the Group's and the Bank's financing of customers.

For the year ended 31 March 2019, the Group and the Bank:

- (i) recognised a net loss of RM22,110,559 (31 March 2018: RM3,549,171) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM33,297,225 (31 March 2018: RM5,157,995); and
- (ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM2,101,533 (31 March 2018: RM4,810,910) due to the derecognition of the hedged items.

► BASEL II – PILLAR 3 DISCLOSURES

8.0 MARKET RISK AND ASSETS-LIABILITY MANAGEMENT (ALM)

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Asset-Liability Management (ALM) refers to the coordinated management of the Group's and the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Group's and the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Group and the Bank.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile that is consistent with Bank's strategic and business plan.

The Bank's market risk management and ALM objectives are to:

- Ensure the implementation of an effective market risk management system in the Bank;
- Assume an appropriate balance between the level of risk and the level of return desired in order to maximise 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 maximise earnings and attain its strategic goal within the overall risk/return preferences.

The Bank has an independent market risk control function that is responsible for measuring and managing market risk exposures in accordance with the Board-approved policies and guidelines. The unit reports to the ALCO Working Committee on a monthly basis, where issues on balance sheet and capital management are proactively discussed and any recommendation and decision reached are then escalated to the ERM, BRMC and Board respectively.

The Bank has formulated several strategies to effectively manage and ensure a sound balance sheet profile that complements both regulatory and business requirements. Among the strategies implemented for FYE 2018/2019 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 Book Policy Statement ("TBPS").

The Bank defines and segregates its trading and banking book positions as outlined under the Trading Book Policy Statement. The policy covers the definition of trading and banking book for financial instruments, classification, performance and limit monitoring, position valuation and hedging requirements.

► BASEL II – PILLAR 3 DISCLOSURES

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 FRS 139 guidelines. Based on these prudential requirements, broad internal guidelines have been drawn out as summarised 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.

► BASEL II – PILLAR 3 DISCLOSURES

8.1 MARKET RISK (DISCLOSURES FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH)

As at 31 March 2015, the Group and the Bank used the standardised approach in computing the market risk weighted assets of the trading book position of the Group and the Bank. The following is the minimum regulatory requirement for market risk.

Table 21: Minimum regulatory requirement for market risk

Group and Bank 31 March 2019	Long Position RM'000	Short Position RM'000	Risk weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
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

Group and Bank 31 March 2018	Long Position RM'000	Short Position RM'000	Risk weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Benchmark Rate Risk	811	(802)	9,711	777
Foreign Currency Risk	6,421	(26,550)	28,448	2,276
Total	7,232	(27,351)	38,159	3,053

► BASEL II – PILLAR 3 DISCLOSURES

8.2 DISCLOSURE FOR EQUITIES

The classification of equity investments must be made at the point of transaction. Equities are classified under the banking book when they are acquired and held for yield or capital growth purposes.

The Bank also engages in direct acquisition of newly-listed quoted shares. As stipulated under the TBPS, these investments are considered under the trading position with the exception of investments in subsidiaries and associates which would require prior BNM approval. Equities held under the trading book position are subject to market risk capital charge as specified in the CAFIB.

The oversight and supervision of investments in equities and equity funds resides within the Investment Committee's (IC) authority. This covers decisions on purchase and sale of stocks and ongoing review and monitoring of performance.

Table 22: Equity exposures

Group and Bank 31 March 2019	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/ (Losses) RM'000
---------------------------------	---------------------------------------	--------------------------------------	---

Publicly Traded

Investment in Unit Trust Funds			
Investment in Quoted Shares	102,007	102,007	(28,181)
Total	102,007	102,007	(28,181)

Group and Bank 31 March 2018	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/ (Losses) RM'000
---------------------------------	---------------------------------------	--------------------------------------	---

Publicly Traded

Investment in Unit Trust Funds	—	—	—
Investment in Quoted Shares	116,016	116,016	(13,289)
Total	116,016	116,016	(13,289)

► BASEL II – PILLAR 3 DISCLOSURES

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.

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.

► BASEL II – PILLAR 3 DISCLOSURES

8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK (“RORBB”) (CONT'D)

Rate of Return Risk in the Banking Book (“RORBB”)

Table 24: Sensitivity analysis of rate of return risk

The increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

Increase/(decrease) in basis points	Tax rate	Group		Bank	
		-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
31 March 2019					
Effect on profit after tax	24%	(4,046)	4,046	(4,046)	4,046
Effect on other comprehensive income, net of tax	24%	79,816	(79,816)	78,392	(78,392)
Effect on equity		93,409	(93,409)	91,435	(91,435)
31 March 2018					
Effect on profit after tax	24%	(2,179)	2,179	(2,125)	2,125
Effect on other comprehensive income, net of tax	24%	109,102	(109,102)	107,682	(107,682)
Effect on equity		126,988	(126,988)	125,144	(125,144)

► BASEL II – PILLAR 3 DISCLOSURES

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 minimises the Bank's dependency on volatile short-term deposits. Considering the effective maturities of deposits based on retention history (behavioural 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.

► BASEL II – PILLAR 3 DISCLOSURES

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

To effectively manage its liquidity, the Bank has the following policies and strategies in place:

- Management under normal condition:

Normal condition is defined as the situation in which the Bank is able to meet any liquidity demands when they come due.

The Bank monitors its liquidity positions through liquidity controls such as maximum cumulative outflows, deposits concentration, financing to deposits ratio, and controlled financing draw down level.

- Management under crisis condition:

Crisis condition is defined as the situation in which the Bank faces difficulties to meet liquidity demand when they fall due. The crisis can be classified into 4 levels as follows:

Contingency Level	Trigger/Status
Level 0	Business as usual
Level 1	Material change in funding risk, internal or external environment
Level 2	Increasing probability of liquidity crisis – ERM to invoke contingency plan
Level 3	Liquidity crisis – escalated to BRMC for immediate actions

Further, as required under the Basel 3 guidelines, the Bank has put in place the relevant measures and monitoring processes on liquidity management through the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) computations. In accordance with the BNM guidelines on LCR issued on 31 March 2015, the Bank shall at all times hold adequate stock of High Quality Liquid Asset (HQLA) to ensure that the LCR level is maintained in compliance with minimum threshold and timeline below:

With effect from	1-Jun-15	1-Jan-16	1-Jan-17	1-Jan-18	1 January 2019 and thereafter
Minimum LCR	60%	70%	80%	90%	100%

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity.

Group 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	(0)
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)

Group 31 March 2018	Up to 7 Days RM'000	>7 Days – 1 Month RM'000	>1 – 3 Months RM'000	>3 – 6 Months RM'000	>6 – 12 Months RM'000	>1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	1,515,035	56,114	8,774	–	–	–	–	1,579,923
Cash and placements with financial institutions	–	–	7,758	–	–	–	–	7,758
Investment accounts due from designated financial institution	–	–	–	–	–	146	–	146
Financial investments designated at fair value through profit and loss	–	–	–	–	–	–	161,274	161,274
Financial investment available-for-sale	–	18,934	91,360	60,521	601,802	2,612,365	2,934,430	6,319,412
Financial investment held-to-maturity	–	–	–	–	–	–	143,730	143,730
Islamic derivative financial assets	100	28,088	21,013	13,895	9,674	–	–	72,770
Financing of customers	223,985	1,283,979	1,437,751	722,867	792,454	4,554,599	5,672,211	14,687,846
Other assets	–	7,038	–	–	84,341	16,208	863,245	970,832
TOTAL ASSETS	1,739,120	1,394,153	1,566,656	797,283	1,488,271	7,183,318	9,774,890	23,943,691
LIABILITIES AND EQUITY								
Deposits from customers	7,241,751	5,039,176	4,307,053	1,466,052	1,501,273	583,814	33,408	20,172,527
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,340	–	8,854
Bills and acceptances payable	–	9,618	–	–	–	–	–	9,618
Islamic derivative financial liabilities	49	28,882	20,835	13,487	10,260	4,410	–	77,923
Other liabilities	–	61,151	–	–	64,102	–	587	125,840
Recourse obligation on financing sold to Cagamas	–	–	186	–	–	485,665	–	485,851
Subordinated sukuk	–	4,262	–	–	–	249,773	–	254,035
Senior sukuk	–	9,601	–	–	–	499,527	–	509,128
Total Liabilities	7,241,869	5,152,851	4,328,379	1,480,274	1,575,879	1,830,529	33,995	21,643,776
Equity attributable to shareholders of the Bank	–	–	–	–	–	–	2,299,916	2,299,916
NET MATURITY MISMATCH	(5,502,749)	(3,758,698)	(2,761,723)	(682,991)	(87,608)	5,352,789	7,579,980	–
Commitments and contingencies								
Contingent liabilities	2,833	21,551	13,487	22,604	123,450	418,964	1,953	604,842
Commitments	45,959	79,120	152,564	78,402	60,866	2,028,328	819,456	3,264,695
Islamic derivative financial instruments	127,470	483,609	422,090	365,143	559,080	950,000	–	2,907,392
Total commitments and contingencies	176,262	584,280	588,141	466,149	743,396	3,397,292	821,409	6,776,929

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 March 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 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	–	–	–	24,853
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	4,909,639	6,362,214	15,333,281
Other assets	(27)	6,855	–	–	76,101	18,343	900,279	1,001,551
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	–	509,174
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	0
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 March 2018	Up to 7 Days RM'000	>7 Days – 1 Month RM'000	>1 – 3 Months RM'000	>3 – 6 Months RM'000	>6 – 12 Months RM'000	>1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	1,515,035	56,114	8,774	–	–	–	–	1,579,923
Cash and placements with financial institutions	–	–	7,758	–	–	–	–	7,758
Investment accounts due from designated financial institution	–	–	–	–	–	146	–	146
Financial investments designated at fair value through profit and loss	–	–	–	–	–	–	161,274	161,274
Financial investment available-for-sale	–	18,725	91,360	60,521	599,357	2,609,712	2,937,084	6,316,759
Islamic derivative financial assets	100	28,088	21,013	13,895	9,674	–	–	72,770
Financing of customers	223,985	1,283,979	1,437,751	722,867	792,454	4,554,599	5,671,795	14,687,429
Other assets	9	7,038	–	–	81,896	16,208	871,619	976,772
TOTAL ASSETS	1,739,129	1,393,944	1,566,656	797,283	1,483,381	7,180,665	9,785,502	23,946,561
LIABILITIES AND EQUITY								
Deposits from customers	7,247,277	5,049,476	4,309,554	1,466,052	1,501,273	583,814	33,408	20,190,854
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,340	–	8,854
Bills and acceptances payable	–	9,618	–	–	–	–	–	9,618
Islamic derivative financial liabilities	49	28,882	20,835	13,487	10,260	4,410	–	77,923
Other liabilities	–	59,984	–	–	61,617	–	–	121,601
Recourse obligation on financing sold to Cagamas	–	–	186	–	–	485,665	–	485,851
Subordinated sukuk	–	4,262	–	–	–	249,773	–	254,035
Senior sukuk	–	9,601	–	–	–	499,525	–	509,127
Total Liabilities	7,247,395	5,161,984	4,330,880	1,480,274	1,573,394	1,830,527	33,408	21,657,863
Equity attributable to shareholders of the Bank	–	–	–	–	–	–	2,288,698	2,288,698
NET MATURITY MISMATCH	(5,508,266)	(3,768,040)	(2,764,224)	(682,991)	(90,013)	5,350,138	7,620,015	–
Commitments and contingencies								
Contingent liabilities	2,833	21,551	13,487	22,604	123,450	418,964	1,953	604,842
Commitments	45,959	79,120	152,564	78,402	60,866	2,028,328	819,456	3,264,695
Islamic derivative financial instruments	127,470	483,609	422,090	365,143	559,080	950,000	–	2,907,392
Total commitments and contingencies	176,262	584,280	588,141	466,149	743,396	3,397,292	821,409	6,776,929

► BASEL II – PILLAR 3 DISCLOSURES

9.0 OPERATIONAL RISK MANAGEMENT (“ORM”) DISCLOSURES

Operational risk is defined as the risk of losses 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 key functions which play a significant role in the overall integrated risk management framework are the Operational and Shariah Risk Management Section (“OSRMS”), Operational Risk Management Committee (“ORMC”), Internal Audit, Compliance, as well as the business and support units.

The management of operational risks is targeted at preventing risk events and potential risks through operational risk tools i.e. Risk and Control Self Assessment (“RCSA”), Key Risk Indicator (KRI), Incident Management and Data Collection (“IMDC”) and Scenario Analysis (“SA”), handling crisis due to operational failures and natural disaster via contingency plans and business continuity management (“BCM”). These are achieved partly by instituting appropriate controls and implementing clear and comprehensive documented business continuity plans and procedures.

The risk management processes and controls are established in line with the Bank’s operational risk management framework and internal policies, regulatory requirements and standard market practices as guidance and benchmarks. The Bank limits its exposure to an acceptable level in accordance with its risk appetite.

The Muamalat Operational Risk Solution (MORiS)

The **MORiS** is a web based application that is used as a tool in risk identification and assessment. It also acts as a centralised 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 adopt the BNM’s Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that would enable the Bank to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

BCM Methodology

The Bank prepares the Business Continuity Plan (“BCP”) by completing the Risk Assessment (“RA”) and the Business Impact Analysis (“BIA”). RA is a tool used to identify potential threat to all business function. A BIA will be carried out to identify critical business functions’ recovery time objective (“RTO”) and maximum tolerable downtime (“MTD”) taking into account the Bank’s resources and infrastructure. The RA and BIA session are conducted annually with the business units.

► BASEL II – PILLAR 3 DISCLOSURES

9.0 OPERATIONAL RISK MANAGEMENT (“ORM”) DISCLOSURES (CONT'D)

ORM Minimum Capital Requirement

The Group and the Bank adopt the Basic Indicator Approach (“BIA”) to determine the minimum capital requirement for its operational risk. Under this approach, the Group and the Bank set aside a fixed percentage (α or alpha factor) of 15% of positive annual average gross income, averaged over the previous three years. The Group and the Bank minimum capital is presented in table below:

Table 27: ORM minimum capital requirement

	31 March 2019		31 March 2018	
	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	1,190,113	95,209	1,161,497	92,920
Bank	1,176,241	94,099	1,143,979	91,518

► BASEL II – PILLAR 3 DISCLOSURES

10.0 SHARIAH GOVERNANCE DISCLOSURES

Overview

BMMB's shariah governance structure is governed by BNM's guidelines on "Shariah Governance Framework for Islamic Financial Institutions ("IFIs")", and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

Shariah governance system as defined by The IFSB Guiding Principles on Shariah Governance System on Institutions Offering Islamic Financial Services ("IFSB-10") refers to a set of institutional and organisational arrangements to oversee Shariah compliance aspects in IFIs.

In this context, Shariah non-compliance risk defined as "The risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee ("SC") of BMMB and relevant Shariah Authorities ("SA") committees."

This risk is managed through the Shariah Governance Framework ("the Framework"), which is endorsed by the Shariah Committee and approved by the Board. The Framework is drawn up in accordance to the Shariah Governance Framework for Islamic Financial Institutions issued by BNM on 22 October 2010.

To ensure the operations and business activities of the Bank remain consistent with Shariah principles and its requirements, the Bank has established its own internal Shariah Committee and internal Shariah Organs, which consist of Shariah Department, Shariah Audit under Internal Audit Department, Shariah Review and Compliance under the Compliance Department, and Shariah Risk under Risk Management Department.

Shariah Governance Structure

Internal Shariah Control

Shariah compliance management is driven top down from the Board through the SC who has the responsibility of understanding Shariah related matters in the activities assumed by the Group and the Bank.

The Group and the Bank align its Shariah Management and Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and ensure the integration of compliance management.

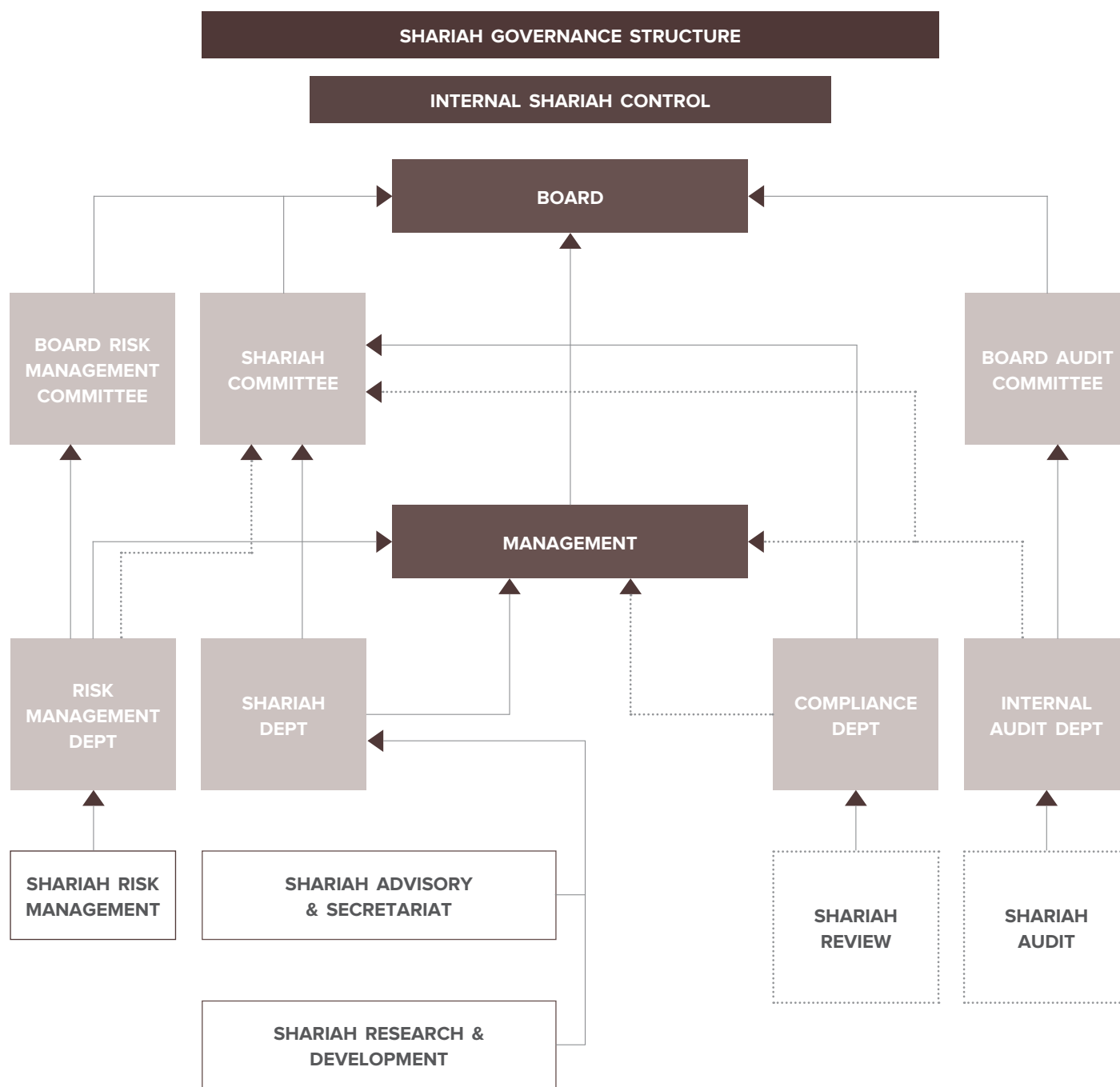
To ensure that the compliance management functions are able to provide an independent evaluation of its overall business decision and strategies, the functions are segregated to the business operating units.

► BASEL II – PILLAR 3 DISCLOSURES

10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D)

Shariah Governance Structure (cont'd)

Table 28: Shariah governance structure



► BASEL II – PILLAR 3 DISCLOSURES

10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D)

Rectification Process of Shariah Non-Compliance Income (SNCI) and Unidentified Funds

Earning and Expenditure Prohibited by Shariah

Policy on Management of Shariah Non-Compliant Income was formulated pursuant to the BNM's Shariah Governance Framework for IFI, which defines the principles and practices to be applied by the Bank in managing its SNCI.

SNCI is an income generated from any transaction(s) that breaches the governing Shariah principles and requirements as determined by the Bank's SC and/or other Shariah Authorities (SA).

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from to time.

The amount of SNCI and events decided by SC is as follows:

31 March 2019	31 March 2018
Event – NIL	Event – NIL
plus monthly Nostro interest received (31 March 2019: RM286.03)	plus monthly Nostro interest received (31 March 2018: RM573.20)

Any reported SNCI will be utilised to fund charitable activities as guided by SC of the Bank.

Unidentified fund/Shubhah

During the bank's daily operation, there are certain funds received by the bank where the source is not clear or uncertain. These fund are therefore not recognised as income and are retained in the *Maslahah Ammah* account. The utilisation of the fund follows the similar procedure set for the SNCI funds.

Example of unidentified funds are cash excess at teller and ATM machines and unidentified credit balances.

The total earning prohibited by Shariah and the unidentified fund during the year was recorded at RM55,165 (2018: RM80,267).

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Tan Sri Dato' Dr Mohd Munir Abdul Majid

Members

Dato' Sri Che Khalib Mohamad Noh

Dato' Haji Mohd Izani Ghani

Dato' Haji Kamil Khalid Ariff

Dr Azura Othman

Ghazali Haji Darman

Dato' Haji Che Pee Samsudin

Dato' Ibrahim Taib

Dato' Haji Mohd Redza Shah Abdul Wahid

COMPANY SECRETARY

Nur Azrina Abdul Samad (MACS 01632)

Julaida Jufri (LS 9358)

REGISTERED OFFICE

30th Floor, Menara Bumiputra

Jalan Melaka

50100 Kuala Lumpur

Tel : 603-2600 5493

Fax : 603-2693 3367

AUDITORS

Ernst & Young

Level 23A, Menara Milenium

Jalan Damanlela, Pusat Bandar Damansara

50490 Kuala Lumpur

BRANCH NETWORK

Our general line: 1300 88 8787

Ar-Rahnu services is incorporated in all branches

REGIONAL OFFICE CENTRAL

1st & 2nd Floor, No D32 & D33,
Jalan Medan Pusat Bandar 4,
Seksyen 9,
43650 Bandar Baru Bangi, Selangor
Fax: +603-8925 5894

WILAYAH PERSEKUTUAN

Jalan Melaka

1st Floor, Podium Block,
Menara Bumiputra,
21, Jalan Melaka,
50100 Kuala Lumpur
Fax: +603-2031 4231

Jalan Ipoh

Ground Floor, Wisma TCT,
No. 516-1,
Batu 3, Jalan Ipoh,
51200 Kuala Lumpur
Fax: +603-4043 1467

Sungai Besi

No. 2 & 2A, Jalan Tasik Utama 7,
Medan Niaga Tasik Damai,
Sungai Besi,
57000 Kuala Lumpur
Fax : +603-9058 7067/9058 1476

Jalan TAR

No. 399, Ground Floor,
Bangunan UMNO Lama,
Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur
Fax: +603-2697 8020

Putrajaya

No. 2 & 4, Ground & 1st Floor,
Jalan Diplomatik 2,
Pusat Komersial Diplomatik,
Precinct 15,
62050 Putrajaya
Fax: +603-8889 2053

Taman Melawati

268, 269 & 270,
Jalan Bandar 12,
Taman Melawati,
53100 Kuala Lumpur
Fax: +603-4107 4625

Alam Damai

52A, 52a-1 and 56,
Wisma Alam Damai,
Jalan Alam Damai 1,
Alam Damai, Cheras,
56100 Kuala Lumpur
Fax: +603-9101 8023

BUREAU DE CHANGE

Kuala Lumpur International Airport

BUSINESS CEASED ON 01/01/2019

Lot No. MTBD 12a, Level 5,
International Departure Level,
Main Terminal Building (MTBD),
Kuala Lumpur International Airport,
64000 KLIA, Sepang,
Selangor
Fax : +603-8787 1346

Kuala Lumpur International Airport 2 (KLIA2)

BUSINESS CEASED ON 01/05/2019

Level 2, Lot No. S6-2-A24,
International Departure Level (Airside),
KLIA2,
64000 Sepang, Selangor
Fax: +603-8787 1687

SELANGOR

Bandar Baru Bangi

Ground, 1st & 2nd Floor, 32 & 33,
Jalan Medan Pusat Bandar 4, Seksyen 9,
43650 Bandar Baru Bangi,
Selangor
Fax: +603-8925 5884/5894

Batu Caves

No. 3A & 3A-1 (Ground & Level 1) &
No. 5 (Ground Floor),
Prima Samudera,
Jalan Samudera Utara 11,
Taman Samudera,
68100 Batu Caves,
Selangor
Fax: +603-6186 2387

Glenmarie, Shah Alam

No. 2, Jalan Presiden F U1/F,
Accentra Glenmarie,
Seksyen U1,
40150 Shah Alam,
Selangor
Fax: +603-5569 1435

Kajang

Ground, 1st & 2nd Floor,
No. 2-1-G/1/2,
Jalan Prima Saujana 2/1,
Prima Saujana,
43000 Kajang,
Selangor
Fax: +603-8734 1604

Klang

No. 46 & 48,
Jalan Kelicap 42A/Ku1,
Klang Bandar Diraja,
Off Jalan Meru,
41050 Klang,
Selangor
Fax: +603-3344 4146

► BRANCH NETWORK

Petaling Jaya

No. B-29-1 & 2, Block B, Jaya One,
72A, Jalan Universiti,
46200 Petaling Jaya,
Selangor
Fax: +603-7954 1196/1255

Rawang

No. 9 & 11,
Jalan Bandar Baru Rawang 1,
Bandar Baru Rawang,
48000 Rawang, Selangor
Fax: +603-6092 1677

PKNS, Shah Alam

G-1, 2 & 3 Ground Floor,
Kompleks PKNS,
40000 Shah Alam,
Selangor
Fax: +603-5510 6611

Laman Seri

Ground & 1st Floor No. G03A & 103A,
Laman Seri Business Park,
No. 7, Jalan Sukan, Seksyen 13,
40100 Shah Alam, Selangor
Fax: +603-5510 0239

Subang Jaya

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)

Ground & 1st Floor,
Azman Hashim Complex,
Pt 5063 Mukim Setapak,
Universiti Islam Antarabangsa Malaysia,
Jalan Gombak,
53300 Kuala Lumpur
Fax: +603-6187 8579

Ampang Point

No. 23 & 23-A,
Jalan Memanda 7/1,
Off Jalan Ampang,
68000 Ampang, Selangor
Fax: +603-4270 0215

Muamalat Beyond Affluent Banking

No. 23-A, Jalan Memanda 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

Ground & Mezzanine Floor,
Wisma Maju UMNO,
Jalan Sultan Idris Shah,
30000 Ipoh, Perak
Fax: +605-243 4997

Parit Buntar

No. 40 & 42,
Jalan Wawasan 4,
Taman Wawasan Jaya,
Pusat Bandar Baru,
34200 Parit Buntar,
Perak
Fax: +605-716 7204

Seri Manjung

Ground & 1st Floor,
No. 392, Taman Samudera,
32040 Seri Manjung,
Perak
Fax: +605-688 4931

Taiping

98-100, Ground & 1st Floor,
Jalan Kota,
34000 Taiping, Perak
Fax: +605-807 8375

KEDAH

Alor Setar

Ground & Mezzanine Floor,
Lot No. 2242 & 1009,
Menara Dewan Perhimpunan Melayu Kedah,
(DPMK) Lebuhraya Darul Aman,
05100 Alor Setar, Kedah
Fax: +604-734 0248

Kulim

No. 6, Bangunan Al-Ikhwan,
Pusat Perniagaan Putra,
Jalan Kilang Lama,
09000 Kulim, Kedah
Fax: +604-490 7714

Sungai Petani

No. 21, Lot 88,
Jalan Perdana Heights 2/2,
Perdana Heights,
08000, Sungai Petani,
Kedah
Fax: +604-421 5007

► BRANCH NETWORK

Souq Al-Bukhary

Ground Floor,
Bazaar Souq Al-Bukhary,
No. 1, Jalan Tun Abdul Razak,
05200 Alor Setar, Kedah
Fax: +604-731 5546

PULAU PINANG

Bayan Baru

No 58 & 60, Jalan Tengah,
Taman Sri Tunas, 11950,
Bayan Baru, Pulau Pinang
Fax: +604-641 1058

Seberang Jaya

Ground, 1st & 2nd Floor,
No. 27 & 28, Jalan Todak 2,
Bandar Sunway,
Seberang Jaya,
13700 Perai, Butterworth,
Pulau Pinang
Fax: +604-399 3797/398 0306

Lebuh Pantai

No. 64, Lebuh Pantai,
10300, Georgetown,
Pulau Pinang
Fax: +604-261 1700

PERLIS

Kangar

No. 11 & 13,
Jalan Bukit Lagi,
01000 Kangar,
Perlis
Fax: +604-976 4799

REGIONAL OFFICE EAST COAST

Tingkat 2, Bangunan Perbadanan Menteri
Besar Kelantan (PMBK),
Jalan Kuala Krai,
15150 Kota Bharu, Kelantan
Fax : +609-743 3993

PAHANG

Kuantan

B-114 & B-116,
Sri Dagangan Centre,
Jalan Tun Ismail,
25000 Kuantan,
Pahang
Fax: +609-516 1675

Mentakab

6 & 7, Jalan Tun Abd Razak,
28400 Mentakab,
Pahang
Fax: +609-277 4940

Pekan

G-02, Ground Floor,
Bangunan UMNO (Bahagian Pekan),
Jalan Teng Que,
26600 Pekan, Pahang
Fax: +609-422 3751

Temerloh

Ground & 1st Floor,
C-8, Jalan Tengku Ismail,
28000 Temerloh, Pahang
Fax: +609-2960 478

TERENGGANU

Kuala Terengganu

1, Jalan Air Jerneh,
20300 Kuala Terengganu,
Terengganu
Fax: +609-622 3543

Kampung Raja

Lot 5678 & 5679, Taman D'Lahar,
Gong Kepas, Kampung Raja,
22200 Besut, Terengganu
Fax: +609-697 5566

KELANTAN

Jalan Sultan Yahya Petra

Ground Floor,
Lot PT 265 & PT 266,
Wisma Nik Kob,
Jalan Sultan Yahya Petra,
15200 Kota Bharu,
Kelantan
Fax: +609-747 3230

Kota Bharu

Ground & First Floor,
Bangunan Perbadanan Menteri Besar
Kelantan (PMBK), Jalan Kuala Krai,
15150 Kota Bharu,
Kelantan
Fax: +609-744 4622

► BRANCH NETWORK

Jeli

Ground & 1st Floor,
No. PT 4646, Lot 2003,
PN 3523,
17600 Bandar Jeli, Kelantan
Fax: +609-944 8228

Kok Lanas

Ground & 1st Floor,
Lot PT 5080, Kompleks Perniagaan
Saidina Ali,
Jalan Kuala Krai, Kok Lanas,
16450 Kota Bharu, Kelantan
Fax: +609-788 6828

Tanah Merah

No. 692, 693 & 694,
Kompleks Perniagaan Humaira,
Pusat Bandar Tanah Merah,
17500 Tanah Merah, Kelantan
Fax: +609-954 4550

Gua Musang

Ground Floor,
PT 13772, 13773 & 13774,
Bandar Baru Gua Musang,
18300 Gua Musang,
Kelantan
Fax: +609-912 2069

REGIONAL OFFICE SOUTHERN

Lot 1 & 2,
Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor
Fax: +607-228 1550

JOHOR

Batu Pahat

Ground & 1st Floor, No. 24 & 25,
Jalan Kundang, Taman Bukit Pasir,
83000 Batu Pahat, Johor
Fax: +607-432 4945

Johor Bahru

Ground & 1st Floor,
Lot 1 & 2, Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor
Fax: +607-224 0811

Johor Jaya

Ground & 1st Floor,
No. 17, Jalan Ros Merah 2/20,
Taman Johor Jaya,
81100 Johor Bahru, Johor
Fax: +607-355 8106

Kluang

No. 1, Jalan Persiaran Dato' Haji
Ismail Hassan,
86000 Kluang, Johor
Fax: +607-774 4419

Kulai Jaya

No. 32 Jalan Sri Putra 1,
Bandar Putra,
81000 Kulai, Johor
Fax: +607-662 1570

Segamat

No. 37 & 38,
Jalan Genuang Perdana,
Taman Genuang Perdana,
85000 Segamat, Johor
Fax: +607-943 3042

Taman Universiti

Ground & 1st Floor,
No. 28, Jalan Kebudayaan 5,
Taman Universiti,
81300 Skudai, Johor
Fax: +607-520 5503

Universiti Tun Hussein Onn Malaysia

Ground Floor,
Bangunan Pusat Khidmat Pelajar,
Universiti Tun Hussein Onn Malaysia,
86400 Parit Raja,
Batu Pahat, Johor
Fax: +607-453 6125

Kota Tinggi

No. 23, 25 & 27,
Jalan Sri Warisan 1,
Kota Tinggi Heritage Mall,
81920 Kota Tinggi, Johor
Fax: +607-882 5229

Muar

No. 8 & 9, Pusat Dagangan Bakri,
Jalan Bakri, 84000 Muar, Johor
Fax: +607-954 2311

BUREAU DE CHANGE

Senai International Airport

BUSINESS CEASED ON 01/08/2019

Lot KA 15, AeroMall,
Senai International Airport,
81250 Johor Bahru,
Johor
Fax: +607-597 0612

► BRANCH NETWORK

MELAKA

Taman Cheng Baru

Ground & 1st Floor,
No.92, Jalan Cheng Baru,
Taman Cheng Baru,
75250 Melaka
Fax: +606-312 5091/5092

Melaka

395, Taman Sinn,
Jalan Semabuk,
75050 Melaka
Tel: +606-282 8171
Fax: +606-286 7518

KIOSK

Sungai Udang

No. 11, Jalan Kerambit 1,
Bandar Baru Sungai Udang,
76300 Sungai Udang, Melaka
Fax: +606-351 5703

NEGERI SEMBILAN

Seremban

Wisma Great Eastern,
No. 105, 107 & 109,
Jalan Yam Tuan,
70000 Seremban,
Negeri Sembilan
Fax: +606-762 7218

Port Dickson

Ground Floor, No. 3 & 3A,
Jalan Remis 2,
Medan Remis, Telok Kemang,
71050 Port Dickson,
Negeri Sembilan
Fax: +606-646 2331

Gemas

No. 16, Jalan DS 1/1,
Dataran Satria 1,
73400 Gemas,
Negeri Sembilan
Fax: +607-948 2106

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

Ground 1st & 2nd Floor, No. 252,
Lot 73 Park City Commercial Centre,
Jalan Tanjung Batu,
97012 Bintulu,
Sarawak
Fax: +6086-337 461

Kuching

Lot 456, 457 & 458,
Al Idrus Commercial Centre,
Jalan Santok,
93400 Kuching,
Sarawak
Fax: +6082-418 692

Miri

433-434 Ground & First Floor
Jalan Bendahara
98000 Miri
Sarawak
Fax: +6085-418 111

SABAH

Kota Kinabalu

C-06-01 & C-07-01, Block C,
Aeropod Commercial Square,
Jalan Aeropod, Off Jalan Kepayan,
88200 Kota Kinabalu,
Sabah
Fax: +6088-239 128

Labuan

Ground Floor & 1st Floor,
Block B, Lot 25,
Lazenda Centre,
Jalan OKK Abdullah,
87007 Wilayah Persekutuan Labuan
Fax: +6087-424 204

Tawau

Lot 69 & 70,
Ground & 1st Floor,
Kubota Square, Jalan Kubota,
91000 Tawau,
Sabah
Fax: +6087-771 493

BUREAU DE CHANGE

Kota Kinabalu, Sabah Airport

Lot No. L3L07 (A), Level 3,
Departure Hall (Landside),
Kota Kinabalu International Airport,
Sabah
Fax: +6088-210 454

Bank Muamalat Malaysia Berhad

196501000376 (6175-W)

Ibu Pejabat, Menara Bumiputera, 21 Jalan Melaka,

50100 Kuala Lumpur

Tel: +603 2698 8787