

BANK MUAMALAT MALAYSIA BERHAD
(6175-W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2019

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

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Bank Muamalat Malaysia Berhad
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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 nine-month financial period ended 31 December 2019.

Principal activities

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

There has been no significant change in the nature of these activities during the nine-month financial period.

Results

	Group RM'000	Bank RM'000
Profit before zakat and taxation	140,313	139,332
Zakat	(3,770)	(3,706)
Taxation	(37,737)	(37,215)
Profit for the year	<u>98,806</u>	<u>98,411</u>

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

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

Dividend

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

Bank Muamalat Malaysia Berhad
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Directors

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

Tan Sri Dato' Dr Mohd Munir Abdul Majid	(Chairman)
Dato' Haji Kamil Khalid Ariff	
Dato' Sri Che Khalib Mohamad Noh	
Dr. Azura Othman	
Ghazali Hj Darman	
Dato' Ibrahim Taib	
Iwan Rashman Gulamoydeen	(appointed on 1 September 2019)
Khairuddin Arshad	(appointed on 10 September 2019)
Dato' Hj Che Pee Samsudin	(resigned on 28 March 2020)
Dato' Haji Mohd Redza Shah Abdul Wahid	(resigned on 31 October 2019)
Dato' Haji Mohd Izani Ghani	(resigned on 31 August 2019)

Directors of the subsidiary companies

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

No.	Name of Subsidiary	Name of Directors
1.	Muamalat Invest Sdn Bhd	Khairul Kamarudin (appointed on 8 July 2019) Fakihah Azahari Dato' Adnan Alias Norahmadi Sulong Mohamed Fadzil Sulaiman Dato' Haji Mohd Redza Shah Abdul Wahid (resigned on 31 October 2019)
2.	Muamalat Venture Sdn Bhd	Khairul Kamarudin (appointed on 25 June 2019) PeerMohamed bin Ibramsha Dato' Haji Mohd Redza Shah Abdul Wahid (resigned on 31 October 2019)
3.	Muamalat Nominees (Asing) Sdn Bhd	Khairul Kamarudin (appointed on 25 June 2019) PeerMohamed bin Ibramsha Dato' Haji Mohd Redza Shah Abdul Wahid (resigned on 31 October 2019)
4.	Muamalat Nominees (Tempatan) Sdn Bhd	Khairul Kamarudin (appointed on 25 June 2019) PeerMohamed bin Ibramsha Dato' Haji Mohd Redza Shah Abdul Wahid (resigned on 31 October 2019)

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Directors' interests

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

	Number of ordinary shares of RM1.00 each			As at 31.12.2019
	As at 31.3.2019	Acquired	Disposed	
Interest in DRB-HICOM Berhad, holding company:				
Dato' Sri Che Khalib Mohamad Noh	3,500	-	-	3,500
Ghazali Hj Darman	-	4,000	-	4,000

Other than as disclosed above, none of the directors in office at the end of the nine-month financial period ended 31 December 2019 had any interest in shares in the Bank or its related corporations during the financial period.

Directors' benefits

Neither at the end of the nine-month financial period ended 31 December 2019, nor at any time during that period, did there subsist any arrangement to which the Bank was a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 35 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest, except for certain directors who received remuneration from a subsidiary company of the holding company.

Directors' indemnity

Directors' liability takaful is in place to protect the directors of the Group and of the Bank against potential costs and liabilities arising from claims brought against the directors.

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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 nine (9) months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and

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Other statutory information (cont'd.)

(f) In the opinion of the directors: (cont'd.)

- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

Compliance with Bank Negara Malaysia's Guidelines on Financial Reporting

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

Business review 2019

The Group posted profit before zakat and taxation of RM140.3 million for the 9-month period ended December 2019, from RM241.2 million in the previous 12-month financial year ended March 2019. Period-on-period comparison for the nine (9) months result, showed a decline of 8.0% from a profit of RM152.5 million registered in the previous corresponding period ended 31 December 2018.

Total assets registered a marginal decline by 0.2% from March 2019 position. This is mainly attributed to a decrease in total financial investment through FVOCI by 6.7%, however, offset by an increase in total financing assets by 3.5%.

The Group's asset quality has shown a marked improvement with gross impaired financing ratio stood at 1.31% as compared with 1.43% in March 2019.

The Group's capital position remained strong and well above regulatory requirements as reflected by its Common Equity Tier 1 ratio of 16.00% and Total Capital Ratio of 18.65%.

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Prospects

The rapid spread of the novel coronavirus ("Covid-19") has caused an unprecedented health and economic crisis the world has in living memory not seen before. It is expected to have a severe impact on economic activities for many months to come. Both the supply and demand side of most economies have been badly affected arising from measures to protect lives against the virus; ranging from restriction of movement orders to the closure of factories and businesses. There is consequent risk to the stability of the financial industry. Even before the Covid-19 crisis, trade tensions between the US and China and the sharp falls in oil prices had already eroded confidence and global growth prospects. The International Monetary Fund ("IMF") is now projecting global economic growth to dip from the initial forecast of 3.5 per cent to -3.0 per cent in 2020.

Malaysia is not spared from the serious negative economic impact of the Covid-19 pandemic, with the Movement Control Order ("MCO") in force since 18 March 2020. The Government has introduced countervailing stimulus and relief measures against the abrupt halt in economic and financial activities, except for those categorised as "essential services". The packages amounting to RM260.0 billion were introduced to provide aid and support for those badly affected in society and in business, primarily the B40 and M40 income groups as well as the Small and Medium Enterprises ("SME") sector. Bank Negara Malaysia ("BNM") in its recent Economic and Monetary Review 2019 has forecasted Malaysia's gross domestic product ("GDP") to be between -2.0 per cent and 0.5 per cent due to the global and domestic measures to contain the Covid-19 pandemic. The challenge going forward for the country is to balance the imperative to save lives and the need to secure livelihoods in a functioning economy.

Despite the internal and external market volatilities, Malaysian financial sector is expected to remain sound and supportive of the domestic economy in 2020 although risks to growth remain, as there are expectations of overnight policy rate ("OPR") to reduce further. Banking landscape will also be more challenging with the recent release of Exposure Draft on Licensing Framework for Digital Banks issued by BNM in December 2019. The issuance of five (5) digital banking licenses for both conventional and Islamic banks would further intensify the competitiveness in the banking sector as non-traditional players gradually make inroads into the industry.

Against this backdrop, the Bank will continue to ride on its new business plan, following a selective areas of growth to ensure it remains competitive in the current banking landscape. The Bank's focus area in expanding its wealth management portfolio shall include among others, the distribution of Islamic unit trust fund and bancatakaful products as well as investment in Amanah Saham Bumiputra ("ASB"). Moving forward, the Bank will also strive towards managing efficiency, particularly in enhancing its digital banking services as to provide seamless banking services as well as ease of access and usage especially in terms of its mobile application and internet banking.

Acknowledging the inherent risks associated with the current economic climate, the Bank has and is taking the necessary steps to mitigate and minimise these risks, in accordance with BNM's guidelines. The Bank is focusing on streamlining its business activities for continuous business resilience and is ensuring that appropriate action plans are being put in place to cushion the impact of any potential adverse effects on the Bank's financial performance and balance sheet.

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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 Short term Subordinated Sukuk Outlook	A2 P1 A3 Stable
Malaysia Rating Corporation Berhad	January 2020	Long term Short term Senior Sukuk Outlook	A MARC-1 A Stable

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Disclosure of Shariah Committee

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

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

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Disclosure of Shariah Committee (cont'd.)

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

Zakat obligations

The Bank pays zakat on its business based on the growth model method as approved by the Shariah Committee. The Bank does not pay zakat on behalf of the shareholders or depositors.

For the nine-month financial period ended 31 December 2019, the Group and the Bank have allocated an amount of RM3.77 million and RM3.7 million respectively, as provision for zakat.

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Change of financial year end

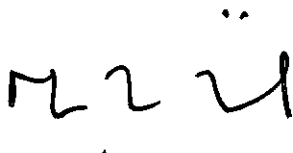
Following the approval by the Board of Directors, in their resolution dated 1 August 2019, on the change of the financial year from 31 March to 31 December, the financial year covered in these financial statements is for a period of nine (9) months from 1 April 2019 to 31 December 2019. Consequently, the comparatives for the statements of comprehensive income, statements of changes in equity and statements of cash flows as well as certain comparatives in the notes to the financial statements of the Group and of the Bank are not comparable to those of the previous twelve (12) months ended 31 March 2019. Thereafter, the financial year of the Group and of the Bank shall revert to twelve (12) months ending 31 December, for each subsequent year.

Auditors and auditors' remuneration

The auditors' remuneration are disclosed in Note 37 to the financial statements.

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2020.



Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman



Ghazali Hj Darman
Director

Kuala Lumpur, Malaysia

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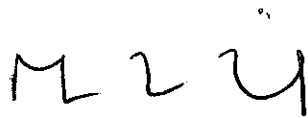
Statement by directors

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

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

We, Tan Sri Dato' Dr. Mohd Munir Abdul Majid and Ghazali Hj Darman, being two (2) of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 17 to 218 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016, in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019 and of the results and the cash flows of the Group and of the Bank for the nine-month period then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2020.



Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman



Ghazali Hj Darman
Director

Kuala Lumpur, Malaysia

Statutory declaration

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

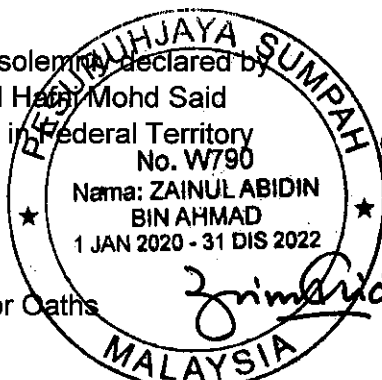
In the name of Allah, The Most Beneficent, The Most Merciful

I, Hafni Mohd Said, being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 17 to 218 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Hafni Mohd Said
at Kuala Lumpur in Federal Territory
on 4 May 2020.

Before me,

Commissioner for Oaths



Hafni Mohd Said

**Bank Muamalat Malaysia Berhad
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Report of the Shariah Committee

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

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the nine-month period ended 31 December 2019. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

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

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

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

- (a) the contracts, transactions and dealings entered into by the Bank during the nine-month period ended 31 December 2019 that we have reviewed are in compliance with the Shariah principles;
- (b) the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
- (c) all earnings that have been realised from sources or by means prohibited by the Shariah principles have been identified and excluded from the Bank's income and were disposed for charitable causes; and
- (d) the calculation and distribution of zakat is in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Muamalat Malaysia Berhad, to the best of our knowledge, do hereby confirm that the operations of the Bank for the nine-month period ended 31 December 2019 have been conducted in conformity with the Shariah principles.

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



En. Azizi Che Seman
Chairman of Shariah Committee

Kuala Lumpur, Malaysia



Dr. Wan Marhaini Wan Ahmad
Member of Shariah Committee

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**Independent auditors' report to the members of
Bank Muamalat Malaysia Berhad
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Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the nine-month financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 218.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019, and of their financial performance and their cash flows for the nine-month financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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**Independent auditors' report to the members of
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Information other than the financial statements and auditors' report thereon (cont'd.)

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.

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.

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

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

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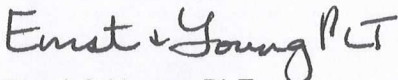
**Independent auditors' report to the members of
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

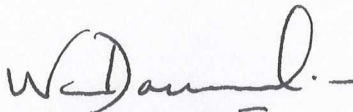
Other matters

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



Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
30 April 2020



Wan Daneena Liza Bt Wan Abdul Rahman
No. 02978/03/2020 J
Chartered Accountant

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Consolidated statement of financial position as at 31 December 2019 (4 Jamadil Awal 1441H)

		Group	
		31 December	31 March
		2019	2019
	Note	RM'000	RM'000
Assets			
Cash and short-term funds	4 (a)	1,011,225	830,571
Cash and placements with financial institutions	4 (b)	53,925	11,937
Financial investments at fair value through profit or loss	5 (i)	308,793	660,799
Financial investments at fair value through other comprehensive income	5 (ii)	4,604,824	4,936,032
Financial investments at amortised cost	5 (iii)	103,162	103,310
Islamic derivative financial assets	6	21,859	24,853
Financing of customers	7	15,861,238	15,330,895
Other assets	9	41,670	81,625
Statutory deposits with Bank Negara Malaysia	10	568,768	699,275
Investment properties	12	53,063	45,303
Right-of-use assets	15.2 (d)	48,122	-
Intangible assets	13	82,538	84,684
Property, plant and equipment	14	56,092	58,361
Prepaid land lease payment	15.1	-	223
Deferred tax assets (net)	16	13,534	17,742
Total assets		22,828,813	22,885,610
Liabilities			
Deposits from customers	17	18,940,552	19,144,118
Deposits and placements of banks and other financial institutions	19	6,303	6,747
Bills and acceptances payable	20	8,444	15,678
Islamic derivative financial liabilities	6	77,546	48,162
Other liabilities	21	53,284	78,450
Lease liabilities	15.2 (a)	51,659	-
Provision for zakat and taxation	22	9,528	6,670
Recourse obligation on financing sold to Cagamas	23	459,633	471,102
Deferred tax liabilities (net)	16	-	65
Subordinated sukuk	24 (a)	250,532	254,025
Senior sukuk	24 (b)	502,517	509,174
Total liabilities		20,359,998	20,534,191

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Consolidated statement of financial position as at 31 December 2019 (4 Jamadil Awal 1441H) (cont'd.)

		Group	
		31 December	31 March
		2019	2019
	Note	RM'000	RM'000
Shareholders' equity			
Share capital	25	1,195,000	1,195,000
Reserves	26	1,273,815	1,156,419
Total shareholders' equity		2,468,815	2,351,419
Total liabilities and shareholders' equity		22,828,813	22,885,610
Restricted investment accounts	18 (a)	20,000	20,444
Total Islamic banking asset and asset under management		22,848,813	22,906,054
Commitments and contingencies	45	6,596,494	7,811,267
Capital adequacy *	50		
CET 1 capital ratio		15.998%	15.804%
Total capital ratio		18.653%	18.593%

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

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2019 (4 Jamadil Awal 1441H)

		Bank	
		31 December	31 March
		2019	2019
	Note	RM'000	RM'000
Assets			
Cash and short-term funds	4 (a)	1,011,225	830,571
Cash and placements with financial institutions	4 (b)	53,925	11,937
Financial investments at fair value through profit or loss	5 (i)	308,793	658,866
Financial investments at fair value through other comprehensive income	5 (ii)	4,602,399	4,933,767
Financial investments at amortised cost	5 (iii)	103,162	103,310
Islamic derivative financial assets	6	21,859	24,853
Financing of customers	7	15,857,343	15,333,281
Other assets	9	40,780	83,531
Statutory deposits with Bank Negara Malaysia	10	568,768	699,275
Investment in subsidiaries	11	13,159	12,559
Investment properties	12	53,063	45,303
Intangible assets	13	82,427	84,560
Right-of-use assets	15.2 (d)	41,466	-
Property, plant and equipment	14	56,064	58,360
Prepaid land lease payment	15.1	-	223
Deferred tax assets (net)	16	13,250	17,742
Total assets		22,827,683	22,898,138
Liabilities			
Deposits from customers	17	18,955,006	19,167,905
Deposits and placements of banks and other financial institutions	19	6,303	6,747
Bills and acceptances payable	20	8,444	15,678
Islamic derivative financial liabilities	6	77,546	48,162
Other liabilities	21	52,316	74,156
Lease liabilities	15.2 (a)	43,823	-
Provision for zakat and taxation	22	9,272	6,597
Recourse obligation on financing sold to Cagamas	23	459,633	471,102
Subordinated sukuk	24 (a)	250,532	254,025
Senior sukuk	24 (b)	502,517	509,174
Total liabilities		20,365,392	20,553,546

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2019 (4 Jamadil Awal 1441H)

		Bank	
		31 December	31 March
		2019	2019
	Note	RM'000	RM'000
Shareholders' equity			
Share capital	25	1,195,000	1,195,000
Reserves	26	1,267,291	1,149,592
Total shareholders' equity		2,462,291	2,344,592
Total liabilities and shareholders' equity		22,827,683	22,898,138
Restricted investment accounts	18 (a)	20,000	20,944
Total Islamic banking asset and asset under management		22,847,683	22,919,082
Commitments and contingencies	45	6,596,494	7,811,267
Capital adequacy *	50		
CET 1 capital ratio		15.895%	15.679%
Total capital ratio		18.555%	18.470%

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

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of profit or loss

For the period ended 31 December 2019 (4 Jamadil Awal 1441H)

		Group		Bank	
		For the nine	For the	For the nine	For the
		months	twelve	months	twelve
		ended	months	ended	months
		31 December	31 March	31 December	31 March
		2019	2019	2019	2019
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	27	945,908	1,248,778	945,908	1,248,778
Income derived from investment of investment account funds	28	113	511	113	511
Income derived from investment of shareholders' funds	29	11,526	84,302	8,064	82,335
(Allowance for)/writeback of impairment on financing	30	(21,587)	6,355	(21,587)	11,277
(Allowance for)/writeback of impairment losses on financial investments, net	31	(3,066)	801	(2,466)	1,801
Writeback of/(allowance for) impairment losses on other financial assets, net	32	1,204	(4,830)	1,204	(4,830)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(7,329)	(10,723)	(7,329)	(10,723)
Total distributable income		926,769	1,325,194	923,907	1,329,149
Income attributable to depositors	33	(407,832)	(613,236)	(408,077)	(613,684)
Total net income		518,937	711,958	515,830	715,465
Personnel expenses	34	(178,288)	(214,576)	(176,597)	(212,614)
Other overheads and expenditures	37	(150,193)	(192,031)	(150,083)	(191,565)
Finance costs	38	(50,143)	(64,163)	(49,818)	(64,163)
Profit before zakat and taxation		140,313	241,188	139,332	247,123
Zakat	39	(3,770)	(6,255)	(3,706)	(6,195)
Taxation	40	(37,737)	(55,439)	(37,215)	(55,253)
Profit for the year		98,806	179,494	98,411	185,675
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	41	11.02	15.02		

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of other comprehensive income
For the period ended 31 December 2019 (4 Jamadil Awal 1441H)

	Note	Group		Bank	
		For the nine months ended 31 December 2019	For the twelve months ended 31 March 2019	For the nine months ended 31 December 2019	For the twelve months ended 31 March 2019
		RM'000	RM'000	RM'000	RM'000
Profit for the year		98,806	179,494	98,411	185,675
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
Net gain on financial investments at fair value through other comprehensive income		19,558	42,434	19,558	42,434
- Net gain on change in fair value		70,017	68,836	70,017	68,836
- Changes in expected credit losses	5 (ii)	(3)	(191)	(3)	(191)
- Income tax effect	16	(6,156)	(8,758)	(6,156)	(8,758)
- Realised gain transferred to profit or loss on disposal	27 & 29	(44,300)	(17,453)	(44,300)	(17,453)
Exchange fluctuation reserve		284	1,362	284	1,362
Items that may not be reclassified subsequently to profit or loss					
Net unrealised gain/(loss) on equity securities at fair value through other comprehensive income		1,016	(12,560)	1,016	(12,560)
Other comprehensive income for the year, net of tax		20,858	31,236	20,858	31,236
Total comprehensive income for the year		119,664	210,730	119,269	216,911

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

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Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the period ended 31 December 2019 (4 Jamadil Awal 1441H)

Group	Non-distributable			Distributable		
	Ordinary shares RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Fair Value Through Other Comprehensive Income Reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2019						
- as previously stated	1,195,000	63,585	(417)	(1,515)	1,094,766	2,351,419
- effect of adopting MFRS 16	-	-	-	-	(2,268)	(2,268)
At 1 April 2019, as restated	1,195,000	63,585	(417)	(1,515)	1,092,498	2,349,151
Profit for the period	-	-	-	-	98,806	98,806
Other comprehensive income for the period	-	-	284	20,574	-	20,858
Total comprehensive income for the period	-	-	284	20,574	98,806	119,664
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	(1,051)	1,051	-
Transfer from regulatory reserve	-	(909)	-	-	909	-
At 31 December 2019	1,195,000	62,676	(133)	18,008	1,193,264	2,468,815
At 1 April 2018	1,195,000	40,594	(1,779)	(29,057)	935,931	2,140,689
Profit for the year	-	-	-	-	179,494	179,494
Other comprehensive income for the year	-	-	1,362	29,874	-	31,236
Total comprehensive income for the year	-	-	1,362	29,874	179,494	210,730
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	(2,332)	2,332	-
Transfer to regulatory reserve	-	22,991	-	-	(22,991)	-
At 31 March 2019	1,195,000	63,585	(417)	(1,515)	1,094,766	2,351,419

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

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Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the period ended 31 December 2019 (4 Jamadil Awal 1441H)

	Non-distributable			Fair Value Through Other Comprehensive Income Reserve RM'000	Distributable	Total equity RM'000
	Ordinary shares RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000		Retained profits RM'000	
Bank						
At 1 April 2019						
- as previously stated	1,195,000	63,585	(417)	(1,515)	1,087,939	2,344,592
- effect of adopting MFRS 16	-	-	-	-	(1,571)	(1,571)
At 1 April 2019, as restated	1,195,000	63,585	(417)	(1,515)	1,086,368	2,343,021
Profit for the year	-	-	-	-	98,412	98,412
Other comprehensive income for the year	-	-	284	20,574	-	20,858
Total comprehensive income for the year	-	-	284	20,574	98,412	119,270
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	(1,051)	1,051	-
Transfer from regulatory reserve	-	(909)	-	-	909	-
At 31 December 2019	1,195,000	62,676	(133)	18,008	1,186,740	2,462,291
At 1 April 2018	1,195,000	40,594	(1,779)	(29,057)	922,923	2,127,681
Profit for the year	-	-	-	-	185,675	185,675
Other comprehensive income for the year	-	-	1,362	29,874	-	31,236
Total comprehensive income for the year	-	-	1,362	29,874	185,675	216,911
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	(2,332)	2,332	-
Transfer to regulatory reserve	-	22,991	-	-	(22,991)	-
At 31 March 2019	1,195,000	63,585	(417)	(1,515)	1,087,939	2,344,592

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the period ended 31 December 2019 (4 Jamadil Awal 1441H)

		Group		Bank	
		31 December	31 March	31 December	31 March
	Note	2019	2019	2019	2019
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before zakat and taxation		140,313	241,188	139,332	247,123
Adjustment for:					
Amortisation of prepaid land lease payments	37	-	4	-	4
Amortisation of intangible assets	37	25,570	30,299	25,558	30,138
Depreciation of property, plant and equipment	37	9,810	15,564	9,805	15,557
Gain on sale of property, plant and equipment	29	(11)	(70)	(11)	(70)
Depreciation of right-of-use assets		9,742	-	9,304	-
Amortisation of cost on subordinated sukuk and senior sukuk issued		150	200	150	200
Property, plant and equipment written off	37	26	53	26	53
Amortisation of premium	27 & 29	305	1,229	305	1,229
Net gain from sale of financial investments at fair value through other comprehensive income	27 & 29	(44,300)	(17,453)	(44,300)	(17,453)
Net loss/(gain) from sale of financial investments designated at FVTPL	27 & 29	14	(953)	8	(874)
Unrealised loss/(gain) on revaluation of financial investment designated at FVTPL	27 & 29	3,683	(37,305)	3,538	(38,558)
Net gain on revaluation of foreign exchange transaction	29	(8,125)	(8,322)	(8,125)	(8,322)
Net loss/(gain) from foreign exchange derivatives	29	4,829	(3,448)	4,829	(3,448)
Unrealised loss on revaluation of Islamic profit rate swap	29	27,549	21,604	27,549	21,604

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the period ended 31 December 2019 (4 Jamadil Awal 1441H) (cont'd.)

		Group		Bank	
		31 December	31 March	31 December	31 March
		2019	2019	2019	2019
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)					
Unrealised gain on revaluation of hedged items	29	(31,262)	(33,297)	(31,262)	(33,297)
Gain from derecognition of fair value of hedged items	29	-	(2,102)	-	(2,102)
Impairment losses/(writeback) on investments securities	31	3,067	(801)	3,067	(801)
Impairment writeback on investment in a subsidiary	31	-	-	(600)	(1,000)
Fair value adjustments of investment properties	29	1,918	(1,580)	1,918	(1,580)
Net allowance for impairment on financing	30	51,925	9,176	51,925	9,176
Financing written off	30	2,687	2,592	2,687	2,592
Allowance for) impairment on other financial assets, net		(1,204)	4,830	(1,204)	4,830
Finance costs	38	50,143	64,163	49,818	64,163
Gross dividend income	29	(59)	(53)	(1,000)	-
Operating profit before working capital changes		246,770	285,518	243,317	289,164
Decrease/(Increase) in operating assets:					
Investment accounts due from designated financial institution		-	146	-	146
Islamic derivative financial assets		(1,836)	51,365	(1,836)	51,365
Financial investments portfolio		(52,645)	(33,748)	(46,489)	(24,251)
Financing of customers		(560,311)	(922,514)	(554,029)	(927,106)
Statutory deposits with Bank Negara Malaysia		130,507	(24,775)	130,507	(24,775)
Other assets		(53,918)	23,596	(49,057)	10,352

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the period ended 31 December 2019 (4 Jamadil Awal 1441H) (cont'd.)

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
(Decrease)/Increase in operating liabilities:				
Deposits from customers	(203,566)	(1,028,409)	(212,899)	(1,022,949)
Deposits and placements of banks and other financial institutions	(444)	(2,107)	(444)	(2,107)
Islamic derivative financial liabilities	1,836	(51,365)	1,836	(51,365)
Bills and acceptances payable	(7,234)	6,060	(7,234)	6,060
Other liabilities	36,452	(38,889)	31,737	(41,456)
Cash used in operations	(464,389)	(1,735,122)	(464,591)	(1,736,922)
Finance cost on lease liabilities paid	(2,205)	-	(1,878)	-
Zakat paid	(6,250)	(6,134)	(6,195)	(5,587)
Tax refund/(paid)	15,269	(17,908)	15,589	(15,689)
Net cash used in operating activities	(457,575)	(1,759,164)	(457,075)	(1,758,198)
Cash flows from investing activities				
Proceeds from disposal of investment in securities	9,120,983	10,188,634	9,119,201	10,188,555
Purchase of financial investment in securities	(8,320,555)	(9,051,526)	(8,320,395)	(9,049,470)
Proceeds from disposal of property, plant and equipment	147	134	147	134
Purchase of property, plant and equipment	14 (8,021)	(21,373)	(7,989)	(21,373)
Purchase of intangible assets	13 (24,084)	(20,914)	(24,085)	(20,804)
Purchase of investment properties	12 (9,678)	(1,942)	(9,678)	(1,942)
Purchase of additional ordinary shares in existing subsidiaries	-	-	-	(3,000)
Dividend income	29 59	53	1,000	-
Net cash generated from investing activities	758,851	1,093,066	758,201	1,092,100

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the period ended 31 December 2019 (4 Jamadil Awal 1441H) (cont'd.)

		Group		Bank	
		31 December	31 March	31 December	31 March
		2019	2019	2019	2019
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities					
Dividend paid on Islamic subordinated sukuk		(42,000)	(42,000)	(42,000)	(42,000)
Payment of lease liabilities		(8,928)	-	(8,778)	-
Payment of principal for recourse obligation on financing sold to Cagamas		(11,463)	(14,799)	(11,463)	(14,799)
Payment of finance cost for recourse obligation on financing sold to Cagamas		(16,243)	(22,276)	(16,243)	(22,276)
Net cash used in financing activities		(78,634)	(79,075)	(78,484)	(79,075)
Net increase/(decrease) in cash and cash equivalents		222,642	(745,173)	222,642	(745,173)
Cash and cash equivalents at beginning of year		842,508	1,587,681	842,508	1,587,681
Cash and cash equivalents at end of year		1,065,150	842,508	1,065,150	842,508
Cash and cash equivalents consist of:					
Cash and short term funds	4 (a)	1,011,225	830,571	1,011,225	830,571
Cash and placements with financial institutions	4 (b)	53,925	11,937	53,925	11,937
		1,065,150	842,508	1,065,150	842,508

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the period ended 31 December 2019 (4 Jamadil Awal 1441H) (cont'd.)

(a) Reconciliation of liabilities arising from financing activities:

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

Group and Bank

	Sukuk		Recourse obligation on financing sold to Cagamas	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
At 1 April 2019	763,199	763,162	471,102	485,851
Net changes from financing cash flows:				
Dividend paid on Islamic subordinated sukuk	(42,000)	(42,000)	-	-
Payment of principal for recourse obligation on financing sold to Cagamas	-	-	(11,463)	(14,799)
Payment of finance cost for recourse obligation on financing sold to Cagamas	-	-	(16,243)	(22,276)
	721,199	721,162	443,396	448,776
Other changes:				
Amortisation of cost on sukuk issued	150	200	-	-
Finance cost	31,700	41,837	16,237	22,326
At end of the financial year	753,049	763,199	459,633	471,102

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the period ended 31 December 2019 (4 Jamadil Awal 1441H) (cont'd.)

(a) Reconciliation of liabilities arising from financing activities: (cont'd.)

	Lease Liabilities			
	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
At 1 April 2019	-	-	-	-
Effect of adopting MFRS 16	53,425	-	45,357	-
At 1 April 2019, as restated	53,425	-	45,357	-
Net changes from financing cash flows:				
Payments for the principal portion of lease liabilities	(2,205)	-	(1,878)	-
Payments for the profit portion of lease liabilities	(8,928)	-	(8,778)	-
New finance lease	769	-	769	-
	43,061	-	35,470	-
Other changes:				
Finance cost	2,205	-	1,878	-
Lease modification	6,587	-	6,669	-
Disposals	(194)	-	(194)	-
At end of the financial year	51,659	-	43,823	-

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

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

1. Corporate information

Bank Muamalat Malaysia Berhad (the "Bank") is principally engaged in all aspects of Islamic banking business and related financial services in accordance with Shariah principles.

The principal activities of the subsidiaries are as disclosed in Note 11.

There have been no significant changes in the nature of these activities during the nine-month financial period ended 31 December 2019.

The Bank is a licensed Islamic Bank under the Islamic Financial Service Act, 2013 ("IFSA"), incorporated and domiciled in Malaysia. The registered office of the Bank is located at 20th Floor, Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur.

The holding and ultimate holding companies of the Bank are DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. respectively, both of which are incorporated in Malaysia. DRB-HICOM Berhad, is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad. DRB-Hicom Berhad holds 70% of the Bank's shares, whilst the remaining 30% is held by Khazanah Nasional Berhad.

Following the approval by the Board of Directors, in their resolution dated 1 August 2019, on the change of the financial year end from 31 March to 31 December, the financial year covered in these financial statements is for a period of nine months from 1 April 2019 to 31 December 2019. Consequently, the comparatives for the statements of comprehensive income, statements of changes in equity and statements of cash flows as well as certain comparatives in the notes to the financial statements of the Group and the Bank are not comparable to those of the previous twelve months ended 31 March 2019. Thereafter, the financial year of the Group and the Bank shall revert to twelve months ending 31 December, for each subsequent year.

The financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the directors on 30 April 2020.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Bank and its subsidiaries (the "Group") have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 2016 in Malaysia.

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

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

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 December 2019.

The financial statements of the Bank's subsidiaries are prepared for the same reporting date as the Bank, using consistent accounting policies to rephrase transactions and events in similar circumstances. Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank obtains control and continue to be consolidated until the date that such control effectively ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group controls an investee, if and only if, the Group has the following three (3) elements of control:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three (3) elements of control.

Generally, there is a presumption that majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the statement of profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for on the date when control is lost.

2.3 Summary of significant accounting policies

(a) Investment in subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in statement of profit or loss.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets

(i) Initial recognition and subsequent measurement

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the assets' contractual cash flow characteristics. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The categories of financial assets under MFRS 9 are as follows:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL").

(1) Financial assets at amortised cost

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP") on the principal amount outstanding; and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(1) Financial assets at amortised cost (cont'd.)

The details of these conditions are outlined below:

(i) The SPPP test

As a first step of its classification process, the Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there were payments of principal or amortisation of the premium/discount).

The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Group and the Bank apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

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.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(1) Financial assets at amortised cost (cont'd.)

The details of these conditions are outlined below: (cont'd.)

(ii) Business model assessment (cont'd.)

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.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

**(2) Financial assets at fair value through other comprehensive income
("FVOCI")**

The Group and the Bank apply the new category under MFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The contractual terms of the financial assets meet the SPPP test; and
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the Other Comprehensive Income ("OCI"). Profit income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed off on a first-in-first-out basis. Upon derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Group and the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

Included in financial assets at FVOCI are certain equity and debt instruments.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(3) Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL are those that are held-for-trading and have been either designated by the Group and the Bank upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9.

The Group and the Bank designate an instrument at FVTPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Included in financial assets at FVTPL are financial investments, financial assets designated upon initial recognition, financing of customers and derivatives.

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the profit or loss under the caption of ‘other operating income’.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

(ii) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from asset have expired.
- The Group and the Bank have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:
 - The Group and the Bank have transferred substantially all the risks and rewards of the asset; or
 - The Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the financial asset.

When the Group and the Bank have transferred their rights to receive cash flows from a financial asset or have entered into a pass through arrangement, and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the financial asset, the financial asset is recognised to the extent of the Group's and the Bank's continuing involvement in the financial asset. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

(iii) Impairment of financial assets

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model. The ECL model applies to financial assets measured at amortised cost or at FVOCI (with recycling to profit or loss), irrevocable financing commitments and financial guarantee contracts, and financing of customers and debt instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15 Revenue from Contracts with Customers and lease receivables under MFRS 117 Leases.

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2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

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	Credit-impaired assets
Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

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2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(2) ECL Measurement

There are three (3) main components to measure ECL, which include: (i) probability of default ("PD") model; (ii) loss given default ("LGD") model; and (iii) exposure at default ("EAD") model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Bank have decided to continue to measure the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant.

(3) Expected life

Lifetime ECL must be measured over the expected life of the financial asset. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolving financial instruments such as overdraft. The expected life for these revolving facilities generally refers to their behavioural life.

(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:

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2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(4) Forward looking information (cont'd.)

- Consumer Price Index;
- Unemployment rates;
- House Price Indices; and
- Overnight Policy Rate.

The Bank applies the following three (3) alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

Base scenario: This scenario reflects that current macroeconomic conditions continue to prevail; and

Upside and Downside scenarios: These scenarios are set relative to the base scenario, reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgement from current economic conditions.

(5) Financial investments at FVOCI

The ECL for financial investments measured at FVOCI does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

(6) Valuation of collateral held as security for financial assets

The amount and type of collateral required depends on assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;

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2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(6) Valuation of collateral held as security for financial assets (cont'd.)

- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed;
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

(7) Impairment process – written-off accounts

Where a financing is uncollectible, it is written-off against the related allowances for impairment. Such financing are written-off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written-off are recognised in the statements of profit or loss.

(8) Impairment of other financial assets

The Group and the Bank apply the MFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for other financial assets. The simplified approach excludes tracking of changes in credit risk.

(iv) Determination of fair value

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

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

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities

(i) Date of recognition

All financial liabilities are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provision of the instruments.

(ii) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are classified as either financial liabilities at FVTPL or at amortised cost.

(1) Financial liabilities at FVTPL

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

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

(2) Financial liabilities at amortised cost

The Group's and the Bank's financial liabilities at amortised cost include deposits from customers, deposits and placements of banks and other financial institutions, debt securities, payables, bills and acceptances payable, recourse obligation on financing sold to Cagamas and other liabilities.

(a) Deposits from customers, and deposits and placements of banks and other financial institutions

Deposits from customers, and deposits and placements of banks and other financial institutions are stated at placement values.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities (cont'd.)

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

(2) Financial liabilities at amortised cost (cont'd.)

(b) Islamic debt securities

Issued Islamic debt securities are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's and the Bank's debt securities consist of subordinated sukuk and senior sukuk.

These Islamic debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or profit or both to holders of the debt securities and that the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, all issued Islamic debt securities are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the statement of profit or loss over the period of the financing on an effective profit rate method.

(c) Payables

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

(d) Bills and acceptances payable

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

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities (cont'd.)

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

(2) Financial liabilities at amortised cost (cont'd.)

(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 statements of profit or loss.

(d) Derivative instruments and hedge accounting

(i) Derivative instruments

The Group and the Bank use derivatives such as profit rate swap and forward foreign exchange contracts.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

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

(i) Derivative instruments (cont'd.)

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception for non-option derivatives and equivalent to the market premium paid or received for purchased or written options. The derivatives are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

All derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of the derivatives are recognised in the statements of profit or loss unless these form part of a hedging relationship.

(ii) Hedge accounting

The Group and the Bank have elected an accounting policy choice under MFRS 9 to continue to apply the hedge accounting requirements under MFRS 139 on the adoption of MFRS 9 on 1 April 2018.

The Group and the Bank use derivative instruments to manage exposures to profit rate and foreign currency risks. In order to manage particular risks, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

At the inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

(1) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the statement of profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statements of profit or loss.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

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

(ii) Hedge accounting (cont'd.)

(1) Fair value hedge (cont'd.)

If the hedging instrument expires or is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective profit rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statements of profit or loss.

(2) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income into cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in statement of profit or loss. When the hedged cash flow affects the statement of profit or loss, the gain or loss on the hedging instrument previously recognised in other comprehensive income are reclassified from equity and is recorded in the corresponding income or expense line of the statements of profit or loss.

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

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

The Group and the Bank did not apply cash flow hedge as at the financial year end.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(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.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(g) Intangible assets (cont'd.)

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

Amortisation of intangible asset is provided for on a straight-line basis over the estimated useful lives of the assets, as follows:

- Computer software is amortised over its estimated finite useful lives ranging from three (3) to ten (10) years.

(h) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciation respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of profit or loss as incurred.

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

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

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(h) Property, plant and equipment (cont'd.)

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

Buildings on freehold land	33 years
Buildings on leasehold land and leasehold land	33 years or remaining life of the lease, whichever is shorter
Office furniture and equipment	6 to 7 years
Buildings improvements and renovations	5 years
Motor vehicles	5 years
Computer equipment	3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in statements of profit or loss.

(i) Prepaid land lease payments

Accounting policies applied from 1 April 2019

Following the adoption of MFRS 16 Leases on 1 April 2019, the Group and the Bank have reclassified the carrying amount of prepaid lease properties to right-of-use ("ROU") assets. The new accounting policies and impact of adoption of MFRS 16 are disclosed in Note 2.4.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(i) Prepaid land lease payments (cont'd.)

Accounting policies applied until 31 March 2019

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance lease

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as financing. In calculating the present value of the minimum lease payments, the discount factor used is the profit rate implicit in the lease, when it is practical to determine; otherwise, the Group and the Bank's incremental financing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(i) Prepaid land lease payments (cont'd.)

Accounting policies applied until 31 March 2019 (cont'd.)

(ii) Finance lease (cont'd.)

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.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(j) Foreign currencies (cont'd.)

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries, and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in statement of profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under exchange fluctuation reserve in equity.

The exchange fluctuation reserve is reclassified from equity to statement of profit or loss of the Group and of the Bank on disposal of the foreign operations.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in statements of profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(j) Foreign currencies (cont'd.)

(iii) Foreign operations

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

(k) Provision for liabilities

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

(l) Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(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.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(n) Contingent liabilities and contingent assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(o) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the statements of profit or loss, as they are incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition

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

(i) Profit and income from financing

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

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

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

This contract involves the purchase and sale of an asset by the Bank to the customer on a deferred payment basis either to be paid in lump sum or instalment basis within an agreed period of time at a price which includes a profit margin agreed by both parties. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition

(i) Profit and income from financing (cont'd.)

(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.

(3) Bai' Inah

This contract involves sale and purchase of an asset whereby the Bank sells an asset to the customer on a deferred basis and subsequently buys back the asset at a cash price lower than the deferred sales price. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(4) Tawarruq

This contract relates to the arrangement that involves a purchase of an asset or commodity based on Murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. The commodity trading fee incurred in the Tawarruq arrangement is borne by the Bank and is recognised as an expense in the statements of profit or loss, as they are incurred. Financing income is recognised on effective profit rate basis over the expected life of the contract based on the principal amount outstanding.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

(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.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

(7) Istisna'

Istisna' contract can be established between a Bank and contractor, developer, or producer that allows the Bank to make progress payments as construction progresses. Istisna' financing is provided in the form of advance progress payments to the customer who builds, manufactures, constructs or develops the object of sale. Upon completion of the project, the asset is delivered to parties who have earlier on agreed to take delivery of the asset. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(8) Qard

Qard is a contract of loan between two (2) parties on the basis of social welfare or to fulfil a short-term financial need of the borrower. The amount of repayment must be equivalent to the amount borrowed. It is, however, legitimate for a borrower to pay more than the amount borrowed as long as it is not stated or agreed at the point of contract. As such, no accrual of income is recognised for this contract.

(9) Musharakah Mutanaqisah

In Musharakah Mutanaqisah contract, the customer and the Bank jointly acquire and own the asset. The Bank then leases its equity or share of asset to the customer on the basis of Ijarah. The customer is given the right to acquire the Bank's equity in the asset periodically. Financing income is accounted for on the basis of reducing balance on a time apportioned basis that reflects the effective yield of the asset.

Financing income under this contract is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

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2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

(10) Rahnū

In Ar-Rahnū 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-Rahnū, whichever is applicable.

(ii) Fee and other income recognition

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

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

(q) Income and deferred taxes

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

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

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.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(q) Income and deferred taxes (cont'd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the financial position date. Deferred tax is recognised as income or expense and included in the statements of profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(r) Zakat

Zakat represents business zakat payable by the Group and the Bank to comply with the principles of Shariah and as approved by the Shariah Committee. The Bank only pays zakat on its business and does not pay zakat on behalf of its depositors or shareholders. Zakat provision is calculated based on capital growth model method.

(s) Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at FVTPL, financial investments at FVOCI and derivatives, and non-financial assets such as investment properties at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

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

(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, which is directly (i.e. prices) or indirectly (i.e. derived from prices) observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments and further details are disclosed in Note 47.

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2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

On 1 April 2019, the Group and the Bank adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2019.

Description	Effective for annual periods beginning on or after
MFRS 16: Leases	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019

The adoption of the above Standards do not have any significant financial impact to the Group's and the Bank's financial statements, except for as disclosed below:

MFRS 16 Leases ("MFRS 16")

MFRS 16 replaces MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a lease liability to make lease payments and a right-of-use asset representing the right to use the underlying asset during the lease term, to be included in property, plant and equipment. Lessees will be required to separately recognise the finance cost on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

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Notes to the financial statements - 31 December 2019 (4 Jamadil Awal 1441H)

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

Lessor accounting under MFRS 16 is substantially unchanged from the current accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish operating and finance leases.

Transition to MFRS 16

On 1 April 2019, the Group and the Bank have applied MFRS 16 for the first time using the modified retrospective method and did not restate comparative information. Instead, the Group and the Bank recognised the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained profits at the date of initial application.

The Group and the Bank elected the following transition practical expedients on a lease-by-lease basis for measurement purposes at first time application of MFRS 16:

- a) The Group and the Bank applied the Standard to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4;
- b) The Group and the Bank elected to use the exemptions proposed by MFRS 16 on lease contracts for which the lease terms end within twelve (12) months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The asset classifies as low value if the market value is less than USD5,000 (equivalent to approximately RM20,000);
- c) For leases where the Group and the Bank are lessees, the Group and the Bank elected not to separate the non-lease components from lease components, and instead account for both components as a single lease component;
- d) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment; and
- e) The Group and the Bank used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

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2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

- (i) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position of the Group.

Statement of Financial Position

Group

	1 April 2019 as previously stated RM'000	Impact of adopting MFRS 16 RM'000	1 April 2019 restated RM'000
ASSETS			
Cash and short-term funds	830,571	-	830,571
Cash and placements with financial institutions	11,937	-	11,937
Financial investments at fair value through profit or loss	660,799	-	660,799
Financial investments at fair value through other comprehensive income	4,936,032	-	4,936,032
Financial investments at amortised cost	103,310	-	103,310
Islamic derivative financial assets	24,853	-	24,853
Financing of customers	15,330,895	-	15,330,895
Other assets	81,625	-	81,625
Statutory deposits with BNM	699,275	-	699,275
Investment properties	45,303	-	45,303
Right-of-use assets	-	50,654	50,654
Intangible assets	84,684	-	84,684
Property, plant and equipment	58,361	-	58,361
Prepaid land lease payment	223	(223)	-
Deferred tax assets (net)	17,742	726	18,468
Total assets	22,885,610	51,157	22,936,767
LIABILITIES			
Deposits from customers	19,144,118	-	19,144,118
Deposits and placements of banks and other financial institutions	6,747	-	6,747
Bills and acceptances payable	15,678	-	15,678
Islamic derivative financial liabilities	48,162	-	48,162
Other liabilities	78,450	-	78,450
Provision for zakat and taxation	6,670	-	6,670
Lease liabilities	-	53,425	53,425
Deferred tax liabilities (net)	65	-	65
Recourse obligation on financing sold to Cagamas	471,102	-	471,102
Subordinated sukuk	254,025	-	254,025
Senior sukuk	509,174	-	509,174
Total liabilities	20,534,191	53,425	20,587,616
SHAREHOLDERS' EQUITY			
Share capital	1,195,000	-	1,195,000
Retained profits	1,094,765	(2,268)	1,092,497
Other reserves	61,654	-	61,654
Total shareholders' equity	2,351,419	(2,268)	2,349,151
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,885,610	51,157	22,936,767

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2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

- (ii) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position of the Bank.

Statement of Financial Position

Bank

	1 April 2019 as previously stated RM'000	Impact of adopting MFRS 16 RM'000	1 April 2019 restated RM'000
ASSETS			
Cash and short-term funds	830,571	-	830,571
Cash and placements with financial institutions	11,937	-	11,937
Financial investments at fair value through profit or loss	658,866	-	658,866
Financial investments at fair value through other comprehensive income	4,933,767	-	4,933,767
Financial investments at amortised cost	103,310	-	103,310
Islamic derivative financial assets	24,853	-	24,853
Financing of customers	15,333,281	-	15,333,281
Other assets	83,531	-	83,531
Statutory deposits with BNM	699,275	-	699,275
Investment in subsidiaries	12,559	-	12,559
Investment properties	45,303	-	45,303
Right-of-use assets	-	43,516	43,516
Intangible assets	84,560	-	84,560
Property, plant and equipment	58,360	-	58,360
Prepaid land lease payment	223	(223)	-
Deferred tax assets (net)	17,742	493	18,235
Total assets	22,898,138	43,786	22,941,924
LIABILITIES			
Deposits from customers	19,167,905	-	19,167,905
Deposits and placements of banks and other financial institutions	6,747	-	6,747
Bills and acceptances payable	15,678	-	15,678
Islamic derivative financial liabilities	48,162	-	48,162
Other liabilities	74,156	-	74,156
Provision for zakat and taxation	6,597	-	6,597
Lease Liabilities	-	45,357	45,357
Recourse obligation on financing sold to Cagamas	471,102	-	471,102
Subordinated sukuk	254,025	-	254,025
Senior sukuk	509,174	-	509,174
Total liabilities	20,553,546	45,357	20,598,903
SHAREHOLDERS' EQUITY			
Share capital	1,195,000	-	1,195,000
Retained profits	1,087,937	(1,571)	1,086,366
Other reserves	61,655	-	61,655
Total shareholders' equity	2,344,592	(1,571)	2,343,021
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,898,138	43,786	22,941,924

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2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases ("MFRS 16") (cont'd.)

- (iii) The following table analyses the impact of transition to MFRS 16 and the impact of capital adequacy ratios of the Group and of the Bank:

Statement of Financial Position

	1 April 2019 as previously stated RM'000	Impact of adopting MFRS 16 RM'000	1 April 2019 restated RM'000
Group			
CET1 Capital	2,178,013	(3,502)	2,174,511
Tier 1 Capital	2,178,013	(3,502)	2,174,511
Total Capital	2,562,313	(2,995)	2,559,318
 Risk Weighted Assets	 13,781,381	 50,573	 13,831,954
 CET1 Capital Ratio	 15.804%	 -0.079%	 15.725%
Tier 1 Capital Ratio	15.804%	-0.079%	15.725%
Total Capital Ratio	18.593%	-0.090%	18.503%
 Bank			
CET1 Capital	2,158,686	(2,064)	2,156,622
Tier 1 Capital	2,158,686	(2,064)	2,156,622
Total Capital	2,542,986	(2,064)	2,540,922
 Risk Weighted Assets	 13,767,970	 43,292	 13,811,262
 CET1 Capital Ratio	 15.679%	 -0.064%	 15.615%
Tier 1 Capital Ratio	15.679%	-0.064%	15.615%
Total Capital Ratio	18.470%	-0.073%	18.397%

- (iv) Reconciliation for the differences between operating lease commitments disclosed as at 31 March 2019 and lease liabilities as at the date of initial application of 1 April 2019 are as follows:

	Group RM'000	Bank RM'000
Operating lease commitments disclosed as at 31 March 2019	66,309	55,040
Less: Commitments relating to leases of low-value assets	(352)	(352)
	65,957	54,688
Effects from discounting at the incremental funding rate	(12,532)	(9,331)
Lease liabilities recognised as at 1 April 2019	53,425	45,357

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2. Significant accounting policies (cont'd.)

2.5 Significant changes in regulatory requirements

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

(a) Financial Reporting for Islamic Banking Institutions

On 27 September 2019, BNM issued the revised policy document on Financial Reporting for Islamic Banking Institutions. With effect from 1 October 2019, the Bank shall classify a credit facility as credit-impaired:

- (i) where the principal or profit or both of the credit facility is past due for more than ninety (90) days or three (3) months;
- (ii) in the case of revolving credit facilities (e.g. cashline facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than ninety (90) days or three (3) months;
- (iii) where the amount is past due or the outstanding amount has been in excess of the approved limit for ninety (90) days or three (3) months or less, and the credit facility exhibits weaknesses in accordance with the Islamic banking institution's credit risk measurement framework; or
- (iv) as soon as a default occurs where the principal and/or profit payments are scheduled on intervals of three (3) months or longer.

2.6 Standards and interpretations issued but not yet effective

The Group and the Bank have not applied the following accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective for the Group and the Bank. The Group and the Bank intend to adopt these Standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Business Combinations- Definition of Business	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements- Definition of Material	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by MASB

The directors expect that the adoption of the above-mentioned Standards will have no material impact on the financial statements of the Group and of the Bank in the period of initial application.

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3. Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on Management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving higher degree of judgment and complexity, are as follows:

3.1 Going concern

The Management of the Group and the Bank has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 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.

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3. Significant accounting judgments, estimates and assumptions (cont'd.)

3.3 Impairment losses on financing of customers (Notes 7 and 30)

The Group and the Bank review individually its significant financing of customers at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

The Group's and the Bank's ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) Criteria for assessing if there has been a significant increase in credit risk and the qualitative assessment;
- (ii) The segmentation of financial assets when ECL is assessed on a collective basis;
- (iii) Development of ECL models, including the various formulas and the choice of inputs;
- (iv) Determination of associations between macroeconomic scenarios and economic inputs, such as, unemployment levels and collateral values, and the effect on PDs, LGDs, and EADs including macroeconomic factors as disclosed in note 46(a)(iii); and
- (v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Financing that have been assessed individually but for which no impairment is required as well as all individually insignificant financing need to be assessed collectively, in groups of assets with similar credit risk characteristic. This is to determine whether impairment should be made due to incurred loss events for which there is objective evidence but effects of which are not yet evident. The collective assessment takes into account of data from the financing portfolios (such as, credit quality, levels of arrears, credit utilisation, financing to collateral ratios, etc.) and judgments on the effect of concentrations of risks (such as the performance of different individual groups).

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3. Significant accounting judgments, estimates and assumptions (cont'd.)

3.4 Fair value estimation of financial investments at FVTPL and FVOCI (Notes 5(i) and 5(ii)) and derivative financial instruments (Note 6)

For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgement is required where market observable data are not available. Such judgement normally incorporate assumptions that other market participants would use in their valuations, including assumptions on profit rate yield curves, exchange rates, volatilities and prepayment and default rates.

3.5 Taxation (Note 40)

Significant Management's judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the 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

		Group and Bank	
		31 December	31 March
		2019	2019
		RM'000	RM'000
Note			
	Cash and balances with banks and other financial institutions	240,500	221,739
	Money at call and interbank placements maturing within one month	771,173	609,141
		1,011,673	830,880
	Allowances for impairment loss	(448)	(309)
		1,011,225	830,571

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4. (a) Cash and short-term funds (cont'd.)

- (i) Analysis of changes in allowances for impairment losses on cash and short term funds are as follows:

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	
At 31 December 2019				
At 1 April 2019	309	-	-	309
Allowance made	139	-	-	139
At 31 December 2019	448	-	-	448
At 31 March 2019				
At 1 April 2018, as restated	-	-	-	-
Allowance made	377	-	-	377
Amount written back in respect of recoveries	(68)	-	-	(68)
At 31 March 2019	309	-	-	309

(b) Cash and placements with financial institutions

	Group and Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Licensed Islamic banks	53,925	11,937

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 December 2019 for the Group and the Bank was 3.4% per annum and 63 days respectively (31 March 2019: 3.7% per annum and 59 days).

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5. Financial investments

	Note	Group		Bank	
		31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Financial investments at fair value through profit or loss	(i)	308,793	660,799	308,793	658,866
Financial investments at fair value through other comprehensive income	(ii)	4,604,824	4,936,032	4,602,399	4,933,767
Financial investments at amortised cost	(iii)	103,162	103,310	103,162	103,310
		5,016,779	5,700,141	5,014,354	5,695,943

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
(i) Financial investments at fair value through profit or loss				
Quoted securities in Malaysia:				
Quoted shares	-	1,933	-	-
Unquoted securities in Malaysia:				
Private equity funds	169,109	188,478	169,109	188,478
Malaysian government investment certificates	-	101,542	-	101,542
Bank Negara Malaysia Bills and Notes	-	234,750	-	234,750
Islamic private debt securities in Malaysia	139,684	134,096	139,684	134,096
	308,793	660,799	308,793	658,866

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5. Financial investments (cont'd.)

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
(ii) Financial investments at fair value through other comprehensive income				
Debt instruments:				
Government securities and treasury bills:				
Malaysian government investment certificates	3,082,301	2,912,118	3,082,301	2,912,118
Unquoted securities:				
Islamic private debt securities in Malaysia	1,356,482	1,850,169	1,356,482	1,850,169
Cagamas sukuk	51,287	55,948	51,287	55,948
Foreign Islamic private debt securities and sukuk	8,252	8,144	8,252	8,144
	1,416,021	1,914,261	1,416,021	1,914,261
Equity instruments:				
Quoted securities in Malaysia:				
Quoted shares	98,196	102,007	98,196	102,007
Unit trusts	2,425	2,265	-	-
	100,621	104,272	98,196	102,007
Unquoted securities:				
Shares in Malaysia	5,881	5,381	5,881	5,381
Total financial assets at fair value through other comprehensive income	4,604,824	4,936,032	4,602,399	4,933,767

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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	
	Lifetime ECL	Lifetime ECL	Lifetime ECL	
	not credit	not credit	credit	
	impaired	impaired	impaired	
	12-Months ECL	12-Months ECL	12-Months ECL	Total ECL
	RM'000	RM'000	RM'000	RM'000
At 31 December 2019				
At 1 April 2019	122	-	33,866	33,988
Allowance made	62	-	3,343	3,405
Amount written back in respect of recoveries	(66)	-	-	(66)
Exchange differences	1	-	42	43
At 31 December 2019	119	-	37,251	37,370
At 31 March 2019				
At 1 April 2018	313	-	81,210	81,523
Allowance made	91	-	-	91
Amount written back in respect of recoveries	(285)	-	-	(285)
Amount written off	-	-	(48,107)	(48,107)
Exchange differences	3	-	763	766
At 31 March 2019	122	-	33,866	33,988

(iii) Financial investments at amortised cost

	Group and Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
At amortised cost		
Unquoted Islamic corporate sukuk in Malaysia	144,309	144,730
less: accumulated impairment losses	(41,147)	(41,420)
Total financial investments at amortised cost	103,162	103,310

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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	
	12-Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total ECL
	RM'000	RM'000	RM'000	RM'000
At 31 December 2019				
At 1 April 2019	1	41,419	-	41,420
Amount written back in respect of recoveries	(1)	(272)	-	(273)
At 31 December 2019	-	41,147	-	41,147
At 31 March 2019				
At 1 April 2018	3	42,024	-	42,027
Amount written back in respect of recoveries	(2)	(605)	-	(607)
At 31 March 2019	1	41,419	-	41,420

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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	31 December 2019			31 March 2019		
	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	1,294,988	2,784	(19,088)	1,322,983	13,765	(7,963)
- Currency swaps						
Less than one year	1,642,880	19,064	(4,299)	1,858,525	8,835	(12,946)
- Currency spot						
Less than one year	27,415	11	(66)	363,985	2,253	(708)
	2,965,283	21,859	(23,453)	3,545,493	24,853	(21,617)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	75,000	-	(916)	950,000	-	(2,123)
Hedged IPRS	1,200,000	-	(53,177)	1,200,000	-	(24,422)
Total	4,240,283	21,859	(77,546)	5,695,493	24,853	(48,162)

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6. Islamic derivative financial assets/(liabilities) (cont'd.)

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting. The principal amount and fair value of derivative where hedge accounting is applied by the Group and Bank are as follows:

	31 December 2019			31 March 2019		
	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Liabilities RM'000
IPRS	1,200,000	-	(53,177)	1,200,000	-	(24,422)

Fair Value hedges

Fair value hedges are used by the Group and the Bank to protect against changes in the fair value of financial assets due to movements in profit rates. The financial instruments hedged for profit rate risk include the Group's and the Bank's financing of customers and investment securities.

For the nine-month period ended 31 December 2019, the Group and the Bank:

- (i) recognised a net loss of RM28,755,380 (31 March 2019: net loss of RM22,110,559) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM31,261,694 (31 March 2019: net gain of RM33,297,224); and
- (ii) There is no recorded gain from derecognition of fair value of hedged items attributable to hedged risk (31 March 2019: RM2,101,533) as a result of derecognition of the hedged items.

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7. Financing of customers

(i) By type and Shariah concepts

Group	Bai' Bithaman Ajil	Ijarah Thumma Al-Bai	Inah	Tawarruq	Bai' Al-Dayn	Murabahah	Istisna'	Qard	Murabahah to the Purchase Orderer	Shirkah Mutanaqisah	Rahnu	Total financing
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line	-	-	4,164	300,779	-	-	-	-	-	-	-	304,943
Term financing:												
Home financing	1,688,503	-	-	2,807,669	-	-	9,996	-	-	-	-	4,506,168
Syndicated financing	-	-	-	553,402	-	-	-	-	-	-	-	553,402
Hire purchase receivables	88,602	408,059	-	-	-	-	-	-	80,025	-	-	576,686
Personal financing	62,283	-	155	3,357,488	-	-	-	-	-	-	-	3,419,926
Other term financing*	188,011	-	5	3,311,783	-	-	56,552	286	-	58,532	-	3,615,169
Trust receipts	-	-	-	-	37,021	39,252	-	-	-	-	-	76,273
Claims on customers under acceptance credits	-	-	-	-	131,139	905,152	-	-	-	-	-	1,036,291
Staff financing	37,700	-	-	60,831	-	-	-	114	-	-	-	98,645
Revolving credit	-	-	-	1,607,595	-	-	-	-	-	-	-	1,607,595
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	170,293	170,293
Total gross financing	2,065,099	408,059	4,324	11,999,547	168,160	944,404	66,548	400	80,025	58,532	170,293	15,965,391
Fair value changes arising from fair value hedge	-	-	-	47,689	-	-	-	-	-	-	-	47,689
	2,065,099	408,059	4,324	12,047,236	168,160	944,404	66,548	400	80,025	58,532	170,293	16,013,080
Less : Allowance for impaired financing At amortised cost												
-Stage 1 - 12 Months ECL	(930)	(623)	(76)	(45,410)	(150)	(840)	(148)	-	-	-	(3,165)	(51,342)
-Stage 2 - Lifetime ECL not credit impaired	(2,664)	(62)	(76)	(10,473)	-	(482)	(9)	-	-	-	-	(13,766)
-Stage 3 - Lifetime ECL credit impaired	(16,985)	(1,938)	(228)	(59,261)	-	(7,715)	(71)	-	-	-	(536)	(86,734)
Total net financing	2,044,520	405,436	3,944	11,932,092	168,010	935,367	66,320	400	80,025	58,532	166,592	15,861,238

* Included in other term financing is a financing at fair value through profit or loss amounting RM806,507,439 which mainly consists of hedged asset that are hedged against Islamic profit rate swap.

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7. Financing of customers (cont'd.)

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

Group	Bai'	Ijarah			Bai'							Total
31 March 2019	Bithaman Ajil	Thumma	Inah	Tawarruq	Al-Dayn	Murabahah	Istisna'	Qard	Kafalah	Mutanaqisah	Rahnu	financing
	RM'000	Al-Bai	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line	-	-	4,665	342,103	-	-	-	-	-	-	-	346,768
Term financing:												
Home financing	1,815,631	-	-	2,718,034	-	-	10,149	-	-	-	-	4,543,814
Syndicated financing	-	10,303	-	643,264	-	-	-	-	-	-	-	653,567
Hire purchase receivables	85,059	496,573	-	-	-	-	-	-	-	-	-	581,632
Personal financing	67,928	-	282	3,299,171	-	-	-	-	-	-	-	3,367,381
Other term financing*	212,416	-	19	3,032,451	-	-	73,068	362	434	51,054	-	3,369,804
Trust receipts	-	-	-	-	63,155	35,537	-	-	-	-	-	98,692
Claims on customers												
under acceptance credits	-	-	-	-	94,639	851,827	-	-	-	-	-	946,466
Staff financing	41,807	-	-	58,499	-	-	-	491	-	-	-	100,797
Revolving credit	-	-	-	1,329,468	-	-	-	-	-	-	-	1,329,468
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	126,747	126,747
Total gross financing	2,222,841	506,876	4,966	11,422,990	157,794	887,364	83,217	853	434	51,054	126,747	15,465,136
Fair value changes arising												
from fair value hedge	-	-	-	23,045	-	-	-	-	-	-	-	23,045
	2,222,841	506,876	4,966	11,446,035	157,794	887,364	83,217	853	434	51,054	126,747	15,488,181
Less : Allowance for impaired financing												
At amortised cost												
-Stage 1 - 12 Months ECL	(1,195)	(960)	(75)	(50,046)	(661)	(133)	(199)	-	-	-	(2,617)	(55,886)
-Stage 2 - Lifetime ECL not credit impaired	(3,115)	(128)	(136)	(3,858)	(209)	-	(2)	-	-	-	-	(7,448)
-Stage 3 - Lifetime ECL credit impaired	(17,474)	(2,873)	(305)	(64,254)	-	(5,956)	(66)	-	(220)	-	(2,804)	(93,952)
Total net financing	2,201,057	502,915	4,450	11,327,877	156,924	881,275	82,950	853	214	51,054	121,326	15,330,895

* Included in other term financing is a financing at fair value through profit or loss amounting RM774,461,089 which mainly consists of hedged asset that are hedged against Islamic profit rate swap.

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7. Financing of customers (cont'd.)

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

Bank	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Murabahah to the Purchase Orderer RM'000	Rahnu RM'000	Total financing RM'000
31 December 2019											
Cash line	-	-	4,164	300,779	-	-	-	-	-	-	304,943
Term financing:											
Home financing	1,688,503	-	-	2,807,669	-	-	9,996	-	-	-	4,506,168
Syndicated financing	-	-	-	553,402	-	-	-	-	-	-	553,402
Hire purchase receivables	88,602	408,059	-	-	-	-	-	-	80,025	-	576,686
Leasing receivables	-	-	-	-	-	-	-	-	-	-	-
Personal financing	62,283	-	155	3,357,488	-	-	-	-	-	-	3,419,926
Other term financing*	188,011	-	5	3,311,783	-	-	56,552	54,923	-	-	3,611,274
Trust receipts	-	-	-	-	37,021	39,252	-	-	-	-	76,273
Claims on customers under acceptance credits	-	-	-	-	131,139	905,152	-	-	-	-	1,036,291
Staff financing	37,700	-	-	60,831	-	-	-	114	-	-	98,645
Revolving credit	-	-	-	1,607,595	-	-	-	-	-	-	1,607,595
Ar-Rahnu	-	-	-	-	-	-	-	-	-	170,293	170,293
Total gross financing	2,065,099	408,059	4,324	11,999,547	168,160	944,404	66,548	55,037	80,025	170,293	15,961,496
Fair value changes arising from fair value hedge	-	-	-	47,689	-	-	-	-	-	-	47,689
	2,065,099	408,059	4,324	12,047,236	168,160	944,404	66,548	55,037	80,025	170,293	16,009,185
Less : Allowance for impaired financing											
At amortised cost											
-Stage 1 - 12 Months ECL	(930)	(623)	(76)	(45,410)	(150)	(840)	(148)	-	-	(3,165)	(51,342)
-Stage 2 - Lifetime ECL not credit impaired	(2,664)	(62)	(76)	(10,473)	-	(482)	(9)	-	-	-	(13,766)
-Stage 3 - Lifetime ECL credit impaired	(16,985)	(1,938)	(228)	(59,261)	-	(7,715)	(71)	-	-	(536)	(86,734)
Total net financing	2,044,520	405,436	3,944	11,932,092	168,010	935,367	66,320	55,037	80,025	166,592	15,857,343

* Included in other term financing are financing at fair value through profit or loss amounting RM802,613,520 which mainly consists of hedged asset that are hedged against Islamic profit rate swap.

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7. Financing of customers (cont'd.)

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

Bank	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Kafalah RM'000	Rahnu RM'000	Total financing RM'000
31 March 2019											
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	-	-	-	-	63,155	35,537	-	-	-	-	98,692
Claims on customers under acceptance credits	-	-	-	-	94,639	851,827	-	-	-	-	946,466
Staff financing	41,807	-	-	58,499	-	-	-	491	-	-	100,797
Revolving credit	-	-	-	1,329,468	-	-	-	-	-	-	1,329,468
Ar-Rahnu	-	-	-	-	-	-	-	-	-	126,747	126,747
Total gross financing	2,222,841	506,876	4,966	11,422,990	157,794	887,364	83,217	54,293	434	126,747	15,467,522
Fair value changes arising from fair value hedge	-	-	-	23,045	-	-	-	-	-	-	23,045
	2,222,841	506,876	4,966	11,446,035	157,794	887,364	83,217	54,293	434	126,747	15,490,567
Less : Allowance for impaired financing											
At amortised cost											
-Stage 1 - 12 Months ECL	(1,195)	(960)	(75)	(50,046)	(661)	(133)	(199)	-	-	(2,617)	(55,886)
-Stage 2 - Lifetime ECL not credit impaired	(3,115)	(128)	(136)	(3,858)	(209)	-	(2)	-	-	-	(7,448)
-Stage 3 - Lifetime ECL credit impaired	(17,474)	(2,873)	(305)	(64,254)	-	(5,956)	(66)	-	(220)	(2,804)	(93,952)
Total net financing	2,201,057	502,915	4,450	11,327,877	156,924	881,275	82,950	54,293	214	121,326	15,333,281

* Included in other term financing are financing at fair value through profit or loss amounting RM776,847,089 which mainly consists of hedged asset that are hedged against Islamic profit rate swap.

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7. Financing of customers (cont'd.)

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

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Uses of Qard fund:		
Staff financing	114	491
Other term financing	286	362
	400	853

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Staff financing	114	491
Other term financing	54,923	53,802
	55,037	54,293

(ii) By type of customer

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Domestic non-banking institutions	510,337	641,457
Domestic business enterprises		
- Small business enterprises	329,959	46,070
- Others	3,936,293	3,830,580
Government and statutory bodies	959,703	931,692
Individuals	10,218,154	9,991,495
Other domestic entities	3,916	5,228
Foreign entities	7,029	18,614
Gross financing	15,965,391	15,465,136

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7. Financing of customers (cont'd.)

(ii) By type of customer (cont'd.)

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Domestic non-banking institutions	510,337	641,457
Domestic business enterprises		
- Small business enterprises	329,959	46,070
- Others	3,932,398	3,832,966
Government and statutory bodies	959,703	931,692
Individuals	10,218,154	9,991,495
Other domestic entities	3,916	5,228
Foreign entities	7,029	18,614
Gross financing	15,961,496	15,467,522

(iii) By profit rate sensitivity

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Fixed rate:		
Home financing	265,103	294,984
Hire purchase receivables	576,686	581,632
Others	3,410,858	3,305,713
Variable rate:		
Home financing	4,283,076	4,290,170
Others	7,429,668	6,992,637
Gross financing	15,965,391	15,465,136

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Fixed rate:		
Home financing	265,103	294,984
Hire purchase receivables	576,686	581,632
Others	3,406,963	3,308,099
Variable rate:		
Home financing	4,283,076	4,290,170
Others	7,429,668	6,992,637
Gross financing	15,961,496	15,467,522

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7. Financing of customers (cont'd.)

(iv) By sector

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Agriculture	95,810	22,348
Mining and quarrying	4,022	4,954
Manufacturing	759,403	683,164
Electricity, gas and water	111,836	139,810
Construction	406,526	363,630
Household	10,225,184	10,000,044
Real estate	1,232,208	1,319,460
Wholesale, retail and restaurant	1,010,609	842,281
Transport, storage and communication	64,564	78,100
Finance, takaful and business services	811,806	752,865
Community, social and personal service	283,721	303,743
Government and statutory bodies	959,702	954,737
Gross financing	15,965,391	15,465,136

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Agriculture	95,810	22,348
Mining and quarrying	4,022	4,954
Manufacturing	759,403	684,847
Electricity, gas and water	111,836	139,810
Construction	406,526	363,630
Household	10,225,184	10,000,044
Real estate	1,232,208	1,319,460
Wholesale, retail and restaurant	1,010,609	842,281
Transport, storage and communication	64,564	78,099
Finance, takaful and business services	811,806	752,865
Community, social and personal service	279,826	304,447
Government and statutory bodies	959,702	954,737
Gross financing	15,961,496	15,467,522

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7. Financing of customers (cont'd.)

(v) By residual contractual maturity

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Maturity		
- within one year	4,459,918	4,076,604
- more than one to five years	5,215,272	4,999,965
- more than five years	6,290,201	6,388,567
Gross financing	15,965,391	15,465,136

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Maturity		
- within one year	4,459,918	4,076,604
- more than one to five years	5,215,272	5,002,351
- more than five years	6,286,306	6,388,567
Gross financing	15,961,496	15,467,522

(vi) By geographical area

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Domestic	15,965,391	15,465,136
Gross financing	15,965,391	15,465,136

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Domestic	15,961,496	15,467,522
Gross financing	15,961,496	15,467,522

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7. Financing of customers (cont'd.)

(vii) By economic purpose

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of securities	1,093,091	823,486
Purchase of transport vehicles	565,744	578,611
Purchase of landed properties of which:		
– residential	4,468,859	4,535,553
– non-residential	340,507	390,897
Purchase of fixed assets (excluding landed properties)	68,433	76,104
Personal use	3,820,861	3,789,338
Construction	919,758	932,843
Working capital	4,358,825	4,010,057
Other purposes	329,313	328,247
Gross financing	15,965,391	15,465,136

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of securities	1,093,091	823,486
Purchase of transport vehicles	565,744	578,611
Purchase of landed properties of which:		
– residential	4,468,859	4,535,553
– non-residential	340,507	390,897
Purchase of fixed assets (excluding landed properties)	68,433	76,104
Personal use	3,820,861	3,789,338
Construction	919,758	932,843
Working capital	4,354,930	4,012,443
Other purposes	329,313	328,247
Gross financing	15,961,496	15,467,522

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

The maximum credit exposure of the financing of customers amount to RM700 million (March 2019: RM700 million). The cumulative change in fair value of the financing attributable to changes in profit rate risks amount to a gain of RM47,689,468 (March 2019: loss of RM23,045,089) and the change for the current period is a gain of RM24,644,380 (March 2019: loss of RM26,767,470). The changes in fair value of the designated financing attributable to changes in profit risk have been calculated by determining the changes in profit spread implicit in the fair value of securities issued by entities with similar credit characteristics.

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7. Financing of customers (cont'd.)

(viii) Movements in the loss allowance for financing of customers

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2019				
At 1 April 2019	55,886	7,448	93,952	157,286
Transfer to Stage 1	15,195	(9,961)	(5,234)	-
Transfer to Stage 2	(1,953)	48,707	(46,754)	-
Transfer to Stage 3	(628)	(5,550)	6,178	-
Allowance (writeback)/made	(29,312)	(26,565)	107,405	51,528
New financing originated	41,566	1,300	-	42,866
Financing derecognised	(29,415)	(1,613)	(10,773)	(41,801)
Amount written-off/realised	-	-	(58,040)	(58,040)
Other movements	3	-	-	3
At 31 December 2019	<u>51,342</u>	<u>13,766</u>	<u>86,734</u>	<u>151,842</u>

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 March 2019				
At 1 April 2019	64,460	17,354	270,971	352,785
Transfer to Stage 1	101,019	(7,444)	(93,575)	-
Transfer to Stage 2	(2,300)	98,819	(96,519)	-
Transfer to Stage 3	(2,036)	(5,797)	7,833	-
Allowance (writeback)/made	(50,497)	(90,261)	184,755	43,997
New financing originated	29,381	3,001	-	32,382
Financing derecognised	(22,011)	(3,930)	(39,646)	(65,587)
Amount written-off/realised	(62,134)	(4,294)	(139,867)	(206,295)
Other movements	4	-	-	4
At 31 March 2019	<u>55,886</u>	<u>7,448</u>	<u>93,952</u>	<u>157,286</u>

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8. Impaired financing

(i) Movements in the impaired financing

As at 31 December 2019

	Group RM'000	Bank RM'000
At 1 April 2019	221,216	221,216
Classified as impaired during the year	235,837	235,837
Reclassified as performing during the year	(123,108)	(123,108)
Recovered during the year	(63,943)	(63,943)
Written off during the year	(60,836)	(60,836)
Gross impaired financing	209,166	209,166
Less: Stage 3 - Lifetime ECL credit impaired	(86,734)	(86,734)
Net impaired financing	<u>122,432</u>	<u>122,432</u>

Calculation ratio of impaired financing:

Gross financing of customers	15,965,391	15,961,496
Less: Stage 3 - Lifetime ECL credit impaired	(86,734)	(86,734)
Net financing of customers	<u>15,878,657</u>	<u>15,874,762</u>

Ratio of gross impaired financing to total financing	<u>1.31%</u>	<u>1.31%</u>
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Net impaired financing ratio	<u>0.77%</u>	<u>0.77%</u>
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As at 31 March 2019

At 1 April 2018:		
-as previously stated	285,416	290,349
-effect of adopting MFRS 9	108,084	103,151
At 1 April 2018, as restated	393,500	393,500
Classified as impaired during the year	476,380	476,380
Reclassified as performing during the year	(285,459)	(285,459)
Recovered during the year	(149,878)	(149,878)
Written off during the year	(213,327)	(213,327)
Gross impaired financing	221,216	221,216
Less: Stage 3 - Lifetime ECL credit impaired	(93,952)	(93,952)
Net impaired financing	<u>127,264</u>	<u>127,264</u>

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8. Impaired financing (cont'd.)

(i) Movements in the impaired financing (cont'd.)

As at 31 March 2019 (cont'd.)

	Group RM'000	Bank RM'000
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	<u>15,371,184</u>	<u>15,373,570</u>
Ratio of gross impaired financing to total financing	<u>1.43%</u>	<u>1.43%</u>
Net impaired financing ratio	<u>0.83%</u>	<u>0.83%</u>

(ii) Impaired financing by geographical area

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Domestic	<u>209,166</u>	<u>221,216</u>
	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Domestic	<u>209,166</u>	<u>221,216</u>

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8. Impaired financing (cont'd.)

(iii) Impaired financing by sector

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Manufacturing	2,807	362
Construction	4,778	6,820
Household	163,559	171,310
Real estate	18,474	19,186
Wholesale and retail and restaurant	10,379	11,754
Transport, storage and communication	7,833	7,915
Finance, takaful and business services	966	3,165
Community, social and personal service	370	704
	209,166	221,216

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Manufacturing	2,807	362
Construction	4,778	6,820
Household	163,559	171,310
Real estate	18,474	19,186
Wholesale and retail and restaurant	10,379	11,754
Transport, storage and communication	7,833	7,915
Finance, takaful and business services	966	3,165
Community, social and personal service	370	704
	209,166	221,216

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8. Impaired financing (cont'd.)

(iv) Impaired financing by economic purpose

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of transport vehicles	2,450	4,232
Purchase of landed properties of which:		
- Residential	110,152	104,733
- Non-residential	33,638	30,037
Personal use	33,885	50,088
Working capital	28,007	31,154
Other purposes	1,034	972
	209,166	221,216

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of transport vehicles	2,450	4,232
Purchase of landed properties of which:		
- Residential	110,152	104,733
- Non-residential	33,638	30,037
Personal use	33,885	50,088
Working capital	28,007	31,154
Other purposes	1,034	972
	209,166	221,216

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9. Other assets

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Deposits	7,129	7,504
Prepayments	6,265	8,999
Tax prepayment	-	48,956
Foreclosed properties	9,665	-
Golf club membership	600	600
Other receivables	11,476	7,581
Other debtors	9,713	12,506
	44,848	86,146
Less: Accumulated impairment losses (Note 9(a))	(3,178)	(4,521)
	41,670	81,625

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Deposits	7,030	7,404
Prepayments	6,177	8,814
Tax prepayment	-	48,810
Foreclosed properties	9,665	-
Golf club membership	600	600
Other receivables	11,476	7,581
Other debtors	9,010	14,843
	43,958	88,052
Less: Accumulated impairment losses (Note 9(a))	(3,178)	(4,521)
	40,780	83,531

(a) Movements in the accumulated impairment losses are as follows:

	Group and Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
At 1 April 2019/ 1 April 2018	(4,521)	-
Allowance writeback/(made)	1,343	(4,521)
At 31 December 2019 / 31 March 2019	(3,178)	(4,521)

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10. Statutory deposits with Bank Negara Malaysia

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities.

11. Investment in subsidiaries

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Unquoted shares at cost - in Malaysia	13,823	13,823
Less: Accumulated impairment losses (Note 11(a))	(664)	(1,264)
	13,159	12,559

(a) Movements in the accumulated impairment losses are as follows:

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
At 1 April 2019/ 1 April 2018	1,264	2,264
Impairment writeback	(600)	(1,000)
At 31 December 2019 / 31 March 2019	664	1,264

Details of the subsidiary companies that are all incorporated in Malaysia are as follows:

Name	Principal activities	Percentage of equity held		Paid up capital	
		31 December	31 March	31 December	31 March
		2019	2019	2019	2019
		%	%	RM	RM
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	100	100	13,000,000	13,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	100	100	100,002	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100	2,500	2,500
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	100	100	2,500	2,500

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12. Investment properties

Group and Bank

	Freehold land RM'000	Building on freehold land RM'000	Investment properties under construction RM'000	Total RM'000
As at 31 December 2019				
As at 1 April 2019	14,001	29,360	1,942	45,303
Additions	-	8,413	1,265	9,678
Change in fair value recognised in profit or loss (Note 29)	-	(1,918)	-	(1,918)
As at 31 December 2019	14,001	35,855	3,207	53,063
As at 31 March 2019				
As at 1 April 2018	13,481	28,300	-	41,781
Additions	-	-	1,942	1,942
Change in fair value recognised in profit or loss (Note 29)	520	1,060	-	1,580
As at 31 March 2019	14,001	29,360	1,942	45,303

The Group's and the Bank's investment properties consist of a few units of commercial properties and a few pieces of undeveloped freehold commercial land.

As at 31 December 2019, the fair values of the properties are based on valuations performed by internal certified consultant together with Proharta Consultancy Sdn. Bhd., an accredited independent valuer. A valuation approach as guided by the Malaysian Valuation Standards as issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, has been applied. Fair value hierarchy disclosures for investment properties have been further disclosed in Note 47.

Description of valuation techniques used and key inputs to valuation on investment properties:

Types of investment properties	Valuation Technique	Significant unobservable inputs
- Buildings on freehold land	Direct	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.
- Freehold land	comparison method ("DCM")	

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13. Intangible assets

Group	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 December 2019			
Cost			
As at 1 April 2019	245,825	692	246,517
Additions	8,355	15,729	24,084
Reclassification	14,012	(14,672)	(660)
As at 31 December 2019	<u>268,192</u>	<u>1,749</u>	<u>269,941</u>
Accumulated amortisation			
As at 1 April 2019	161,833	-	161,833
Charge for the period (Note 37)	25,570	-	25,570
As at 31 December 2019	<u>187,403</u>	<u>-</u>	<u>187,403</u>
Carrying amount as at 31 December 2019	<u>80,789</u>	<u>1,749</u>	<u>82,538</u>
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	<u>245,825</u>	<u>692</u>	<u>246,517</u>
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	<u>161,833</u>	<u>-</u>	<u>161,833</u>
Carrying amount as at 31 March 2019	<u>83,992</u>	<u>692</u>	<u>84,684</u>

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13. Intangible assets (cont'd.)

Bank	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 December 2019			
Cost			
As at 1 April 2019	244,820	582	245,402
Additions	8,356	15,729	24,085
Reclassification	14,012	(14,672)	(660)
As at 31 December 2019	<u>267,188</u>	<u>1,639</u>	<u>268,827</u>
Accumulated amortisation			
As at 1 April 2019	160,842	-	160,842
Charge for the period (Note 37)	25,558	-	25,558
As at 31 December 2019	<u>186,400</u>	<u>-</u>	<u>186,400</u>
Carrying amount as at 31 December 2019	<u>80,788</u>	<u>1,639</u>	<u>82,427</u>
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	<u>244,820</u>	<u>582</u>	<u>245,402</u>
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	<u>160,842</u>	<u>-</u>	<u>160,842</u>
Carrying amount as at 31 March 2019	<u>83,978</u>	<u>582</u>	<u>84,560</u>

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14. Property, plant and equipment

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 December 2019					
Cost					
As at 1 April 2019	19,209	19,389	259,402	560	298,560
Additions	-	-	5,966	2,055	8,021
Write off	-	-	(604)	(24)	(628)
Disposals	-	-	(460)	-	(460)
Reclassification	-	-	2,273	(2,591)	(318)
As at 31 December 2019	19,209	19,389	266,577	-	305,175
Accumulated depreciation					
As at 1 April 2019	1,132	7,005	232,062	-	240,199
Charge for the period (Note 37)	362	364	9,084	-	9,810
Write off	-	-	(602)	-	(602)
Disposals	-	-	(324)	-	(324)
As at 31 December 2019	1,494	7,369	240,220	-	249,083
Carrying amount as at 31 December 2019					
	17,715	12,020	26,357	-	56,092

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14. Property, plant and equipment (cont'd.)

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 March 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

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14. Property, plant and equipment (cont'd.)

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 December 2019					
Cost					
As at 1 April 2019	19,209	19,389	259,092	560	298,250
Additions	-	-	5,934	2,055	7,989
Write off	-	-	(604)	(24)	(628)
Disposals	-	-	(460)	-	(460)
Reclassification	-	-	2,273	(2,591)	(318)
As at 31 December 2019	19,209	19,389	266,235	-	304,833
Accumulated depreciation					
As at 1 April 2019	1,132	7,005	231,753	-	239,890
Charge for the period (Note 37)	362	364	9,079	-	9,805
Write off	-	-	(602)	-	(602)
Disposals	-	-	(324)	-	(324)
As at 31 December 2019	1,494	7,369	239,906	-	248,769
Carrying amount as at 31 December 2019	17,715	12,020	26,329	-	56,064

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14. Property, plant and equipment (cont'd.)

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 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

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15 Leases

15.1 Prepaid land lease payments

	Group and Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
At beginning of the year	223	227
Effect of adopting MFRS 16	(223)	-
At 1 April 2019, as restated	-	227
Amortisation (Note 37)	-	(4)
At end of the year	-	223
Analysed as:		
Long term leasehold land	-	223

15.2 Group and the Bank as a lessee

The Group and the Bank have leases for leasehold land, building and office equipment. Lease contracts are typically made for fixed periods of one (1) to three (3) years, but may have extension options.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability.

Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term.

(a) Leases liabilities

	Profit rate	Maturity	Group	Bank
	(%)		31 December	31 December
			2019	2019
			RM'000	RM'000
Non-current	5.5	2021 - 2025	41,211	32,877
Current	5.5	2020	10,448	10,946
			51,659	43,823

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15 Leases (cont'd.)

15.2 Group and the Bank as a lessee (cont'd.)

(b) Lease payments not recognised as a liability

The Group and the Bank have elected not to recognise a lease liability for short term leases (leases with an expected term of twelve (12) months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to payments not included in the measurement of the lease liability during the financial period is as follows:

RM'000

Expenses relating to leases of low-value assets
(included in administrative expenses)

520

As at the reporting date, the Group and the Bank were committed to low-value assets and the total commitment was RM335,015.

(c) As at the reporting date, the Group's and the Bank's total future cash outflows for leases that had not yet commenced is nil.

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15 Leases (cont'd.)

15.2 Group and the Bank as a lessee (cont'd.)

(d) Right-of-use assets

The net book values of right-of-use assets are recognised and the movements during the period are shown as follows:

	Leasehold Land RM'000	Building RM'000	Office Equipment RM'000	Total RM'000
Group				
Net book value at 1 April 2019	-	-	-	-
Effect of adoption of MFRS 16	223	41,912	8,519	50,654
Additions	-	762	-	762
Depreciation charge (Note 37)	(3)	(6,910)	(2,829)	(9,742)
Lease modification	-	6,565	55	6,620
Disposal	-	(173)	-	(173)
Exchange difference	-	1	-	1
Net book value at 31 December 2019	220	42,157	5,745	48,122

31 December 2019

Cost	303	66,520	11,271	78,094
Accumulated depreciation	(83)	(24,363)	(5,526)	(29,972)
Accumulated impairment losses	-	-	-	-
Net book value	220	42,157	5,745	48,122

	Leasehold Land RM'000	Building RM'000	Office Equipment RM'000	Total RM'000
Bank				
Net book value at 1 April 2019	-	-	-	-
Effect of adoption of MFRS 16	223	34,774	8,519	43,516
Additions	-	762	-	762
Depreciation charge (Note 37)	(3)	(6,469)	(2,829)	(9,301)
Lease modification	-	6,606	55	6,661
Disposal	-	(173)	-	(173)
Exchange difference	-	1	-	1
Net book value at 31 December 2019	220	35,501	5,745	41,466

31 December 2019

Cost	303	57,605	11,271	69,179
Accumulated depreciation	(83)	(22,104)	(5,526)	(27,713)
Accumulated impairment losses	-	-	-	-
Net book value	220	35,501	5,745	41,466

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15 Leases (cont'd.)

15.3 Group and the Bank as a lessor

The Group and the Bank have entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one (1) and five (5) years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under commitments and non-cancellable operating leases at the reporting date are as follows:

	Group 31 December 2019 RM'000
Not later than 1 year	1,876
Later than 1 year but not later than 5 years	4,555
Later than 5 years	123
	<u>6,554</u>
	Bank 31 December 2019 RM'000
Not later than 1 year	1,922
Later than 1 year but not later than 5 years	4,512
Later than 5 years	123
	<u>6,557</u>

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16. Deferred tax assets/(liabilities)

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
At beginning of the year, as previously stated	17,677	64,960	17,742	65,547
Effect of adopting MFRS 16	726	-	493	-
At beginning of the year, as restated	18,403	64,960	18,235	65,547
Recognised in the profit or loss (Note 40)	1,287	(38,525)	1,171	(39,047)
Recognised in other comprehensive income	(6,156)	(8,758)	(6,156)	(8,758)
At end of the year	13,534	17,677	13,250	17,742

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position as follows:

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	13,534	17,742	13,250	17,742
Deferred tax liabilities, net	-	(65)	-	-
	13,534	17,677	13,250	17,742

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	25,827	26,607	25,543	26,607
Deferred tax liabilities	(12,293)	(8,930)	(12,293)	(8,865)
	13,534	17,677	13,250	17,742

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16. Deferred tax assets/(liabilities) (cont'd.)

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

Deferred tax assets of the Group:

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2019, as previously stated	11,121	508	-	5,303	9,353	322	26,607
Effect of adopting MFRS 16	-	-	726	-	-	-	726
At 1 April 2019, restated	11,121	508	726	5,303	9,353	322	27,333
Recognised in profit or loss	971	-	174	908	(3,088)	37	(998)
Recognised in other comprehensive income	-	(508)	-	-	-	-	(508)
As at 31 December 2019	12,092	-	900	6,211	6,265	359	25,827

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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 assets of the Group: (cont'd.)

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2018	49,940	9,266	4,153	10,568	248	74,175
Recognised in profit or loss	(38,819)	-	1,150	(1,215)	74	(38,810)
Recognised in other comprehensive income	-	(8,758)	-	-	-	(8,758)
As at 31 March 2019	11,121	508	5,303	9,353	322	26,607

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16. Deferred tax assets/(liabilities) (cont'd.)

Deferred tax liabilities of the Group :

	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2019	-	(65)	(8,865)	(8,930)
Recognised in profit or loss	-	65	2,220	2,285
Recognised in other comprehensive income	(5,648)	-	-	(5,648)
As at 31 December 2019	<u>(5,648)</u>	<u>-</u>	<u>(6,645)</u>	<u>(12,293)</u>

	Financial assets at FVTPL RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2018	(588)	(8,628)	(9,216)
Recognised in profit or loss	523	(237)	286
As at 31 March 2019	<u>(65)</u>	<u>(8,865)</u>	<u>(8,930)</u>

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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 assets of the Bank:

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2019, as previously stated	11,121	508	-	5,303	9,353	322	26,607
Effect of adopting MFRS 16	-	-	493	-	-	-	493
At 1 April 2019, restated	11,121	508	493	5,303	9,353	322	27,100
Recognised in profit or loss	971	-	123	908	(3,088)	37	(1,049)
Recognised in other comprehensive income	-	(508)	-	-	-	-	(508)
As at 31 December 2019	12,092	-	616	6,211	6,265	359	25,543

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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 assets of the Bank:

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2018	49,940	9,266	4,153	10,568	248	74,175
Recognised in profit or loss	(38,819)	-	1,150	(1,215)	74	(38,810)
Recognised in other comprehensive income	-	(8,758)	-	-	-	(8,758)
As at 31 March 2019	11,121	508	5,303	9,353	322	26,607

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16. Deferred tax assets/(liabilities) (cont'd.)

Deferred tax liabilities of the Bank:

	Financial Investments at FVOCI	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2019	-	(8,865)	(8,865)
Recognised in profit or loss	-	2,220	2,220
Recognised in other comprehensive income	(5,648)	-	(5,648)
At 31 December 2019	<u>(5,648)</u>	<u>(6,645)</u>	<u>(12,293)</u>
At 1 April 2018	-	(8,628)	(8,628)
Recognised in profit or loss	-	(237)	(237)
At 31 March 2019	<u>-</u>	<u>(8,865)</u>	<u>(8,865)</u>

17. Deposits from customers

(i) By types of deposits

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Savings deposits		
Qard	938,576	1,039,081
Tawarruq	521,960	354,575
	<u>1,460,536</u>	<u>1,393,656</u>
Demand deposits		
Qard	2,885,821	3,104,620
Tawarruq	1,549,520	844,916
	<u>4,435,341</u>	<u>3,949,536</u>
Term deposits		
Negotiable Islamic debt certificate	629,709	908,842
General investment deposits	63,701	94,877
Short term accounts	2,513,814	2,199,402
Fixed term accounts tawarruq	9,796,765	10,564,188
	<u>13,003,989</u>	<u>13,767,309</u>
Other deposits	<u>40,686</u>	<u>33,617</u>
	<u>18,940,552</u>	<u>19,144,118</u>

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17. Deposits from customers (cont'd.)

(i) By types of deposits (cont'd.)

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Savings deposits		
Qard	938,576	1,039,081
Tawarruq	521,960	354,575
	1,460,536	1,393,656
Demand deposits		
Qard	2,889,975	3,111,107
Tawarruq	1,549,520	844,916
	4,439,495	3,956,023
Term deposits		
Negotiable Islamic debt certificate	629,709	908,842
General investment deposits	63,701	94,877
Short term accounts	2,513,814	2,199,402
Fixed term accounts tawarruq	9,807,065	10,581,488
	13,014,289	13,784,609
Other deposits	40,686	33,617
	18,955,006	19,167,905

(ii) By types of customer

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Government and statutory bodies	4,083,378	4,712,851
Business enterprises	7,708,280	7,330,308
Individuals	2,158,738	2,040,314
Domestic non-bank financial institutions	3,143,472	3,342,090
Domestic banking financial institutions	434,885	404,126
Others	1,411,799	1,314,429
	18,940,552	19,144,118

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17. Deposits from customers (cont'd.)

(ii) By types of customer (cont'd.)

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Government and statutory bodies	4,083,378	4,712,851
Business enterprises	7,722,734	7,354,095
Individuals	2,158,738	2,040,314
Domestic non-bank financial institutions	3,143,472	3,342,090
Domestic banking financial institutions	434,885	404,126
Others	1,411,799	1,314,429
	18,955,006	19,167,905

The maturity structure of term deposits are as follows:

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Due within six months	11,454,317	11,150,968
More than six months to one year	1,497,843	2,337,193
More than one year to three years	51,612	278,727
More than three year to five years	217	421
	13,003,989	13,767,309

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Due within six months	11,464,617	11,168,268
More than six months to one year	1,497,843	2,337,193
More than one year to three years	51,612	278,727
More than three year to five years	217	421
	13,014,289	13,784,609

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18. Investment accounts

(a) Investment account of customers

Restricted investment account ("RIA") is an arrangement between the Bank and investment account holders ("IAH") where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets. RIA amounting to RM20,000,000 (31 March 2019: RM20,944,000) is accounted for as off balance sheet as the Bank has passed its rights and obligations in respect of the assets related to the RIA or the residual cash flows from those assets to the IAH except for the Wakalah performance incentive fee income generated by the Bank for managing the RIA.

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

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Wakalah				
Maturity				
- within one year	20,000	20,444	20,000	20,944

(ii) By types of customer are as follows:

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Business enterprise	-	-	-	500
Individuals	15,000	18,043	15,000	18,043
Others	5,000	2,401	5,000	2,401
	20,000	20,444	20,000	20,944

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18. Investment accounts (cont'd.)

(a) Investment account of customers (cont'd.)

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

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Restricted investment accounts				
Term financing	-	444	-	944
Shirkah Mutanaqisah financing	20,000	20,000	20,000	20,000
Total investment	20,000	20,444	20,000	20,944

(iv) Investment account holders ("IAH") profit sharing ratio and rate of return are as follows:

	Group and Bank		Group and Bank	
	31 December 2019		31 March 2019	
	Average	Average	Average	Average
	profit	rate	profit	rate
	sharing	of return	sharing	of return
	ratio	ratio	ratio	ratio
	(%)	(%)	(%)	(%)
Investment account of customers	76.9%	6.2%	91.0%	6.8%

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Non-Mudharabah		
Bank Negara Malaysia	6,303	6,747

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20. Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

21. Other liabilities

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Sundry creditors	1,325	5,062
Allowances for impairment losses on financing commitments and financial guarantee contracts (Note 21(a))	6,088	6,898
Provision for bonus	11,574	23,211
Accrued expenses	13,447	14,905
Accrual for directors' fees	-	60
Accrual for audit fees	1,234	1,096
Other liabilities	19,616	27,218
	53,284	78,450

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Sundry creditors	572	1,134
Allowances for impairment losses on financing commitments and financial guarantee contracts (Note 21(a))	6,088	6,898
Provision for bonus	11,350	22,789
Accrued expenses	13,556	15,061
Accrual for directors' fees	-	60
Accrual for audit fees	1,212	1,075
Other liabilities	19,538	27,139
	52,316	74,156

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21. Other liabilities (cont'd.)

- (a) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows:

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2019				
At 1 April 2019	3,406	121	3,371	6,898
Transfer to Stage 1	180	(150)	(30)	-
Transfer to Stage 2	(51)	193	(142)	-
Transfer to Stage 3	(4)	(146)	150	-
Allowance made/(writeback)	(286)	105	182	1
New financial assets originated or purchased	495	-	-	495
Financing derecognised	(676)	(30)	(461)	(1,167)
Amount written-off/realised	-	-	(139)	(139)
At 31 December 2019	<u>3,064</u>	<u>93</u>	<u>2,931</u>	<u>6,088</u>

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 March 2019				
At 1 April 2019	4,172	2,815	4,760	11,747
Transfer to Stage 1	1,569	(1,089)	(480)	-
Transfer to Stage 2	(102)	812	(710)	-
Transfer to Stage 3	(6)	(111)	117	-
Allowance made	1,106	539	2,575	4,220
New financial assets originated or purchased	122	-	-	122
Financing derecognised	(2,573)	(2,845)	(1,676)	(7,094)
Amount written-off/realised	(896)	-	(1,216)	(2,112)
Other movements	14	-	1	15
At 31 March 2019	<u>3,406</u>	<u>121</u>	<u>3,371</u>	<u>6,898</u>

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22. Provision for zakat and taxation

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Zakat	4,182	6,661	4,108	6,597
Taxation	5,346	9	5,164	-
	9,528	6,670	9,272	6,597

23. Recourse obligation on financing sold to Cagamas

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to the Bank. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

24. Sukuk

(a) Subordinated sukuk

On 15 June 2016, the Bank set up a RM1.0 billion Sukuk programme of which RM250.0 million was subscribed up to the closing date. The Sukuk programme has loss absorption features to meet Basel III criteria and qualifies as Tier 2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.

The subordinated sukuk bears profit/dividend at 5.8% per annum, up to the date of early redemption in full of such sukuk or maturity date (15 June 2021), whichever is earlier. The dividend is payable semi-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 (25 November 2021), 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	
	31 December 2019 '000	31 March 2019 '000	31 December 2019 RM'000	31 March 2019 RM'000
Ordinary shares				
As at 31 December/ 31 March	<u>1,195,000</u>	<u>1,195,000</u>	<u>1,195,000</u>	<u>1,195,000</u>

26. Reserves

	Note	Group	
		31 December 2019 RM'000	31 March 2019 RM'000
Regulatory reserve	(a)	62,676	63,585
Retained profits	(b)	1,193,264	1,094,765
Exchange fluctuation reserve	(c)	(133)	(417)
Fair value through other comprehensive income	(d)	18,008	(1,514)
		<u>1,273,815</u>	<u>1,156,419</u>

	Note	Bank	
		31 December 2019 RM'000	31 March 2019 RM'000
Regulatory reserve	(a)	62,676	63,585
Retained profits	(b)	1,186,740	1,087,937
Exchange fluctuation reserve	(c)	(133)	(417)
Fair value through other comprehensive income	(d)	18,008	(1,513)
		<u>1,267,291</u>	<u>1,149,592</u>

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26. Reserves (cont'd.)

(a) Regulatory reserve

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

(b) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 December 2019 under the single tier system.

(c) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Fair value through other comprehensive income

This represent the cumulative fair value changes, net of tax, of fair value through other comprehensive income financial assets until they are disposed or impaired.

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27. Income derived from investment of depositors' funds and others

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Fixed term accounts	487,151	686,214	487,151	686,214
(ii) Other deposits	458,757	562,564	458,757	562,564
	945,908	1,248,778	945,908	1,248,778

(i) Income derived from investment of fixed term deposits

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah:				
Income from financing	356,130	496,668	356,130	496,668
Financial investments designated at FVTPL	3,165	4,566	3,165	4,566
Financial assets at fair value through other comprehensive income	67,883	128,127	67,883	128,127
Financial assets at amortised cost	941	1,556	941	1,556
Money at call and deposit with financial institutions	11,639	17,650	11,639	17,650
	439,758	648,567	439,758	648,567
Amortisation of premium, net	(204)	(1,896)	(204)	(1,896)
Total finance income and hibah	439,554	646,671	439,554	646,671

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27. Income derived from investment of depositors' funds and others (cont'd.)

(i) Income derived from investment of fixed term deposits (cont'd.)

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Other operating income				
Net (loss)/gain from sale of:				
- financial investments				
designated at FVTPL	(4)	480	(4)	480
- debt instruments at fair				
value through other				
comprehensive income	22,594	9,379	22,594	9,379
Unrealised gain on				
revaluation from financial				
investments designated				
at FVTPL	315	423	315	423
	22,905	10,282	22,905	10,282
Fees and commission				
Guarantee fees	642	738	642	738
Safekeeping fees	6,858	7,704	6,858	7,704
Processing fees	988	1,885	988	1,885
Service charges and fees	5,579	6,233	5,579	6,233
Commission	10,625	12,701	10,625	12,701
	24,692	29,261	24,692	29,261
Total	487,151	686,214	487,151	686,214

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27. Income derived from investment of depositors' funds and others (cont'd.)

(ii) Income derived from investment of other deposits

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Income from financing	335,371	407,172	335,371	407,172
Financial investments designated at FVTPL	2,981	3,743	2,981	3,743
Financial assets at fair value through other comprehensive income	63,926	105,040	63,926	105,040
Financial assets at amortised cost	886	1,275	886	1,275
Money at call and deposit with financial institutions	10,961	14,470	10,961	14,470
	414,125	531,700	414,125	531,700
Amortisation of premium, net	(192)	(1,555)	(192)	(1,555)
Total finance income and hibah	413,933	530,145	413,933	530,145
Other operating income				
Net (loss)/gain from sale of:				
- financial investments designated at FVTPL	(4)	394	(4)	394
- debt instruments at fair value through other comprehensive income	21,277	7,689	21,277	7,689
Unrealised gain on revaluation from financial investments designated at FVTPL	297	347	297	347
	21,570	8,430	21,570	8,430

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27. Income derived from investment of depositors' funds and others (cont'd.)

(ii) Income derived from investment of other deposits (cont'd.)

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Fees and commission				
Guarantee fees	605	605	605	605
Safekeeping fees	6,458	6,316	6,458	6,316
Processing fees	931	1,545	931	1,545
Service charges and fees	5,254	5,110	5,254	5,110
Commission	10,006	10,413	10,006	10,413
	<u>23,254</u>	<u>23,989</u>	<u>23,254</u>	<u>23,989</u>
Total	<u>458,757</u>	<u>562,564</u>	<u>458,757</u>	<u>562,564</u>

28. Income derived from investment of account funds

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Investment of account funds	<u>4</u>	<u>2</u>	<u>4</u>	<u>2</u>
	4	2	4	2
Fees and commission				
Service charges and fees	109	509	109	509
Total	<u>113</u>	<u>511</u>	<u>113</u>	<u>511</u>

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29. Income derived from investment of shareholders' funds

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financial assets at fair value through other comprehensive income	7,920	13,311	7,920	13,311
Money at call and deposit with financial institutions	1,301	1,676	1,301	1,676
Accretion of discounts, net	90	2,222	90	2,222
Total finance income and hibah	9,311	17,209	9,311	17,209
Other operating income				
Net gain on revaluation of foreign exchange transaction	8,125	8,322	8,125	8,322
Net (loss)/gain from foreign exchange derivatives	(4,829)	3,448	(4,829)	3,448
Net (loss)/gain from sale of financial investment designated at FVTPL	(6)	79	-	-
Unrealised (loss)/gain on revaluation from financial investments designated at FVTPL	(4,294)	36,535	(4,149)	37,788
Net gain from sale of debt instruments at fair value through other comprehensive income	429	385	429	385
Gross dividend income				
- unquoted shares in Malaysia	59	53	-	-
- subsidiary	-	-	1,000	-
Net dividend paid for Islamic profit rate swap	(7,712)	(7,146)	(7,712)	(7,146)
Unrealised loss on revaluation of Islamic profit rate swap	(27,549)	(21,604)	(27,549)	(21,604)
Unrealised gain on revaluation of hedged items	31,262	33,297	31,262	33,297
Gain from derecognition of fair value of hedged items	-	2,102	-	2,102
	(4,515)	55,471	(3,423)	56,592

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29. Income derived from investment of shareholders' funds (cont'd.)

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Fees and commission				
Corporate advisory fees	2,275	4,576	906	3,018
Service charges and fees	3,413	1,881	175	231
Commission	1,987	2,412	1,987	2,412
	7,675	8,869	3,068	5,661
Other income				
Rental income	962	1,103	1,015	1,223
Gain from sale of property, plant and equipment	11	70	11	70
Fair value adjustments of investment properties (Note 12)	(1,918)	1,580	(1,918)	1,580
	(945)	2,753	(892)	2,873
Total	11,526	84,302	8,064	82,335

30. Allowance for/(writeback of) impairment on financing

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Allowance for/ (writeback of) impairment losses on financing of customer:				
- individual allowance made	7,431	26,610	7,431	26,610
- individual allowance written back	(6,253)	(24,925)	(6,253)	(24,925)
- collective allowance made	163,903	234,040	163,903	234,040
- collective allowance written back	(113,157)	(226,549)	(113,157)	(226,549)
Impaired financing written off	2,687	2,592	2,687	2,592
Impaired financing recovered	(33,024)	(18,123)	(33,024)	(23,045)
	21,587	(6,355)	21,587	(11,277)

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31. Allowance for/(writeback of) impairment losses on financial investments, net

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Impairment writeback on investment in subsidiary	-	-	(600)	(1,000)
Allowance for/(writeback of) impairment losses on debt instruments at FVOCI	3,339	(194)	3,339	(194)
Writeback of impairment losses on debt instruments at amortised cost	(273)	(607)	(273)	(607)
	3,066	(801)	2,466	(1,801)

32. (Writeback of)/allowance for impairment losses on other financial assets, net

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds				
- ECL , net	139	309	139	309
Other assets	(1,343)	4,521	(1,343)	4,521
	(1,204)	4,830	(1,204)	4,830

33. Income attributable to depositors

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah funds	985	1,578	985	1,578
- Non-Mudharabah funds	405,298	604,250	405,543	604,698
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah funds	1,549	7,408	1,549	7,408
	407,832	613,236	408,077	613,684

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34. Personnel expenses

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Salary and wages	112,393	137,364	111,181	136,071
Contribution to defined contribution plan	21,226	26,313	21,036	26,118
Social security contributions	1,208	1,552	1,194	1,538
Allowances and bonuses	21,630	21,551	21,470	21,162
Mutual Separation Scheme	663	475	663	475
Others	21,168	27,321	21,053	27,250
	178,288	214,576	176,597	212,614

35. CEO, Directors and Shariah Committee members' remuneration

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
(a) Executive Director/ Chief Executive Officer				
Salaries and wages	1,652	2,277	1,260	1,701
Bonus	1,244	1,364	1,134	1,313
Other emoluments	2,014	634	1,929	543
Benefits-in-kind	76	64	68	64
	4,986	4,339	4,391	3,621
(b) Non-Executive Directors				
Fees	877	1,175	847	1,135
Benefits-in-kind	26	49	26	49
Other emoluments	835	724	827	714
	1,738	1,948	1,700	1,898
(c) Shariah Committee members				
Allowance	324	316	324	316
Total	7,048	6,603	6,416	5,835
Total (excluding benefits-in-kind)	6,946	6,490	6,322	5,722

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35. CEO, Directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows:

<=====Remuneration received from the Group=====>						
Group	Salary	Fees	Bonus	Other	Benefits-	Total
31 December 2019	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	RM'000
Note 35(a):						
Chief Executive Officer:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,042	-	1,134	1,892	67	4,135
Khairul Kamarudin	218	-	-	37	1	256
Chief Executive Officer of the subsidiaries:						
Norahmadi Sulong	392	-	110	85	8	595
	1,652	-	1,244	2,014	76	4,986
Note 35(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	180	-	46	26	252
Dato' Haji Mohd Izani Ghani *	-	50	-	48	-	98
Dato' Sri Che Khalib Mohamad Noh	-	90	-	68	-	158
Iwan Rashman Gulamoydeen*	-	40	-	32	-	72
Dato Hj Khamil Khalid Ariff	-	90	-	116	-	206
Dr Azura Othman	-	90	-	148	-	238
Ghazali Hj Darman	-	90	-	139	-	229
Dato' Hj Che Pee Samsudin	-	90	-	94	-	184
Dato' Ibrahim Taib	-	90	-	104	-	194
Khairuddin Hj. Arshad	-	37	-	32	-	69
Director - subsidiaries:						
Fakihah Azahari	-	15	-	4	-	19
Dato' Adnan Alias	-	15	-	4	-	19
	-	877	-	835	26	1,738
Total Directors' remuneration	1,652	877	1,244	2,849	102	6,724

* Director's fee payable to Khazanah Nasional Berhad.

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35. CEO, Directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

<=====Remuneration received from the Group=====>

Group						
31 December 2019	Salary	Fees	Bonus	Other	Benefits-	Total
	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	
Note 35(c) :						
Shariah Committee:						
En Azizi Che Seman	-	45	-	19	1	65
Dr Mohamad Sabri						
Haron	-	41	-	11	1	53
Engku Ahmad Fadzil						
Engku Ali	-	41	-	11	1	53
Dr Wan Marhaini						
Wan Ahmad	-	41	-	10	1	52
Mohd Shahid						
Mohd Noh	-	41	-	10	1	52
Yusri Mohamad	-	41	-	10	1	51
	-	248	-	71	6	324

Group						
31 March 2019	Salary	Fees	Bonus	Other	Benefits-	Total
	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	
Note 35(a):						
Chief Executive Officer						
Dato' Haji Mohd						
Redza Shah Abdul						
Wahid	1,701	-	1,313	543	64	3,621
Chief Executive Officer						
of the subsidiaries:						
Norahmadi Sulong	377	-	-	64	-	441
Mohd Faruk bin Abdul	199	-	51	27	-	277
Karim						-
	2,277	-	1,364	634	64	4,339

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35. CEO, Directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

<=====Remuneration received from the Group=====>

Group						
31 March 2019	Salary	Fees	Bonus	Other	Benefits-	Total
	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	RM'000
Note 35(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd						
Munir Abdul Majid	-	234	-	38	49	321
Tengku Dato'						
Seri Hasmuiddin						
Tengku Othman	-	6	-	2	-	8
Dato' Haji Mohd						
Izani Ghani *	-	120	-	66	-	186
Dato' Azmi Abdullah	-	55	-	36	-	91
Dato' Haji Kamil Khalid						
Ariff	-	120	-	108	-	228
Dato' Sri Che Khalib						
Mohamad Noh	-	120	-	50	-	170
Dr Azura Othman	-	120	-	123	-	243
Ghazali Hj Darman	-	120	-	125	-	245
Dato' Hj Che Pee						
Samsudin	-	120	-	76	-	196
Dato' Ibrahim Taib	-	120	-	90	-	210
Director - subsidiaries:						
Fakihah Azahari	-	20	-	5	-	25
Dato' Adnan Alias	-	20	-	5	-	25
	-	1,175	-	724	49	1,948
Total Directors' remuneration	2,277	1,175	1,364	1,358	113	6,287

* Director's fee payable to Khazanah Nasional Berhad.

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35. CEO, Directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

<=====Remuneration received from the Group=====>

Group						
31 March 2019	Salary	Fees	Bonus	Other	Benefits-	Total
	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	
Note 35(c) :						
Shariah Committee:						
En Azizi Che Seman	-	55	-	19	1	75
Dr Mohamad Sabri						
Haron	-	49	-	9	1	59
Engku Ahmad Fadzil						
Engku Ali	-	49	-	10	1	60
Dr Ab Halim						
Muhammad	-	49	-	8	1	58
Dr Wan Marhaini						
Wan Ahmad	-	49	-	8	1	58
Mohd Shahid						
Mohd Noh	-	5	-	1	-	6
	-	256	-	55	5	316

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

<===== Remuneration received from the Bank =====>

Bank						
31 December 2019	Salary	Fees	Bonus	Other	Benefits-	Total
	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	
Note 35(a):						
Chief Executive Officer						
Dato' Haji Mohd						
Redza Shah Abdul						
Wahid	1,042	-	1,134	1,892	67	4,135
Khairul Kamarudin	218	-	-	37	1	256
	1,260	-	1,134	1,929	68	4,391

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35. CEO, Directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (cont'd.):

Bank						
31 December 2019	Salary	Allowance	Bonus	Other	Benefits-	Total
	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	RM'000
Note 35(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd						
Munir Abdul Majid	-	180	-	46	26	252
Dato' Haji Mohd						
Izani Ghani *	-	50	-	48	-	98
Dato' Sri Che Khalib						
Mohamad Noh	-	90	-	68	-	158
Iwan Rashman						
Gulamoydeen*	-	40	-	32	-	72
Dato Hj Khamil						
Khalid Ariff	-	90	-	116	-	206
Dr Azura Othman	-	90	-	148	-	238
Ghazali Hj Darman	-	90	-	139	-	229
Dato' Hj Che Pee						
Samsudin	-	90	-	94	-	184
Dato' Ibrahim Taib	-	90	-	104	-	194
Khairuddin Hj.						
Arshad	-	37	-	32	-	69
	-	847	-	827	26	1,700
Total Directors'						
remuneration	1,260	847	1,134	2,757	93	6,092

* Director's fee payable to Khazanah Nasional Berhad.

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35. CEO, Directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (cont'd.):

Bank						
31 December 2019	Salary	Allowance	Bonus	Other	Benefits-	Total
	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	
Note 35(c):						
Shariah Committee:						
En Azizi Che Seman	-	45	-	19	1	65
Dr Mohamad Sabri						
Haron	-	41	-	11	1	53
Engku Ahmad Fadzil						
Engku Ali	-	41	-	11	1	53
Dr Wan Marhaini						
Wan Ahmad	-	41	-	10	1	52
Mohd Shahid						
Mohd Noh	-	41	-	10	1	52
Yusri Mohamad	-	41	-	10	1	51
	-	248	-	71	6	324

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

<===== Remuneration received from the Bank =====>

Bank						
31 March 2019	Salary	Fees	Bonus	Other	Benefits-	Total
	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	
Note 35(a):						
Chief Executive Officer						
Dato' Haji Mohd						
Redza Shah Abdul						
Wahid	1,701	-	1,313	543	64	3,621
	1,701	-	1,313	543	64	3,621

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35. CEO, Directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (cont'd.):

Bank						
31 March 2019	Salary	Allowance	Bonus	Other	Benefits-	Total
	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	RM'000
Note 35(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd						
Munir Abdul Majid	-	234	-	38	49	321
Tengku Dato'						
Seri Hasmuddin						
Tengku Othman	-	6	-	2	-	8
Dato' Haji Mohd						
Izani Ghani *	-	120	-	66	-	186
Dato' Azmi Abdullah	-	55	-	36	-	91
Dato' Hj Kamil Khalid						
Ariff	-	120	-	108	-	228
Dato' Sri Che Khalib						
Mohamad Noh	-	120	-	50	-	170
Dr Azura Othman	-	120	-	123	-	243
Ghazali Hj Darman	-	120		125	-	245
Dato' Hj Che Pee						
Samsudin	-	120		76	-	196
Dato' Ibrahim Taib	-	120	-	90	-	210
	-	1,135	-	714	49	1,898
Total Directors' remuneration	1,701	1,135	1,313	1,257	113	5,519

* Director's fee payable to Khazanah Nasional Berhad.

Note 35(c):

Shariah Committee:

En Azizi Che Seman	-	55	-	19	1	75
Dr Mohamad Sabri						
Haron	-	49	-	9	1	59
Engku Ahmad Fadzil	-					
Engku Ali	-	49	-	10	1	60
Dr Ab Halim						
Muhammad	-	49	-	8	1	58
Dr Wan Marhaini						
Wan Ahmad	-	49	-	8	1	58
Mohd Shahid						
Mohd Noh	-	5	-	1	-	6
	-	256	-	55	5	316

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36. Key management personnel remuneration

The remuneration of Chief Executive Officer's and other key members of management during the financial year was as follows:

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Short-term employees benefits	<u>13,403</u>	<u>11,426</u>
Included in the total key management personnel are:		
Chief Executive Officer's remuneration (Note 35(a))	<u>4,986</u>	<u>4,339</u>
	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Short-term employees benefits (salary, bonus, allowances)	<u>12,809</u>	<u>10,708</u>
Included in the total key management personnel are:		
Chief Executive Officer's remuneration (Note 35(a))	<u>4,391</u>	<u>3,621</u>

37. Other overheads and expenditures

	Group		Bank	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Marketing				
Advertisement and publicity	9,236	9,724	9,236	9,724
Donation and sponsorship	4,262	4,454	4,262	4,454
Others	1,783	1,969	1,770	1,955
	<u>15,281</u>	<u>16,147</u>	<u>15,268</u>	<u>16,133</u>

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37. Other overheads and expenditures (cont'd.)

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Establishment				
Rental	520	13,136	520	12,530
Depreciation of right-of-use assets (Note 15)	9,742	-	9,301	-
Depreciation of property, plant and equipment (Note 14)	9,810	15,564	9,805	15,557
Amortisation of intangible assets (Note 13)	25,570	30,299	25,558	30,138
Amortisation of prepaid land lease payments (Note 15)	-	4	-	4
Information technology expenses	35,923	50,521	35,812	50,521
Repair and maintenance	3,249	3,409	2,987	3,045
Hire of equipment	2,679	3,857	2,500	3,487
Takaful	5,711	8,584	5,711	8,584
Utilities expenses	3,944	5,112	3,922	5,087
Security expenses	7,696	9,884	7,696	9,884
Others	3,095	4,723	3,095	4,723
	107,939	145,093	106,907	143,560
General expenses				
Auditors' fees				
- statutory audit				
- current year	457	417	434	394
- regulatory related services	228	278	210	260
- others	337	788	327	777
Professional fees	2,297	3,412	2,139	3,187
Legal expenses	1,396	2,675	1,396	2,675
Telephone	1,615	2,244	1,611	2,239
Stationery and printing	1,382	2,068	1,369	2,050
Postage and courier	1,227	1,578	1,227	1,578
Travelling	1,570	2,099	1,566	2,092
Directors remuneration and Shariah Committee allowance (Note 35)	7,048	6,603	6,416	5,835
Property, plant and equipment written off (Note 14)	26	53	26	53
Others	9,390	8,576	11,187	10,732
	26,973	30,791	27,908	31,872
	150,193	192,031	150,083	191,565

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38. Finance costs

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Dividend paid on subordinated sukuk	10,955	14,420	10,955	14,420
Dividend paid on senior sukuk	20,746	27,417	20,746	27,417
Financing sold to Cagamas	16,237	22,326	16,237	22,326
Lease charges	2,205	-	1,880	-
	50,143	64,163	49,818	64,163

39. Zakat

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Provision of zakat for the year	3,770	6,255	3,706	6,195
	3,770	6,255	3,706	6,195

40. Taxation

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Current income tax	39,432	16,716	38,790	16,250
(Over)/under provision in prior years	(408)	198	(404)	(44)
	39,024	16,914	38,386	16,206
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	(1,358)	38,297	(1,242)	38,819
Under provision in prior years	71	228	71	228
	(1,287)	38,525	(1,171)	39,047
	37,737	55,439	37,215	55,253

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40. Taxation (cont'd.)

Domestic current income tax is calculated at the statutory tax rate of 24% (March 2019: 24%) of the estimated assessable profit for the period/year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	140,313	241,188	139,332	247,123
Taxation at Malaysian statutory tax rate 24% (March 2019: 24%)	33,675	57,885	33,440	59,310
Income not subject to tax	(473)	(728)	(480)	(493)
Income from business operation of different tax rate	-	(7,541)	-	(7,541)
Expenses/item not deductible for tax purposes	4,872	5,397	4,588	3,793
(Over)/under provision of income tax in prior years	(408)	198	(404)	(44)
Under provision of deferred tax in prior years	71	228	71	228
Income tax expense for the period/year	37,737	55,439	37,215	55,253

41. Earnings per share

	Group	
Basic and diluted	31 December	31 March
	2019	2019
	RM'000	RM'000
Profit attributable to ordinary equity holders of the Bank (RM'000)	98,806	179,494
Weighted average number of ordinary shares in issue ('000)	1,195,000	1,195,000
Basic and diluted earnings per share (sen)	11.02	15.02

42. Dividends

The directors did not declare any final dividend for the nine-month financial period ended 31 December 2019.

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43. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Bank have related party relationships with its substantial shareholders, subsidiaries and key management personnel. The Group's and the Bank's significant transactions and balances with related parties are as follows:

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Holding company				
Expenditure				
- hibah on deposit	1,344	6,931	1,344	6,931
Amounts due to				
- deposits	<u>208,729</u>	<u>147,624</u>	<u>208,729</u>	<u>147,624</u>
Subsidiaries				
Income				
- rental income	-	-	156	272
- management fee	-	-	543	612
- arrangement fee	-	-	320	260
Expenditure				
- fund management fee	-	-	1,648	2,176
- profit sharing incentive	-	-	184	107
- hibah on deposit	-	-	245	448
Amounts due from				
- financing	-	-	62,972	58,373
Amounts due to				
- management fee / profit sharing	-	-	12	365
- deposits	<u>-</u>	<u>-</u>	<u>14,452</u>	<u>23,787</u>

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43. Significant related party transactions (cont'd.)

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
Key management personnel				
Amounts due from				
- financing	1,669	2,010	1,518	1,713
Related companies*				
Income				
- profit on financing	15,399	9,848	15,399	9,848
Expenditure				
- hibah on deposit	4,373	10,151	4,373	10,151
- seconded staff salary and related expenses	848	1,361	848	1,361
- mailing and courier service	259	430	259	430
- rental (offsite ATM and branch)	175	235	175	235
- purchase of fixed assets	20	224	20	224
- sponsorship	397	48	397	48
- others	61	522	61	522
Amounts due to				
- deposits	350,244	334,347	350,244	334,347
Amounts due from				
- financing	496,746	119,163	496,746	119,163
Other related companies**				
Expenditure				
- takaful expenses	755	1,771	755	1,771
- staff travelling expenses	371	517	371	517
- rental (offsite ATM and branch)	597	769	597	769
- sponsorship	11	-	11	-
- others	544	163	544	163
Amounts due to				
- deposits	639,341	405,673	639,341	405,673
Amounts due from				
- financing	1,108,631	1,101,828	1,108,631	1,101,828

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43. Significant related party transactions (cont'd.)

- * 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.

44. Credit exposures arising from credit transactions with connected parties

	Group	
	31 December 2019 RM'000	31 March 2019 RM'000
Outstanding credit exposures with connected parties	1,613,373	1,463,503
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.7%	5.9%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-
	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Outstanding credit exposures with connected parties	1,668,011	1,514,141
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	7.0%	6.1%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective on 1 January 2008.

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

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

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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					
	31 December 2019			31 March 2019		
The commitments and contingencies constitute the following:	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000
Contingent liabilities						
Direct credit substitutes	231,450	231,450	205,352	203,424	203,424	169,198
Trade-related contingencies	38,679	7,736	1,494	83,279	16,656	7,763
Transaction related contingencies	428,543	214,272	201,091	425,159	212,580	199,194
Commitments						
Credit extension commitment:						
- Maturity within one (1) year	879,658	175,932	171,477	624,707	124,941	123,594
- Maturity exceeding one (1) year	777,881	388,941	373,034	779,205	389,603	350,760
Islamic derivative financial instruments						
Foreign exchange related contracts	2,965,283	58,660	28,638	3,545,493	63,942	39,235
Profit rate related contract	1,275,000	71,188	14,238	2,150,000	85,938	17,188
	6,596,494	1,148,179	995,324	7,811,267	1,097,084	906,932

**Bank Muamalat Malaysia Berhad
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The integrated risk management system enables the Group and the Bank to achieve a single view of risks across its various business operations and in order to gain strategic competitive advantage from its capabilities. It can be described as the strategy and technique of managing risks by taking a holistic approach towards risk management process, which includes risk identification, measurement and management. It also aims at integrating the control and optimisation of the principal risk areas of Market Risk ("MR"), Asset and Liability Management ("ALM"), Credit Risk ("CR"), Operational Risk ("OR") and Shariah Compliance Risk; and building the requisite risk management organisation, infrastructure, process and technology with the objective of advancing the Group and the Bank towards value protection and creation.

Generally, the objectives of the Group's and the Bank's integrated risk management system include the following:

- Identifying all the risks exposures and their impact;
- Establishment of sound policies and procedures in line with the Group's and Bank's strategy, lines of business and nature of operations;
- Set out an enterprise-wide organisation structure and defining the appropriate roles and responsibilities; and
- Instill the risk culture within the Group and the Bank.

Risk governance

A stable enterprise-level organisation structure for risk management is necessary to ensure a uniform view of risks across the Group and the Bank and form strong risk governance.

The Board of Directors has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that these risks are properly managed. While the Board of Directors is ultimately responsible for risk management of the Group and the Bank, it has entrusted the Board Risk Management Committee ("BRMC") to carry out its functions. BRMC, which is chaired by an independent director of the Board, oversees the overall management of risks.

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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 facilities activities (funded/non-funded facilities); treasury activities (including inter-bank money market, money and capital trading, foreign exchange); and investment banking activities (including underwriting of corporate sukuk issuance).

The Group's and the Bank's RMD and Senior Management via 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 include, among others, assessing the adequacy of the identified source of payments and/or income generation from the customer, as well as determining the appropriate structure for financing.

As a supporting tool for the assessment, the Group and the Bank adopt credit risk rating (internal/external) mechanisms. The internal risk rating/grading mechanism is consistent with the nature, size and complexity of the Group's and the Bank's activities. It is also in compliance with the regulatory authority's requirements. Where applicable, the external rating assessment will be applied. This is provided by more than one of the selected reputable External Credit Assessment Institutions ("ECAI").

To mitigate credit concentration risks, the Group and the Bank set exposure limits to individual/single customer, groups of related customers, connected parties, global counterparty, industry/sector and other various funded and non-funded exposures. This is monitored and enforced throughout the credit delivery process.

The Group and the Bank also introduced the Credit Risk Mitigation Techniques ("CRMT") to ascertain the strength of collaterals and securities pledged for financing. The technique outlines the criteria for the eligibility and valuation as well as the monitoring process of the collaterals and securities pledged.

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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	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
31 December 2019								
On balance sheet exposures								
Cash and short-term funds	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	735,234	4,604,824
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	453,074	15,861,238
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	41,670	41,670
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,229,978	22,575,464
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Islamic derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,243,833	29,171,958

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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	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Household	Others	Total
31 March 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On balance sheet exposures								
Cash and short-term funds	-	830,571	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	11,937	-	-	-	-	-	11,937
Financial investments at fair value through profit and loss	336,292	188,478	1,231	-	702	-	134,096	660,799
Financial investments at fair value through other comprehensive income	3,219,953	253,493	465,447	117,246	-	-	879,893	4,936,032
Financial assets at amortised cost	-	-	103,310	-	-	-	-	103,310
Islamic derivative financial assets	-	24,853	-	-	-	-	-	24,853
Financing of customers	977,260	157,529	2,409,672	1,400,791	-	9,872,140	513,503	15,330,895
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	699,275
Other assets	-	-	-	-	-	-	81,625	81,625
	5,232,780	1,466,861	2,979,660	1,518,037	702	9,872,140	1,609,117	22,679,297
Commitments and contingencies								
Contingent liabilities	44,441	93,147	132,596	341,636	23,453	6,541	70,048	711,862
Commitments	219	445,509	463,118	212,101	3,529	50,203	229,233	1,403,912
Islamic derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	44,660	6,234,149	595,714	553,737	26,982	56,744	299,281	7,811,267
Total credit exposures	5,277,440	7,701,010	3,575,374	2,071,774	27,684	9,928,884	1,908,398	30,490,564

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank	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
31 December 2019								
On balance sheet exposures								
Cash and short-term funds	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	732,809	4,602,399
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	449,179	15,857,343
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	40,780	40,780
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,222,768	22,568,254
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,236,623	29,164,748

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 31 March 2019	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	830,571	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	11,937	-	-	-	-	-	11,937
Financial investments at fair value through profit and loss	336,292	188,478	-	-	-	-	134,096	658,866
Financial investments at fair value through other comprehensive income	3,219,953	253,493	465,447	117,246	-	-	877,628	4,933,767
Financial assets at amortised cost	-	-	103,310	-	-	-	-	103,310
Islamic derivative financial assets	-	24,853	-	-	-	-	-	24,853
Financing of customers	977,260	157,529	2,411,355	1,400,791	-	9,872,140	514,206	15,333,281
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	699,275
Other assets	-	-	-	-	-	-	83,531	83,531
	5,232,780	1,466,861	2,980,112	1,518,037	-	9,872,140	1,609,461	22,679,391
Commitments and contingencies								
Contingent liabilities	44,441	93,147	132,596	341,636	23,453	6,541	70,048	711,862
Commitments	219	445,509	463,118	212,101	3,529	50,203	229,233	1,403,912
Derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	44,660	6,234,149	595,714	553,737	26,982	56,744	299,281	7,811,267
Total credit exposures	5,277,440	7,701,010	3,575,826	2,071,774	26,982	9,928,884	1,908,742	30,490,658

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic	Labuan	Domestic	Labuan
	RM'000	RM'000	RM'000	RM'000
31 December 2019				
On Balance Sheet				
Exposures				
Cash and short-term funds	970,240	40,985	970,240	40,985
Cash and placements with financial institutions	53,925	-	53,925	-
Financial investments designated at fair value through profit and loss	139,684	169,109	139,684	169,109
Financial investments at fair value through other comprehensive income	4,596,572	8,252	4,594,147	8,252
Financial investments amortised cost	103,162	-	103,162	-
Islamic derivative financial assets	21,859	-	21,859	-
Financing of customers	15,861,238	-	15,857,343	-
Statutory deposits with Bank Negara Malaysia	568,768	-	568,768	-
Other assets	41,667	3	40,777	3
	22,357,115	218,349	22,349,905	218,349
Commitments and contingencies				
Contingent liabilities	698,672	-	698,672	-
Commitments	1,657,539	-	1,657,539	-
Islamic derivative financial instruments	4,240,283	-	4,240,283	-
	6,596,494	-	6,596,494	-
Total credit exposures	28,953,609	218,349	28,946,399	218,349

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic	Labuan	Domestic	Labuan
	RM'000	RM'000	RM'000	RM'000
31 March 2019				
On Balance Sheet				
Exposures				
Cash and short-term funds	795,794	34,777	795,794	34,777
Cash and placements with financial institutions	11,937	-	11,937	-
Financial investments designated at fair value through profit and loss	472,321	188,478	470,388	188,478
Financial investments at fair value through other comprehensive income	4,927,888	8,144	4,925,623	8,144
Financial investments amortised cost	103,310	-	103,310	-
Islamic derivative financial assets	24,853	-	24,853	-
Financing of customers	15,330,895	-	15,333,281	-
Statutory deposits with Bank Negara Malaysia	699,275	-	699,275	-
Other assets	81,622	3	83,528	3
	<u>22,447,895</u>	<u>231,402</u>	<u>22,447,989</u>	<u>231,402</u>
Commitments and contingencies				
Contingent liabilities	711,862	-	711,862	-
Commitments	1,403,912	-	1,403,912	-
Islamic derivative financial instruments	5,695,493	-	5,695,493	-
	<u>7,811,267</u>	<u>-</u>	<u>7,811,267</u>	<u>-</u>
Total credit exposures	<u>30,259,162</u>	<u>231,402</u>	<u>30,259,256</u>	<u>231,402</u>

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
31 December 2019	Good	Satisfactory	impaired		
	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Other term financing	6,933,844	37,520	46,147	65,275	7,082,786
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,320,100	265,775	218,039	209,166	16,013,080
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(51,342)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(13,766)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,320,100	265,775	218,039	122,432	15,861,238

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group	Neither past due nor impaired	Past due but not impaired	Impaired financing	Total
31 March 2019	Good RM'000	Satisfactory RM'000	RM'000	RM'000
Term financing				
- Home financing	4,055,671	241,430	140,918	4,543,816
- Syndicated financing	653,567	-	-	653,567
- Hire purchase receivables	552,016	13,805	11,580	581,633
- Other term financing	6,601,041	51,929	37,655	6,760,280
Other financing	2,889,737	14,060	3,556	2,948,885
	<u>14,752,032</u>	<u>321,224</u>	<u>193,709</u>	<u>15,488,181</u>
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	<u>14,752,032</u>	<u>321,224</u>	<u>193,709</u>	<u>15,330,895</u>

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Bank	Neither past due nor impaired		Past due	Impaired	Total
31 December 2019	Good	Satisfactory	but not	financing	
	RM'000	RM'000	impaired	RM'000	RM'000
Term financing					
- Home financing	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Other term financing	6,929,949	37,520	46,147	65,275	7,078,891
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,316,205	265,775	218,039	209,166	16,009,185
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(51,342)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(13,766)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,316,205	265,775	218,039	122,432	15,857,343

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Bank	Neither past due nor impaired		Past due	Impaired	Total
31 March 2019	Good	Satisfactory	but not	financing	
	RM'000	RM'000	impaired	RM'000	RM'000
Term financing					
- Home financing	4,055,671	241,430	140,918	105,797	4,543,816
- Syndicated financing	653,567	-	-	-	653,567
- Hire purchase receivables	552,016	13,805	11,580	4,232	581,633
- 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
	<u>14,754,418</u>	<u>321,224</u>	<u>193,709</u>	<u>221,216</u>	<u>15,490,567</u>
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	<u>14,754,418</u>	<u>321,224</u>	<u>193,709</u>	<u>127,264</u>	<u>15,333,281</u>

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Neither past due nor impaired

Financing of customers which are neither past due nor impaired are identified into the following grades:

- “Good grade” refers to financing of customers which are neither past due nor impaired in the last six (6) months and have never undergone any rescheduling or restructuring exercise previously.
- “Satisfactory grade” refers to financing of customers which may have been past due but not impaired or impaired during the last six (6) months or have undergone a rescheduling or restructuring exercise previously.

Past due but not impaired

Past due but not impaired financing of customers refers to instances where the customer has failed to make principal or profit payment or both after the contractual due date for more than one (1) day but less than three (3) months.

Ageing analysis of past due but not impaired is as follows:

Group and Bank	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
31 December 2019			
Term financing			
- Home financing	109,593	48,483	158,076
- Hire purchase receivables	5,023	3,891	8,914
- Other term financing	32,619	13,528	46,147
Other financing	4,522	380	4,902
Total	151,757	66,282	218,039
31 March 2019			
Term financing			
- Home financing	95,261	45,657	140,918
- Hire purchase receivables	7,612	3,968	11,580
- Other term financing	23,089	14,566	37,655
Other financing	2,696	860	3,556
Total	128,658	65,051	193,709

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Past due but not impaired (cont'd.)

The following table presents an analysis of the past due but not impaired financing by economic purpose.

Group and Bank

	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of transport vehicles	8,914	11,580
Purchase of landed properties of which:		
– residential	156,458	141,093
– non-residential	11,983	12,882
Personal use	28,035	25,350
Working capital	4,248	2,515
Other purpose	8,401	289
	<u>218,039</u>	<u>193,709</u>

Collateral and other credit enhancements

The amount and type of collateral required depends on assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed;
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (i.e. quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at 88.1% and 88.1%, respectively, as at 31 December 2019 (the Group and the Bank are at 96.6% and 96.6% as at 31 March 2019). Meanwhile, the financial effect of collateral held for other financial assets is not significant.

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Collateral and other credit enhancements (cont'd.)

As at 31 December 2019, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM41,210,434 as compared against 31 March 2019 total amount of RM50,738,280. The collateral consists of cash, securities, letters of guarantee, and properties.

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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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(iii) Analysis of inputs to the ECL model under multiple economic scenarios

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 December 2019 and 31 March 2019.

Key Variable	ECL Scenario	Assigned Probabilities (%)	2019 (Actual)	2020 (Forecast)	2021 (Forecast)
Current Account Balance (% of GDP)	Base case	52.63%	2.80	2.30	3.80
	Upside	23.62%	3.60	3.40	4.00
	Downside	23.75%	2.10	2.00	2.00
Economy's money supply- M3 (YOY%)	Base case	52.63%	6.10	3.30	9.00
	Upside	23.62%	7.80	4.20	11.50
	Downside	23.75%	4.10	2.20	6.00
Consumer Price Index (YOY%)	Base case	52.63%	2.90	2.50	3.00
	Upside	23.62%	1.80	2.20	2.80
	Downside	23.75%	3.30	3.50	3.80
Unemployment Rate (%)	Base case	52.63%	3.40	3.10	3.00
	Upside	23.62%	3.30	4.10	3.90
	Downside	23.75%	3.60	4.50	4.00
Exchange Rate (USD MYR)	Base case	52.63%	4.11	4.19	4.34
	Upside	23.62%	3.84	3.85	3.99
	Downside	23.75%	4.35	4.52	4.68
Overnight Policy Rate (%)	Base case	52.63%	3.25	3.13	3.00
	Upside	23.62%	2.99	2.87	2.76
	Downside	23.75%	3.25	3.13	3.00
Kuala Lumpur Composite Index (KLCI)	Base case	52.63%	1,724.42	1,659.18	1,746.20
	Upside	23.62%	1,844.68	1,791.72	1,868.22
	Downside	23.75%	1,612.00	1,540.00	1,623.78
House Price Index (YOY%)	Base case	52.63%	5.80	5.50	5.50
	Upside	23.62%	5.96	5.65	5.65
	Downside	23.75%	5.64	5.35	5.35

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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			
	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Other assets RM'000
31 December 2019						
AAA+ to AA-	-	-	-	505,615	505,615	-
A+ to A-	-	-	8,252	-	8,252	-
BBB+ to BB-	103,162	103,162	-	-	-	-
Unrated	-	-	-	103,163	103,163	41,670
Defaulted	-	-	-	-	-	-
Sovereign	-	-	-	3,881,292	3,881,292	-
Total	103,162	103,162	8,252	4,490,070	4,498,322	41,670
31 March 2019						
AAA+ to AA-	-	-	-	888,661	888,661	-
A+ to A-	-	-	8,144	-	8,144	-
BBB+ to BB-	102,597	102,597	-	-	-	-
Unrated	713	713	-	106,123	106,123	81,625
Defaulted	-	-	-	3,343	3,343	-
Sovereign	-	-	-	3,820,108	3,820,108	-
Total	103,310	103,310	8,144	4,818,235	4,826,379	81,625

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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		Financial investments at FVOCI			
	Non-Money Market Instruments - Debt Securities		Non-Money Market Instruments - Debt Securities			Other assets
	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	
31 December 2019						
AAA+ to AA-	-	-	-	505,615	505,615	-
A+ to A-	-	-	8,252	-	8,252	-
BBB+ to BB-	103,162	103,162	-	-	-	-
Unrated	-	-	-	103,163	103,163	40,780
Defaulted	-	-	-	-	-	-
Sovereign	-	-	-	3,881,292	3,881,292	-
Total	103,162	103,162	8,252	4,490,070	4,498,322	40,780
31 March 2019						
AAA+ to AA-	-	-	-	888,661	888,661	-
A+ to A-	-	-	8,144	-	8,144	-
BBB+ to BB-	102,597	102,597	-	-	-	-
Unrated	713	713	-	106,123	106,123	83,531
Defaulted	-	-	-	3,343	3,343	-
Sovereign	-	-	-	3,820,108	3,820,108	-
Total	103,310	103,310	8,144	4,818,235	4,826,379	83,531

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46. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(iv) Credit quality for financial investments and other financial assets (cont'd.)

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date and prior year, none of the financial investments mentioned above are past due, except for defaulted corporate sukuk of the Group and the Bank held under financial investments at fair value through other comprehensive income with net outstanding amount is nil (31 March 2019: RM3,343,443), which have been classified as impaired and fully provided for.

(b) Market risk

Market risk refer to the potential loss arising from adverse movements in market variables such as rate of return, foreign exchange rate, equity prices and commodity prices.

Types of market risk

(i) Traded market risk

Traded market risk, primarily rate of return risk and credit spread risk, exists in the Group's and the Bank's trading positions held for the purpose of benefiting from short-term price movements, which are conducted primarily by the treasury operations.

Risk measurement approach

The Group's and the Bank's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's and the Bank's traded market risk for its profit-sensitive fixed income instruments is measured by the present value of a one basis point change ("PV01") and is monitored independently by the Treasury Middle Office ("TMO") on a daily basis against approved market risk limits. In addition, the TMO is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Department. Changes to market risk limits must be approved by the Board of Directors. The trading positions and limits are regularly reported to the ALCO. The Group and the Bank maintain its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

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46. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk

The Group's and the Bank's core non-traded market risk refers to the rate of return risk in the Group's and the Bank's Islamic banking business, foreign exchange risk, and equity risk.

Rate of return risk

Rate of return risk refers to the potential loss of income arising from changes in market rates in regards to return on assets and on the returns payable on funding. The risk arises from option portfolios embedded in the Group's and the Bank's assets and liabilities.

Rate of return risk emanates from the repricing mismatches of the Group's and the Bank's banking assets and liabilities and also from the Group's and the Bank's investment of its surplus funds.

Risk measurement approach

The primary objective in managing the rate of return risk is to manage the volatility in the Group's and the Bank's net profit income ("NPI") and economic value of equity ("EVE"), whilst balancing the cost of such hedging activities on the current revenue streams. This shall be achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in profit rate sensitive assets and liabilities, and entering into derivative financial instruments which have the opposite effects.

The Group and the Bank use various tools including repricing gap reports, sensitivity analysis, and income scenario simulations to measure its rate of return risk. The impact on earnings and EVE is considered at all times in measuring the rate of return risk and is subject to limits approved by the Board of Directors.

The following tables indicate the effective profit rates at the reporting date and the Group's and the Bank's sensitivity to profit rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of financing or early withdrawal of deposits.

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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	Up to	>1-3	>3-12					Over	Non-profit	Trading		Effective
31 December 2019	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
ASSETS												
Cash and short-term funds	770,935	-	-	-	-	-	-	-	240,290	-	1,011,225	3.0%
Cash and placements with financial institutions	-	53,854	-	-	-	-	-	-	71	-	53,925	3.0%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	169,108	139,685	308,793	-
Financial assets at fair value through other comprehensive income	10,200	137,958	1,613,039	660,187	608,924	653,572	501,877	301,843	117,224	-	4,604,824	3.7%
Financial assets at amortised cost	-	-	-	-	-	-	-	103,162	-	-	103,162	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	21,859	21,859	-
Financing of customers:												
- non-impaired	10,523,156	927,132	357,049	56,060	144,549	924,359	547,345	2,223,636	100,630	-	15,803,916	5.8%
- impaired*	-	-	-	-	-	-	-	-	122,432	-	122,432	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(65,109)	-	(65,109)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	863,786	-	863,786	-
TOTAL ASSETS	11,304,291	1,118,944	1,970,088	716,247	753,473	1,577,931	1,049,222	2,628,641	1,548,432	161,544	22,828,813	
LIABILITIES AND EQUITY												
Deposits from customers	12,379,628	3,488,681	2,868,096	50,508	660	165	50	-	152,765	-	18,940,553	2.8%
Deposits and placements of banks and other financial institutions	51	142	1,270	1,401	989	2,200	250	-	-	-	6,303	3.1%
Bills and acceptances payable	-	-	-	-	-	-	-	-	8,444	-	8,444	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,546	77,546	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	459,403	-	-	-	230	-	459,633	4.6%
Subordinated sukuk	-	-	-	250,000	-	-	-	-	532	-	250,532	5.8%
Senior Sukuk	-	-	-	500,000	-	-	-	-	2,517	-	502,517	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	114,471	-	114,471	-
Total Liabilities	12,379,679	3,488,823	2,869,366	801,909	461,052	2,365	300	-	278,959	77,546	20,359,999	
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,468,814	-	2,468,814	-
TOTAL LIABILITIES AND EQUITY	12,379,679	3,488,823	2,869,366	801,909	461,052	2,365	300	-	2,747,773	77,546	22,828,813	

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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	Up to	>1-3	>3-12					Over	Non-profit	Trading		Effective
31 December 2019	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
On-balance sheet profit sensitivity gap	(1,075,388)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,048,922	2,628,641	(1,199,341)	83,998	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,275,000	1,275,000	-
TOTAL PROFIT SENSITIVITY GAP	(1,075,388)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,048,922	2,628,641	(1,199,341)	1,358,998	1,275,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

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46. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 31 March 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	608,889	-	-	-	-	-	-	-	221,682	-	830,571	3.2%
Cash and placements with financial institutions	-	11,916	-	-	-	-	-	-	21	-	11,937	3.2%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	188,477	472,322	660,799	-
Financial assets at fair value through other comprehensive income	13,532	82,776	204,193	712,856	355,935	592,413	1,259,216	1,715,111	-	-	4,936,032	3.8%
Financial assets at amortised cost	-	273	441	-	-	-	-	102,596	-	-	103,310	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	24,853	24,853	-
Financing of customers:												
- non-impaired	10,147,771	825,748	431,461	69,027	96,119	219,542	968,977	2,437,430	70,890	-	15,266,965	6.0%
- impaired*	-	-	-	-	-	-	-	-	127,264	-	127,264	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(63,334)	-	(63,334)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	987,213	-	987,213	-
TOTAL ASSETS	10,770,192	920,713	636,095	781,883	452,054	811,955	2,228,193	4,255,137	1,532,213	497,175	22,885,610	
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	

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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	Up to	>1-3	>3-12					Over	Non-profit	Trading		Effective
31 March 2019	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
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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46. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 31 December 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	770,935	-	-	-	-	-	-	-	240,290	-	1,011,225	3.0%
Cash and placements with financial institutions	-	53,854	-	-	-	-	-	-	71	-	53,925	3.0%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	169,108	139,685	308,793	-
Financial assets at fair value through other comprehensive income	10,200	137,958	1,613,039	660,187	608,924	653,572	499,452	301,843	117,224	-	4,602,399	3.7%
Financial assets at amortised cost	-	-	-	-	-	-	-	103,162	-	-	103,162	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	21,859	21,859	-
Financing of customers:												
- non-impaired	10,523,156	927,132	357,049	56,060	144,549	924,359	547,345	2,223,636	96,734	-	15,800,020	5.8%
- impaired*	-	-	-	-	-	-	-	-	122,432	-	122,432	-
-12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(65,109)	-	(65,109)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	868,977	-	868,977	-
TOTAL ASSETS	11,304,291	1,118,944	1,970,088	716,247	753,473	1,577,931	1,046,797	2,628,641	1,549,727	161,544	22,827,683	
LIABILITIES AND EQUITY												
Deposits from customers	12,394,082	3,488,681	2,868,096	50,508	660	165	50	-	152,765	-	18,955,007	2.8%
Deposits and placements of banks and other financial institutions	51	142	1,270	1,401	989	2,200	250	-	-	-	6,303	3.1%
Bills and acceptances payable	-	-	-	-	-	-	-	-	8,444	-	8,444	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,546	77,546	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	459,403	-	-	-	230	-	459,633	4.6%
Subordinated sukuk	-	-	-	250,000	-	-	-	-	532	-	250,532	5.8%
Senior Sukuk	-	-	-	500,000	-	-	-	-	2,517	-	502,517	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	105,411	-	105,411	-
Total Liabilities	12,394,133	3,488,823	2,869,366	801,909	461,052	2,365	300	-	269,899	77,546	20,365,393	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,462,290	-	2,462,290	-
TOTAL LIABILITIES AND EQUITY	12,394,133	3,488,823	2,869,366	801,909	461,052	2,365	300	-	2,732,189	77,546	22,827,683	

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46. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 31 December 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	(1,089,842)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,046,497	2,628,641	(1,182,462)	83,998	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,275,000	1,275,000	-
TOTAL PROFIT SENSITIVITY GAP	(1,089,842)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,046,497	2,628,641	(1,182,462)	1,358,998	1,275,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

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46. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 31 March 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	608,889	-	-	-	-	-	-	-	221,682	-	830,571	3.2%
Cash and placements with financial institutions	-	11,916	-	-	-	-	-	-	21	-	11,937	3.2%
Financial 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	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	24,853	24,853	-
Financing of customers:												
- non-impaired	10,147,771	825,748	431,461	69,027	96,119	219,542	968,977	2,437,430	73,276	-	15,269,351	6.0%
- impaired*	-	-	-	-	-	-	-	-	127,264	-	127,264	-
-12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(63,334)	-	(63,334)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,001,553	-	1,001,553	-
TOTAL ASSETS	10,770,192	920,713	636,095	781,883	452,054	811,955	2,225,928	4,255,137	1,548,940	495,241	22,898,138	
LIABILITIES AND EQUITY												
Deposits from customers	12,149,004	2,361,031	4,204,340	225,793	50,012	246	171	-	177,308	-	19,167,905	2.5%
Deposits and placements of banks and other financial institutions	-	35	402	1,424	1,611	1,225	2,050	-	-	-	6,747	3.7%
Bills and acceptances payable	-	-	-	-	-	-	-	-	15,678	-	15,678	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	48,162	48,162	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	470,867	-	-	235	-	471,102	5.0%
Subordinated sukuk	-	-	-	-	250,000	-	-	-	4,025	-	254,025	5.8%
Senior Sukuk	-	-	-	-	500,000	-	-	-	9,174	-	509,174	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	80,753	-	80,753	-
Total Liabilities	12,149,004	2,361,066	4,204,742	227,217	801,623	472,338	2,221	-	287,173	48,162	20,553,546	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,344,592	-	2,344,592	-
TOTAL LIABILITIES AND EQUITY	12,149,004	2,361,066	4,204,742	227,217	801,623	472,338	2,221	-	2,631,765	48,162	22,898,138	

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46. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 31 March 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
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.

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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.

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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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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:

Increase/(decrease) in basis points	Group		Bank	
	-50 Basis Points	+50 Basis Points	-50 Basis Points	+50 Basis Points
	RM'000	RM'000	RM'000	RM'000

Impact on Earnings:

31 December 2019

MYR	(8,360)	8,360	(8,360)	8,360
USD	1,587	(1,587)	1,587	(1,587)
Others*	37	(37)	37	(37)

31 March 2019

MYR	(6,539)	6,539	(6,539)	6,539
USD	2,471	(2,471)	2,471	(2,471)
Others*	21	(21)	21	(21)

Impact on Equity:

31 December 2019

MYR	(51,189)	51,189	(51,189)	51,189
USD	376	(376)	376	(376)
Others*	36	(36)	36	(36)

31 March 2019

MYR	(93,701)	93,701	(91,728)	91,728
USD	288	(288)	288	(288)
Others*	4	(4)	4	(4)

* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

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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

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.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in US Dollar, Australian Dollar, Swiss Franc, Euro, the Great Britain Pound, and Japanese Yen. The "others" foreign exchange risk include mainly exposures to Canadian Dollar, United Arab Emirates Dirham, Qatari Rial and Singapore Dollar.

Group	Malaysian	United	Australian	Swiss	Euro	Great	Japanese	Others	Total
31 December 2019	Ringgit	States	Dollar	Franc		Britain	Yen		
	RM'000	Dollar	Dollar	RM'000	RM'000	Pound	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	865,782	107,283	1,844	280	4,915	3,106	21,305	6,710	1,011,225
Cash and placements with financial institutions	13,877	40,048	-	-	-	-	-	-	53,925
Financial investments designated at fair value through profit and loss	139,684	169,109	-	-	-	-	-	-	308,793
Financial assets at fair value through other comprehensive income	4,596,572	8,252	-	-	-	-	-	-	4,604,824
Financial assets at amortised cost	103,162	-	-	-	-	-	-	-	103,162
Islamic derivative financial assets	21,859	-	-	-	-	-	-	-	21,859
Financing of customers	15,855,680	5,558	-	-	-	-	-	-	15,861,238
Other assets	40,358	1,016	-	-	-	296	-	-	41,670
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	-	568,768
Investment properties	53,063	-	-	-	-	-	-	-	53,063
Right-of-use assets	48,060	62	-	-	-	-	-	-	48,122
Intangible assets	82,538	-	-	-	-	-	-	-	82,538
Property, plant and equipment	56,092	-	-	-	-	-	-	-	56,092
Deferred tax assets	13,534	-	-	-	-	-	-	-	13,534
Total assets	22,459,029	331,328	1,844	280	4,915	3,402	21,305	6,710	22,828,813

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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	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
31 December 2019 (cont'd.)									
Liabilities									
Deposits from customers	18,530,451	397,166	2,021	-	3,980	2,257	-	4,677	18,940,552
Deposits and placements of banks and other financial institutions	6,303	-	-	-	-	-	-	-	6,303
Bills and acceptances payable	8,413	1	-	-	-	-	-	30	8,444
Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	77,546
Other liabilities	53,090	200	-	-	67	(73)	-	-	53,284
Lease liabilities	51,590	69	-	-	-	-	-	-	51,659
Provision for taxation and zakat	9,508	20	-	-	-	-	-	-	9,528
Recourse obligation on financing sold to Cagamas	459,633	-	-	-	-	-	-	-	459,633
Subordinated sukuk	250,532	-	-	-	-	-	-	-	250,532
Senior sukuk	502,517	-	-	-	-	-	-	-	502,517
Total liabilities	19,949,583	397,456	2,021	-	4,047	2,184	-	4,707	20,359,998
On-balance sheet open position	2,509,446	(66,128)	(177)	280	868	1,218	21,305	2,003	2,468,815
Less: Islamic derivative financial assets	(21,859)	-	-	-	-	-	-	-	(21,859)
Add: Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	77,546
Net open position	2,565,133	(66,128)	(177)	280	868	1,218	21,305	2,003	2,524,502

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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

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.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in US Dollar, Australian Dollar, Swiss Franc, Euro, the Great Britain Pound, and Japanese Yen. The "others" foreign exchange risk include mainly exposures to Canadian Dollar, United Arab Emirates Dirham, Qatari Rial and Singapore Dollar.

Group	Malaysian	United	Australian	Swiss	Euro	Great	Japanese		
31 March 2019	Ringgit	States	Dollar	Dollar	Franc	Britain	Yen	Others	Total
	RM'000	Dollar	Dollar	Franc	RM'000	Pound	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	658,195	144,508	57	286	2,665	2,886	13,760	8,214	830,571
Cash and placements with financial institutions	11,937	-	-	-	-	-	-	-	11,937
Financial investments designated at fair value through profit and loss	472,321	188,478	-	-	-	-	-	-	660,799
Financial assets at fair value through other comprehensive income	4,927,888	8,144	-	-	-	-	-	-	4,936,032
Financial assets at amortised cost	103,310	-	-	-	-	-	-	-	103,310
Islamic derivative financial assets	24,853	-	-	-	-	-	-	-	24,853
Financing of customers	15,327,960	2,482	-	-	453	-	-	-	15,330,895
Other assets	81,417	(85)	-	-	-	293	-	-	81,625
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	-	699,275
Investment properties	45,303	-	-	-	-	-	-	-	45,303
Intangible assets	84,684	-	-	-	-	-	-	-	84,684
Property, plant and 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

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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	Malaysian	United	Australian	Swiss	Euro	Great	Japanese	Others	Total
31 March 2019 (cont'd.)	Ringgit	States	Dollar	Franc	RM'000	Britain	Yen	RM'000	RM'000
	RM'000	Dollar	RM'000	RM'000	RM'000	Pound	RM'000	RM'000	RM'000
Liabilities									
Deposits from customers	18,535,852	597,380	55	-	5,010	2,181	-	3,640	19,144,118
Deposits and placements of banks and other financial institutions	6,747	-	-	-	-	-	-	-	6,747
Bills and acceptances payable	15,661	1	9	-	-	-	-	7	15,678
Islamic derivative financial liabilities	48,162	-	-	-	-	-	-	-	48,162
Other liabilities	87,340	(8,884)	-	-	66	(72)	-	-	78,450
Provision for taxation and zakat	6,650	20	-	-	-	-	-	-	6,670
Recourse obligation on financing sold to Cagamas	471,102	-	-	-	-	-	-	-	471,102
Deferred tax liabilities	65	-	-	-	-	-	-	-	65
Subordinated sukuk	254,025	-	-	-	-	-	-	-	254,025
Senior sukuk	509,174	-	-	-	-	-	-	-	509,174
Total liabilities	19,934,778	588,517	64	-	5,076	2,109	-	3,647	20,534,191
On-balance sheet open position	2,578,691	(244,990)	(7)	286	(1,958)	1,070	13,760	4,567	2,351,419
Less: Islamic derivative financial assets	(24,853)	-	-	-	-	-	-	-	(24,853)
Add: Islamic derivative financial liabilities	48,162	-	-	-	-	-	-	-	48,162
Net open position	2,602,000	(244,990)	(7)	286	(1,958)	1,070	13,760	4,567	2,374,728

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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	Malaysian	United	Australian	Swiss	Euro	Great	Japanese	Others	Total
31 December 2019	Ringgit	States	Dollar	Franc	RM'000	Britain	Yen	RM'000	RM'000
	RM'000	Dollar	RM'000	RM'000	RM'000	Pound	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	865,782	107,283	1,844	280	4,915	3,106	21,305	6,710	1,011,225
Cash and placements with financial institutions	13,877	40,048	-	-	-	-	-	-	53,925
Financial investments designated at fair value through profit and loss	139,684	169,109	-	-	-	-	-	-	308,793
Financial assets at fair value through other comprehensive income	4,594,147	8,252	-	-	-	-	-	-	4,602,399
Financial assets at amortised cost	103,162	-	-	-	-	-	-	-	103,162
Islamic derivative financial assets	21,859	-	-	-	-	-	-	-	21,859
Financing of customers	15,851,785	5,558	-	-	-	-	-	-	15,857,343
Other assets	39,468	1,016	-	-	-	296	-	-	40,780
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	-	568,768
Investment in subsidiaries	13,159	-	-	-	-	-	-	-	13,159
Investment properties	53,063	-	-	-	-	-	-	-	53,063
Right-of-use assets	41,404	62	-	-	-	-	-	-	41,466
Intangible assets	82,427	-	-	-	-	-	-	-	82,427
Property, plant and equipment	56,064	-	-	-	-	-	-	-	56,064
Deferred tax assets	13,250	-	-	-	-	-	-	-	13,250
Total assets	22,457,899	331,328	1,844	280	4,915	3,402	21,305	6,710	22,827,683

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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	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
31 December 2019 (cont'd.)									
Liabilities									
Deposits from customers	18,544,905	397,166	2,021	-	3,980	2,257	-	4,677	18,955,006
Deposits and placements of banks and other financial institutions	6,303	-	-	-	-	-	-	-	6,303
Bills and acceptances payable	8,413	1	-	-	-	-	-	30	8,444
Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	77,546
Other liabilities	52,122	200	-	-	67	(73)	-	-	52,316
Lease liabilities	43,754	69	-	-	-	-	-	-	43,823
Provision for taxation and zakat	9,252	20	-	-	-	-	-	-	9,272
Recourse obligation on financing sold to Cagamas	459,633	-	-	-	-	-	-	-	459,633
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Subordinated sukuk	250,532	-	-	-	-	-	-	-	250,532
Senior sukuk	502,517	-	-	-	-	-	-	-	502,517
Total liabilities	19,954,977	397,456	2,021	-	4,047	2,184	-	4,707	20,365,392
On-balance sheet open position	2,502,922	(66,128)	(177)	280	868	1,218	21,305	2,003	2,462,291
Less: Islamic derivative financial assets	(21,859)	-	-	-	-	-	-	-	(21,859)
Add: Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	77,546
Net open position	2,558,609	(66,128)	(177)	280	868	1,218	21,305	2,003	2,517,978

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46. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 31 March 2019	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	658,195	144,508	57	286	2,665	2,886	13,760	8,214	830,571
Cash and placements with financial institutions	11,937	-	-	-	-	-	-	-	11,937
Financial investments designated at fair value through profit and loss	470,388	188,478	-	-	-	-	-	-	658,866
Financial assets at fair value through other comprehensive income	4,925,623	8,144	-	-	-	-	-	-	4,933,767
Financial assets at amortised cost	103,310	-	-	-	-	-	-	-	103,310
Islamic derivative financial assets	24,853	-	-	-	-	-	-	-	24,853
Financing of customers	15,330,346	2,482	-	-	453	-	-	-	15,333,281
Other assets	83,323	(85)	-	-	-	293	-	-	83,531
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	-	699,275
Investment in subsidiaries	12,559	-	-	-	-	-	-	-	12,559
Investment properties	45,303	-	-	-	-	-	-	-	45,303
Intangible assets	84,560	-	-	-	-	-	-	-	84,560
Property, plant and 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

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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	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
31 March 2019 (cont'd.)									
Liabilities									
Deposits from customers	18,559,639	597,380	55	-	5,010	2,181	-	3,640	19,167,905
Deposits and placements of banks and other financial institutions	6,747	-	-	-	-	-	-	-	6,747
Bills and acceptances payable	15,661	1	9	-	-	-	-	7	15,678
Islamic derivative financial liabilities	48,162	-	-	-	-	-	-	-	48,162
Other liabilities	83,046	(8,884)	-	-	66	(72)	-	-	74,156
Provision for taxation and zakat	6,577	20	-	-	-	-	-	-	6,597
Recourse obligation on financing sold to Cagamas	471,102	-	-	-	-	-	-	-	471,102
Subordinated sukuk	254,025	-	-	-	-	-	-	-	254,025
Senior sukuk	509,174	-	-	-	-	-	-	-	509,174
Total liabilities	19,954,133	588,517	64	-	5,076	2,109	-	3,647	20,553,546
On-balance sheet open position	2,571,864	(244,990)	(7)	286	(1,958)	1,070	13,760	4,567	2,344,592
Less: Islamic derivative financial assets	(24,853)	-	-	-	-	-	-	-	(24,853)
Add: Islamic derivative financial liabilities	48,162	-	-	-	-	-	-	-	48,162
Net open position	2,595,173	(244,990)	(7)	286	(1,958)	1,070	13,760	4,567	2,367,901

Foreign currency risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Group and the Bank foreign currency positions.

	Group and Bank			
	31 December 2019		31 March 2019	
	RM'000	RM'000	RM'000	RM'000
	1%	1%	1%	1%
	appreciation	depreciation	appreciation	depreciation
Impact to profit after tax and reserves	406	(406)	2,273	(2,273)

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46. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Interpretation of impact

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against reporting currency (MYR). The result implies that the Group and the Bank may be subjected to additional translation (loss)/ gain if MYR appreciated/ depreciated against other currencies or vice versa.

(c) Liquidity and funding risk

Liquidity and funding risk is the potential inability of the Group and the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost while market liquidity risk refers to the Group's and the Bank's potential inability to liquidate positions quickly and with insufficient volumes, at a reasonable price.

The Group and the Bank monitor the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group's and the Bank's ability to maintain a stable liquidity profile is primarily due to its success in retaining and growing its customer deposits base.

The marketing strategy of the Group and the Bank has ensured a balanced mix of deposits level. Stability of the deposits base thus minimises the Group's and the Bank's dependency on volatile short-term receiving. Considering the effective maturities of deposits are based largely on retention history (behavioral method) and in view of the ready availability of liquidity investments, the Group and the Bank are able to ensure that sufficient liquidity is always available whenever necessary.

The Asset & Liability Working Committee ("ALCO") chaired by the Chief Executive Officer, is being conducted on monthly basis, which purpose is to review the Liquidity Gap Profile of the Group and the Bank. In addition, the Group and the Bank apply the liquidity stress test which addresses strategic issues concerning liquidity risk.

The tables depicted in the following pages are the analysis of assets and liabilities of the Group and the Bank as at 31 December 2019 based on remaining contractual maturities.

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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	Up to	>7 Days -	>1-3	>3-6	>6-12	>1 Year	Total
31 December 2019	7 Days	1 Month	Months	Months	Months	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000		
Assets							
Cash and short-term funds	980,935	30,290	-	-	-	-	1,011,225
Cash and placements with financial institution	-	-	53,925	-	-	-	53,925
Financial investments designated at fair value through profit and loss	-	-	-	56,309	112,800	139,684	308,793
Financial assets at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,830,480	4,604,824
Financial assets at amortised cost	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	11,422,972	15,861,238
Other assets	-	1,381	-	-	39,688	822,718	863,787
Total assets	1,030,319	672,491	1,363,318	1,823,515	2,620,154	15,319,016	22,828,813
Liabilities							
Deposits from customers	8,217,263	4,214,031	3,520,052	1,396,715	1,499,877	92,614	18,940,552
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Other liabilities	-	15,122	2,577	2,564	52,997	41,211	114,471
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	459,633	459,633
Subordinated sukuk	-	-	-	637	-	249,895	250,532
Senior sukuk	-	-	-	2,765	-	499,752	502,517
Total liabilities	8,218,800	4,237,655	3,533,321	1,414,293	1,554,807	1,401,122	20,359,998
Net maturity mismatch	(7,188,481)	(3,565,164)	(2,170,003)	409,222	1,065,347	13,917,894	2,468,815
Commitments and contingencies							
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	521,022	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	218,985	1,657,539
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	1,200,000	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,940,007	6,596,494

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46. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity:

Group 31 March 2019	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	772,807	57,764	-	-	-	-	830,571
Cash and placements with financial institution	-	-	11,937	-	-	-	11,937
Financial investments designated at fair value through profit and loss	39,985	196,694	182,161	31,847	53,657	156,455	660,799
Financial assets at fair value through other comprehensive income	3,343	10,188	82,776	110,726	93,468	4,635,531	4,936,032
Financial assets at amortised cost	-	-	273	-	441	102,596	103,310
Islamic derivative financial assets	4,020	10,293	8,480	2,060	-	-	24,853
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	11,269,467	15,330,895
Other assets	-	1,922	-	-	79,102	906,189	987,213
Total assets	893,108	852,872	1,228,011	1,166,213	1,675,168	17,070,238	22,885,610
Liabilities							
Deposits from customers	7,563,601	4,626,866	2,385,657	1,931,167	2,323,382	313,445	19,144,118
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,310	6,747
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Islamic derivative financial liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Other liabilities	-	27,552	-	-	57,568	65	85,185
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	471,102	471,102
Subordinated sukuk	-	-	-	4,183	-	249,842	254,025
Senior sukuk	-	-	-	9,519	-	499,655	509,174
Total liabilities	7,565,902	4,664,210	2,409,045	1,947,278	2,382,915	1,564,841	20,534,191
Net maturity mismatch	(6,672,794)	(3,811,338)	(1,181,034)	(781,065)	(707,747)	15,505,397	2,351,419
Commitments and contingencies							
Contingent liabilities	12,249	55,909	15,210	29,644	130,694	468,156	711,862
Commitments	63,430	113,633	181,356	54,568	484,306	506,620	1,403,912
Islamic derivative financial instruments	833,563	1,015,362	798,704	1,397,864	375,000	1,275,000	5,695,493
Total commitments and contingencies	909,242	1,184,904	995,270	1,482,076	990,000	2,249,776	7,811,267

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46. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 31 December 2019	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	980,935	30,290	-	-	-	-	1,011,225
Cash and placements with financial institution	-	-	53,925	-	-	-	53,925
Financial investments designated at fair value through profit and loss	-	-	-	56,309	112,800	139,684	308,793
Financial assets at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,828,055	4,602,399
Financial assets at amortised cost	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	11,419,077	15,857,343
Other assets	(53)	1,381	-	-	38,851	828,798	868,977
Total assets	1,030,266	672,491	1,363,318	1,823,515	2,619,317	15,318,776	22,827,683
Liabilities							
Deposits from customers	8,224,917	4,220,831	3,520,052	1,396,715	1,499,877	92,614	18,955,006
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Other liabilities	-	14,480	2,577	3,062	52,415	32,877	105,411
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	459,633	459,633
Subordinated sukuk	-	-	-	637	-	249,895	250,532
Senior sukuk	-	-	-	2,765	-	499,752	502,517
Total liabilities	8,226,454	4,243,813	3,533,321	1,414,791	1,554,225	1,392,788	20,365,392
Net maturity mismatch	(7,196,188)	(3,571,322)	(2,170,003)	408,724	1,065,092	13,925,988	2,462,291
Commitments and contingencies							
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	521,022	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	218,985	1,657,539
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	1,200,000	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,940,007	6,596,494

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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	Up to	>7 Days -	>1-3	>3-6	>6-12	>1 Year	Total
31 March 2019	7 Days	1 Month	Months	Months	Months	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000		
Assets							
Cash and short-term funds	772,807	57,764	-	-	-	-	830,571
Cash and placements with financial institution	-	-	11,937	-	-	-	11,937
Financial investments designated at fair value through profit and loss	39,985	196,694	182,161	31,847	53,657	154,522	658,866
Financial assets at fair value through other comprehensive income	3,343	10,188	82,776	110,726	93,468	4,633,266	4,933,767
Financial assets at amortised cost	-	-	273	-	441	102,596	103,310
Islamic derivative financial assets	4,020	10,293	8,480	2,060	-	-	24,853
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	11,271,853	15,333,281
Other assets	(27)	6,855	-	-	76,101	918,624	1,001,553
Total assets	893,081	857,805	1,228,011	1,166,213	1,672,167	17,080,861	22,898,138
Liabilities							
Deposits from customers	7,574,122	4,637,723	2,388,144	1,931,131	2,323,342	313,443	19,167,905
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,310	6,747
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Islamic derivative financial liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Other liabilities	-	23,779	-	-	56,974	-	80,753
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	471,102	471,102
Subordinated sukuk	-	-	-	4,183	-	249,842	254,025
Senior sukuk	-	-	-	9,519	-	499,655	509,174
Total liabilities	7,576,423	4,671,294	2,411,532	1,947,242	2,382,281	1,564,774	20,553,546
Net maturity mismatch	(6,683,342)	(3,813,489)	(1,183,521)	(781,029)	(710,114)	15,516,087	2,344,592
Commitments and contingencies							
Contingent liabilities	12,249	55,909	15,210	29,644	130,694	468,156	711,862
Commitments	63,430	113,633	181,356	54,568	484,306	506,617	1,403,912
Islamic derivative financial instruments	833,563	1,015,362	798,705	1,397,864	375,000	1,275,000	5,695,493
Total commitments and contingencies	909,242	1,184,904	995,271	1,482,076	990,000	2,249,773	7,811,267

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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:

Group	Deposits from customers						Total RM'000
	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	
31 December 2019							
By contractual maturity	8,217,263	4,214,031	3,520,052	1,396,715	1,499,877	92,614	18,940,552
By behavioural maturity	2,182,468	1,451,705	1,428,728	581,395	640,718	12,655,538	18,940,552
Difference	6,034,795	2,762,326	2,091,324	815,320	859,159	(12,562,924)	-
31 March 2019							
By contractual maturity	7,563,601	4,626,866	2,385,657	1,931,167	2,323,382	313,445	19,144,118
By behavioural maturity	2,250,953	1,638,380	1,272,610	662,915	556,931	12,762,329	19,144,118
Difference	5,312,648	2,988,486	1,113,047	1,268,252	1,766,451	(12,448,884)	-
Bank							
31 December 2019							
By contractual maturity	8,224,917	4,220,831	3,520,052	1,396,715	1,499,877	92,614	18,955,006
By behavioural maturity	2,183,486	1,452,623	1,429,576	581,756	641,191	12,666,374	18,955,006
Difference	6,041,431	2,768,208	2,090,476	814,959	858,686	(12,573,760)	-
31 March 2019							
By contractual maturity	7,574,122	4,637,723	2,388,144	1,931,131	2,323,342	313,443	19,167,905
By behavioural maturity	2,252,673	1,639,986	1,273,919	663,703	557,494	12,780,130	19,167,905
Difference	5,321,449	2,997,737	1,114,225	1,267,428	1,765,848	(12,466,687)	-

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46. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis

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.

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
31 December 2019							
Non-derivative liabilities							
Deposits from customers	8,217,558	4,217,208	3,528,046	1,413,059	1,528,402	136,189	19,040,462
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	5,077	6,540
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Other liabilities	-	15,122	-	-	38,162	-	53,284
Leases liabilities	-	-	2,803	2,721	5,868	47,162	58,554
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	507,331	507,331
Subordinated sukuk	-	-	-	7,887	7,250	257,145	272,282
Senior sukuk	-	-	-	16,515	13,750	527,252	557,517
Derivative liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Total financial liabilities	8,219,095	4,240,832	3,541,541	1,451,794	1,595,365	1,533,333	20,581,960

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46. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000 Restated	Total RM'000
31 March 2019							
Non-derivative liabilities							
Deposits from customers	7,565,166	4,638,056	2,399,406	1,957,731	2,390,741	350,592	19,301,692
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,653	7,090
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Other liabilities	-	27,552	-	-	50,898	-	78,450
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	534,982	534,982
Subordinated sukuk	-	-	7,250	4,183	7,250	271,592	290,275
Senior sukuk	-	-	13,750	9,519	13,750	554,655	591,674
Derivative liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Total financial liabilities	7,567,467	4,675,400	2,443,794	1,973,842	2,464,604	1,742,896	20,868,003

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46. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

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
31 December 2019							
Non-derivative liabilities							
Deposits from customers	8,225,212	4,224,021	3,528,046	1,413,059	1,528,402	136,189	19,054,929
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	5,077	6,540
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Other liabilities	-	14,480	-	-	37,836	-	52,316
Leases liabilities	-	-	2,803	3,219	5,868	38,826	50,716
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	507,331	507,331
Subordinated sukuk	-	-	-	7,887	7,250	257,145	272,282
Senior sukuk	-	-	-	16,515	13,750	527,252	557,517
Derivative liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Total financial liabilities	8,226,749	4,247,003	3,541,541	1,452,292	1,595,039	1,524,997	20,587,621

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46. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

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 Restated	Total RM'000
31 March 2019							
Non-derivative liabilities							
Deposits from customers	7,575,687	4,648,938	2,401,910	1,957,695	2,390,701	350,592	19,325,523
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,653	7,090
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Other liabilities	-	23,779	-	-	50,377	-	74,156
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	534,982	534,982
Subordinated sukuk	-	-	7,250	4,183	7,250	271,592	290,275
Senior sukuk	-	-	13,750	9,519	13,750	554,655	591,674
Derivative liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Total financial liabilities	<u>7,577,988</u>	<u>4,682,509</u>	<u>2,446,298</u>	<u>1,973,806</u>	<u>2,464,043</u>	<u>1,742,896</u>	<u>20,887,540</u>

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46. Financial risk management objectives and policies (cont'd.)

(d) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and systems, human factors, and/or from various external events. The objective of operational risk management ("ORM") is to effectively manage these risks to minimize possible financial losses arising from operational lapses. In relation to ORM, the key risk organs which play a critical role in the overall integrated risk management framework are the ORM unit, Operational Risk Management Committee ("ORMC"), Internal Audit, Compliance, and the business lines.

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

47. Fair value measurements

(a) Financial and non-financial instruments measured at fair value

Determination of fair value and the fair value hierarchy

- Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement either directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial and non-financial instruments at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally uses widely recognised valuation techniques with market observable inputs for the determination of fair value, which require minimal Management's judgement and estimation, due to the low complexity of the financial instruments held.

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47. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

The following table shows the financial and non-financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy:

Group	Quoted Market Price Level 1 RM'000	<u>Valuation technique using:</u>		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
31 December 2019				
Non-financial assets				
Investment properties	-	-	53,063	53,063
Financial assets				
Financial investments designated at fair value through profit or loss	-	10,321	298,472	308,793
Financial investments at FVOCI	100,621	4,498,322	5,881	4,604,824
Derivative financial assets	-	21,859	-	21,859
Total financial assets measured at fair value	100,621	4,530,502	304,353	4,935,476
Financial liabilities				
Derivative financial liabilities	-	77,546	-	77,546
Total financial liabilities measured at fair value	-	77,546	-	77,546

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47. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Group	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
31 March 2019				
Non-financial assets				
Investment properties	-	-	45,303	45,303
Financial assets				
Financial investments designated at fair value through profit or loss	1,933	346,541	312,325	660,799
Financial investments at FVOCI	104,272	4,823,035	8,725	4,936,032
Derivative financial assets	-	24,853	-	24,853
Total financial assets measured at fair value	106,205	5,194,429	321,050	5,621,684
Financial liabilities				
Derivative financial liabilities	-	48,162	-	48,162
Total financial liabilities measured at fair value	-	48,162	-	48,162
Bank				
31 December 2019				
Non-financial assets				
Investment properties	-	-	53,063	53,063
Financial assets				
Financial investments designated at fair value through profit or loss	-	10,321	298,472	308,793
Financial investments at FVOCI	98,196	4,498,322	5,881	4,602,399
Derivative financial assets	-	21,859	-	21,859
Total financial assets measured at fair value	98,196	4,530,502	304,353	4,933,051

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47. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Bank	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
31 December 2019				
Financial liabilities				
Derivative financial liabilities	-	77,546	-	77,546
Total financial liabilities measured at fair value	-	77,546	-	77,546
Bank				
31 March 2019				
Non-financial assets				
Investment properties	-	-	45,303	45,303
Financial assets				
Financial investments designated at fair value through profit or loss	-	346,541	312,325	658,866
Financial investments at FVOCI	102,007	4,823,035	8,725	4,933,767
Derivative financial assets	-	24,853	-	24,853
Total financial assets measured at fair value	102,007	5,194,429	321,050	5,617,486
Financial liabilities				
Derivative financial liabilities	-	48,162	-	48,162
Total financial liabilities measured at fair value	-	48,162	-	48,162

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47. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Reconciliation of financial assets at fair value measurements in Level 3 of the fair value hierarchy:

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
	RM'000	RM'000	RM'000	RM'000
At 1 April 2019	321,050	169,999	321,050	169,999
(Loss)/gain recognised in profit or loss	(2,954)	35,688	(2,954)	35,688
Purchases	500	-	500	-
Sales	(14,779)	(17,588)	(14,779)	(17,588)
Reclassification	-	123,847	-	123,847
Foreign exchange translation difference	536	9,104	536	9,104
At 31 December 2019	304,353	321,050	304,353	321,050

Group and Bank	
31 December	31 March
2019	2019
RM'000	RM'000

Total (loss)/gain recognised in
profit or loss for financial
instruments measured at fair value
at the end of the financial year

(2,954)	35,688
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47. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as disclosed below.

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
31 December 2019					
Financial assets					
Financial investments at amortised cost	-	161,996	-	161,996	103,162
Financing of customers	-	9,355,448	5,279,521	14,634,969	15,861,238
Financial liabilities					
Deposits from customers	-	2,154,452	16,786,452	18,940,904	18,940,552
Subordinated sukuk	-	254,925	-	254,925	250,532
Senior sukuk	-	514,285	-	514,285	502,517
31 March 2019					
Financial assets					
Financial investments at amortised cost	-	132,598	-	132,598	103,310
Financing of customers	-	9,097,526	3,941,698	13,039,224	15,330,895

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47. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value (cont'd.)

Group	Level 1	Level 2	Level 3	Total	Carrying
	RM'000	RM'000	RM'000	fair value	Amount
				RM'000	RM'000
31 March 2019					
Financial liabilities					
Deposits from customers	-	2,037,445	17,106,975	19,144,420	18,940,550
Subordinated sukuk	-	255,935	-	255,935	254,025
Senior sukuk	-	515,009	-	515,009	509,174
Bank	Level 1	Level 2	Level 3	Total	Carrying
	RM'000	RM'000	RM'000	fair value	Amount
				RM'000	RM'000
31 December 2019					
Financial assets					
Financial investments at amortised cost	-	161,996	-	161,996	103,162
Financing of customers	-	9,355,448	5,275,625	14,631,073	15,857,343
Financial liabilities					
Deposits from customers	-	2,154,452	16,800,904	18,955,356	18,955,006
Subordinated sukuk	-	254,925	-	254,925	250,532
Senior sukuk	-	514,285	-	514,285	502,517

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47. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value (cont'd.)

Bank	Level 1	Level 2	Level 3	Total	Carrying
	RM'000	RM'000	RM'000	fair value	Amount
				RM'000	RM'000
31 March 2019					
Financial assets					
Financial investments					
at amortised cost	-	132,598	-	132,598	103,310
Financing of customers	-	9,097,526	3,944,085	13,041,611	15,333,281
Financial liabilities					
Deposits from customers	-	2,037,445	17,130,762	19,168,207	18,955,004
Subordinated sukuk	-	255,935	-	255,935	254,025
Senior sukuk	-	515,009	-	515,009	509,174

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.

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47. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value (cont'd.)

Financing of customers

The fair values of financing of customers not designated as hedged item are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of individual assessment allowance for bad and doubtful financing.

Deposits from customers

The fair values of deposits from customers are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

Subordinated sukuk & Senior sukuk

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for financing with similar risk profiles.

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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		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
31 December 2019						
Derivative assets	21,859	-	21,859	-	-	21,859
Derivative liabilities	(77,546)	-	(77,546)	-	-	(77,546)
31 March 2019						
Derivative assets	24,853	-	24,853	-	-	24,853
Derivative liabilities	(48,162)	-	(48,162)	-	-	(48,162)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The amount not set off in the statement of financial position relate to transactions where:

- (i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set off only in the event of default, insolvency or bankruptcy; and
- (ii) cash or securities are received or cash pledged in respect of the transaction described above.

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49. Capital and other commitments

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Approved and contracted for	6,125	18,424
Approved but not contracted for	158,187	96,053
	<u>164,312</u>	<u>114,477</u>

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Approved and contracted for	6,125	18,424
Approved but not contracted for	158,218	96,163
	<u>164,343</u>	<u>114,587</u>

50. Capital adequacy

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	13,089,369	12,560,247
Total market RWA	35,361	31,021
Total operational RWA	1,218,544	1,190,113
Total RWA	<u>14,343,274</u>	<u>13,781,381</u>

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50. Capital adequacy (cont'd.)

- (a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:
(cont'd.)

	Group	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Computation of capital ratios		
<u>Tier-I capital</u>		
Share capital	1,195,000	1,195,000
Retained profits	1,193,264	1,094,766
Other Reserves		
Regulatory reserve	62,676	63,585
FVOCI reserve	18,008	(1,515)
Foreign exchange translation reserve	(133)	(417)
Less: Regulatory Adjustment		
Deferred tax assets	(25,827)	(26,607)
Investment property gain	(5,542)	(7,460)
Regulatory reserve	(62,676)	(63,585)
FVOCI reserve	(9,905)	-
Intangible asset (net of deferred tax liabilities)	(70,244)	(75,754)
Total Common Equity Tier-I Capital	2,294,621	2,178,013
Total Tier-I Capital	2,294,621	2,178,013
<u>Tier-II capital</u>		
Subordinated sukuk	250,532	254,025
Loss provision and regulatory reserve*	127,785	126,918
Add: Investment property gain	2,494	3,357
Total Tier-II Capital	380,811	384,300
Total Capital Base	2,675,432	2,562,313
<u>Ratio (%)</u>		
CET 1 Capital	15.998%	15.804%
Tier 1 Capital	15.998%	15.804%
Total Capital	18.653%	18.593%

- * Tier 2 Capital for 2019 comprise collective allowance on non-impaired financing customers and regulatory reserve.

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50. Capital adequacy (cont'd.)

(a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows:

	Bank	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	13,073,524	12,560,708
Total market RWA	35,361	31,021
Total operational RWA	1,206,121	1,176,241
Total RWA	14,315,006	13,767,970
Computation of capital ratios		
<u>Tier-I capital</u>		
Share capital	1,195,000	1,195,000
Retained profits	1,186,740	1,087,939
Other Reserves		
Regulatory reserve	62,676	63,585
FVOCI reserve	18,008	(1,515)
Foreign exchange translation reserve	(133)	(417)
Regulatory Adjustment		
Deferred tax assets	(25,543)	(26,607)
Investment property gain	(5,542)	(7,460)
Regulatory reserve	(62,676)	(63,585)
FVOCI reserve	(9,904)	-
Investment in subsidiaries	(13,159)	(12,559)
Intangible asset (net of deferred tax liabilities)	(70,134)	(75,695)
Total Common Equity Tier- I Capital	2,275,333	2,158,686
Total Tier-I Capital	2,275,333	2,158,686
<u>Tier-II capital</u>		
Subordinated sukuk	250,532	254,025
Loss provision and regulatory reserve*	127,785	126,918
Add: Investment property gain	2,494	3,357
Total Tier-II Capital	380,811	384,300
Total Capital Base	2,656,144	2,542,986

* Tier 2 Capital for 2019 comprise collective allowance on non-impaired financing customers and regulatory reserve.

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50. Capital adequacy (cont'd.)

- (a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows:
(cont'd.)

	Bank	
	31 December 2019 RM'000	31 March 2019 RM'000
Computation of capital ratios (cont'd.)		
<u>Ratio (%)</u>		
CET 1 Capital	15.895%	15.679%
Tier 1 Capital	15.895%	15.679%
Total Capital	18.555%	18.470%

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 4 August 2017 and 2 March 2017, respectively. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA, respectively, for the current period (March 2019: 4.5%, 6.0% and 8.0% of total RWA).

- (b) Credit risk disclosure by risk weights of the Group as at 31 December, are as follows:

	Group			
	31 December 2019		31 March 2019	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	5,902,452	-	6,302,655	-
20%	1,818,548	363,710	2,093,458	418,692
35%	3,110,625	1,088,719	2,932,351	1,026,323
50%	1,195,617	597,808	1,378,176	689,088
75%	3,175,251	2,381,439	2,954,416	2,215,812
100%	8,592,299	8,592,299	8,148,106	8,148,106
150%	43,596	65,394	41,484	62,226
Risk weighted assets for credit risk	23,838,388	13,089,369	23,850,646	12,560,247

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50. Capital adequacy (cont'd.)

- (b) Credit risk disclosure by risk weights of the Group as at 31 December, are as follows:
 (cont'd.)

	Group	
	31 December 2019	31 March 2019
	Total exposures after netting and credit risk mitigation RM'000	Total exposures after netting and credit risk mitigation RM'000
	Total risk weighted assets RM'000	Total risk weighted assets RM'000
Risk weighted assets for market risk	35,361	31,021
Risk weighted assets for operational risk	1,218,544	1,190,113
Total risk weighted assets	<u>14,343,274</u>	<u>13,781,381</u>

	Bank	
	31 December 2019	31 March 2019
	Total exposures after netting and credit risk mitigation RM'000	Total exposures after netting and credit risk mitigation RM'000
	Total risk weighted assets RM'000	Total risk weighted assets RM'000
0%	5,902,452	-
20%	1,818,548	363,710
35%	3,110,625	1,088,719
50%	1,195,617	597,808
75%	3,175,251	2,381,439
100%	8,582,297	8,582,297
150%	39,701	59,551
Risk weighted assets for credit risk	23,824,491	13,073,524
Risk weighted assets for market risk	35,361	31,021
Risk weighted assets for operational risk	1,206,121	1,176,241
Total risk weighted assets	<u>14,315,006</u>	<u>13,767,970</u>

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50. Capital adequacy (cont'd.)

Capital management

The issuance of subordinated sukuk which qualifies for Tier 2 capital amounting to RM250 million (issued in June 2016), had ensured that the Group's and the Banks' RWCR remain competitive throughout the duration of the 5-year business plan.

Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the Management level, capital management strategy review is a periodic exercise that is under the purview of Asset-Liability Working Committee ("ALCO"). The said exercise refers to an assessment of the Bank's capital requirement vis-à-vis the development of the Bank as well as broad environment, i.e. regulatory and macroeconomic setting.

Latest review exercise revealed that the management of the Bank's capital has remained consistent with the development of the 5-year business plan. This indicates that the present depth in capital is sufficient to meet the requirements of the business plan outlined.

Meanwhile, there were series of developments made from the regulatory perspective, in particular, the proposal by the Basel Committee on Banking Supervision on Basel III. Much have been deliberated as regulators globally strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

The Bank has adopted the Standardised Approach for the measurement of credit and market risks, and the Basic Indicator Approach for operational risk, in compliance with BNM's requirements vis-à-vis the Capital Adequacy Framework for Islamic Bank. In addition, the stress testing process forecast the Bank's capital requirements under plausible and worst case stress scenarios to assess the Bank's capital to withstand the shocks.

51. Segment information

(a) Business segments

The Bank is organised into three (3) major business segments:

- (i) Business banking - this segment comprises the full range of products and services offered to business customers in the region, ranging from large corporates and the public sector and also commercial enterprises. The products and services offered include long-term financing such as project financing, short-term credit (e.g Muamalat Cashline and trade financing), and fee-based services (e.g cash management).
- (ii) Consumer banking - this segment comprises the full range of products and services offered to individual customers in Malaysia, including savings accounts, current accounts, fixed term accounts, remittance services, internet banking services, cash management services, consumer financing such as mortgage financing, personal financing, hire purchases financing, micro financing, wealth management and bancatakaful products.

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51. Segment information (cont'd.)

(a) Business segments (cont'd.)

- (iii) Treasury and investment banking - this segment comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market securities.

Investment banking focuses on business needs of mainly large corporate customers and financial institutions, which include corporate advisory services, bond issuances, Initial Public Offerings ("IPOs") and debt restructuring advisory services. It also explores investment opportunities via private equity investments for the Bank.

Other business segments include rental services, none of which is of sufficient size to be reported separately.

Group	Business banking	Consumer banking	Treasury and investment banking	Others	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	<u>229,379</u>	<u>512,435</u>	<u>198,154</u>	<u>17,579</u>	<u>957,547</u>
Total income	111,076	278,333	59,181	101,125	549,715
(Allowance for)/writeback of impairment on financing	15,024	(36,611)	-	-	(21,587)
(Allowance for)/writeback of impairment losses on investments	-	-	(2,466)	(600)	(3,066)
Writeback of/(allowance for) impairment losses on other financial assets, net	-	-	(139)	1,343	1,204
Other expenses	-	-	-	(7,329)	(7,329)
Total net income	126,100	241,722	56,576	94,539	518,937
Total overhead expenses					<u>(378,624)</u>
Profit before zakat and taxation					140,313
Zakat					(3,770)
Taxation					<u>(37,737)</u>
Profit for the year					<u>98,806</u>

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51. Segment information (cont'd.)

(a) Business segments (cont'd.)

Group	Business banking	Consumer banking	Treasury and investment banking	Others	Total
31 March 2019	RM'000	RM'000	RM'000	RM'000	RM'000
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 dan taxation					241,188
Zakat					(6,255)
Taxation					(55,439)
Profit for the year					179,494

Bank	Business banking	Consumer banking	Treasury and investment banking	Others	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	229,379	512,435	194,692	17,579	954,085
Total Income	111,076	278,333	55,474	101,125	546,008
(Allowance for)/writeback of impairment on financing	15,024	(36,611)	-	-	(21,587)
(Allowance for)/writeback of impairment losses on investments	-	-	(2,466)	-	(2,466)
Writeback of/(allowance for) impairment losses on other financial assets, net	-	-	(139)	1,343	1,204
Other expenses	-	-	-	(7,329)	(7,329)
Total net income	126,100	241,722	52,869	95,139	515,830
Total overhead expenses					(376,498)
Profit before zakat and taxation					139,332
Zakat					(3,706)
Taxation					(37,215)
Profit for the year					98,411

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51. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank	Business	Consumer	Treasury and investment	Others	Total
31 March 2019	banking	banking	banking	RM'000	RM'000
	RM'000	RM'000	RM'000		
Revenue	306,011	657,759	326,342	41,512	1,331,624
Total Income	144,223	390,332	80,805	102,580	717,940
Writeback of/(allowance for) impairment on financing	17,680	(11,333)	4,930	-	11,277
Writeback of/(allowance for) impairment on 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					<u>185,675</u>

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.

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52. Shariah disclosures (cont'd.)

(a) Shariah governance (cont'd.)

Overview (cont'd.)

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.

(i) Shariah non-compliance income and events

31 December 2019	No. of event	RM
Shariah non-compliance income during the year	5	200
Monthly Nostro interest received	3	62
31 March 2019	No. of event	RM
Shariah non-compliance income during the year	-	-
Monthly Nostro interest received	13	286

Any reported SNCI will be utilised to fund charitable activities as guided by SC of the Bank.

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52. Shariah disclosures (cont'd.)

(a) Shariah governance (cont'd.)

(ii) Unidentified fund

During the Group's and the Bank's daily operations, there are certain funds received by the Group and the Bank where the source is not clear or uncertain. These funds are therefore not recognised as income and are retained in the Maslahah Ammah account. The utilisation of the funds follow the similar procedures set for the SNCI funds.

Examples of unidentified funds are cash excess discovered at branch counter and ATMs, and unidentified credit balances.

	31 December 2019 RM'000	31 March 2019 RM'000
At 1 April 2019	<u>1</u>	<u>92</u>
Sources of charity funds		
Unidentified credit balances during the year	<u>711</u>	<u>55</u>
Uses of charity funds		
Contribution to non-profit organisation	<u>-</u>	<u>(146)</u>
Undistributed charity funds as at 31 December 2019	<u>712</u>	<u>1</u>

(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.

53. Significant and subsequent events

Subsequent to the financial year ended 31 December 2019, there have been significant uncertainties noted around Malaysia's economic outlook stemming from the novel coronavirus ("Covid-19") pandemic and the sudden drop in global oil prices.

Following this, Bank Negara Malaysia has issued a directive to all financial institutions in the country to implement the automatic granting of a six (6) months moratorium on qualifying financing as a measure to provide short term relief to eligible customers.

As at the date of this report, based on the Group's and the Bank's assessment, there is no significant impact to the 2019 results of the Group and the Bank that warrants a change. The Group and the Bank will continuously monitor and assess any new developments and its impact on the Bank.