



**Bank Muamalat Malaysia Berhad
(6175-W)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial
Statements
31 March 2014**

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

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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 the Bank for the financial year ended 31 March 2014.

Principal activities

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

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

There have been no significant changes in these activities during the financial year.

Results

	Group RM'000	Bank RM'000
Profit before zakat and taxation	208,284	205,483
Zakat	(5,137)	(5,137)
Taxation	(51,583)	(50,892)
Profit for the year	<u>151,564</u>	<u>149,454</u>

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

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

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Dividend

The amounts of dividends paid by the Bank since 31 March 2013 (as disclosed in Note 39 to the financial statements) were as follows:

In respect of the financial year ended 31 March 2013 as reported in the directors' report of that year:

	RM
Final dividend of 26.0 sen per share, less taxation of 25% on 1,000,000,000 ordinary shares, declared on 18 July 2013 and paid on 25 July 2013	195,000,000

The final dividends paid in respect of financial year ended 31 March 2013 was reinvested into the Bank via the subscription of newly issued and paid up ordinary shares of RM195,000,000 at RM1 per share in accordance with respective shareholdings.

The directors do not recommend any dividend to be paid in respect of the current financial year.

Issue of share capital

During the current financial year ended 31 March 2014, the Bank increased its issued and paid-up share capital from RM1,000,000,000 to RM1,195,000,000 via issuance of 195,000,000 new ordinary shares of RM1.00 each arising from the reinvestment of the dividend paid on 25 July 2013 into ordinary shares, as disclosed in Note 39 to the financial statements.

The new ordinary shares issued during the current financial year ended 31 March 2014 rank pari passu in all respects with the existing ordinary shares of the Bank.

Directors

The names of the directors of the Bank in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Tuan Haji Abdul Jabbar Abdul Majid
Tengku Dato' Seri Hasmuddin Tengku Othman
Dato' Haji Mohd Redza Shah Abdul Wahid
Tuan Haji Mohd Izani Ghani
Dato' Azmi Abdullah
Dato' Haji Kamil Khalid Ariff
Dato' Sri Che Khalib Mohamad Noh
Dato' Mohamed Hazlan Mohamed Hussain
Encik Hisham Zainal Mokhtar
Tuan Haji Ismail Ibrahim

(appointed on 24 March 2014)
(resigned on 24 March 2014)

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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 year in shares in the Bank and its related corporations were as follows:

Number of ordinary shares of RM1.00 each

	As at 1.4.2013	Acquired	Disposal	As at 31.3.2014
Interest in DRB-HICOM Berhad, holding company: Dato' Sri Che Khalib Mohamad Noh	3,500	-	-	3,500

Other than as disclosed above, none of the other directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, any interest in shares of the Bank or its related corporations during the financial year.

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 32 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for certain directors who received remuneration from a subsidiary company of the holding company.

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Other statutory information

- (a) Before the income statements, 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.

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Other statutory information (cont'd.)

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

Compliance with Bank Negara Malaysia's Guidelines on Financial Reporting

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 policy document on Financial Reporting for Islamics Financial Institutions and the Guidelines on Classification and Impairment Provision for Financing.

Significant and subsequent events

Apart from the event as mention in Notes 50, there are no other significant events during the year and subsequent events after the reporting date up to the date when the financial statements are authorised for issuance.

Business review 2013/2014

The Group recorded a profit before zakat and taxation of RM208.3 million, a decline of 12%, as compared to the RM236.0 million posted in the previous corresponding year. Its twelve months revenue surpassed RM1.0 billion with the total net income moderately increased by 3% to RM611.0 million.

The increase in total net income is primarily attributable to higher financing income by 2%, as a result of 15% increase in total gross financing assets coupled with substantially higher writeback for impairment on financial assets.

Personnel expenses, other overheads and expenditure registered at RM381.9 million as a result of the Group's continuous initiative to enhance business and to support the implementation of the new core banking system.

The overall financing of customer has expanded to RM11.9 billion from RM10.4 billion, or 15% although the Group's total assets as at March 2014 slightly reduced to RM20.1 billion from RM21.1 billion last year.

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Prospects

Global economic conditions remain on the mend amidst continuous concern over China's vulnerable growth and the upcoming sales tax hike in Japan. Growth is expected to be at a moderate pace, supported by improvements in major global indicators to reflect recovery momentum in US and European economy which we believe will provide the main support to the global economic growth.

In the meantime, Malaysian economy is also expected to moderate on the back of slower growth in the private consumption, induced by softer consumer spending in the wake of higher prices as well as tightened credit lending policies to accommodate the responsible financing requirements. We believe that positive contribution from the private investment will be the catalyst to the growth in domestic economy, supported by the ongoing mega projects in Malaysia.

Growth of Islamic banking sector continued to be healthy and further strengthened anchored by the introduction of the new Islamic Financial Services Act that serve to enhance the regulations of Islamic financial institutions. The Islamic banking industry is expected to facilitate the Malaysian banking growth as the Group believes the demand for these financial services will continue to be robust.

Looking ahead, the Group will further strengthen its efforts to increase its deposits base with current and savings account remain the priority. Focus to enhance non-financing income contribution will also continue to be in the areas of trade finance, treasury activities, investment banking and Ar-rahnu.

In line with the government's aspiration to develop Small and Medium Enterprises' sector, the Group has placed a few initiatives to tap opportunities from this market segment as we believe this sector will be one of the major factors in spurring the domestic economic growth. The Group also aims to increase its operational efficiency and improve service delivery via its enhanced and integrated system that will be introduced soon.

Rating by external rating agencies

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Received
Rating Agency Malaysia Berhad	May 2014	Long term	A2
		Short term	P1
		Subordinated Bond	A3
		Outlook	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 by the Shariah Committee consisting of a minimum of 6 members appointed by the Board for a 2-year 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 advise the Board and the management including the Bank's subsidiaries and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.
- (b) To endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.
- (c) To ensure that the products of the Bank 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.
- (d) To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.
- (e) To provide the necessary assistance to the related parties of the Bank such as its legal counsel, auditor or consultant who may seek advice on Shariah matters from the Shariah Committee.
- (f) To advise the Bank to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC of BNM) on Shariah matters that could not be resolved.
- (g) 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.
- (h) To provide the Bank with guidelines and advice on Shariah matters to ensure that the Bank's overall activities are in line with Shariah.
- (i) To make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.

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Disclosure of Shariah committee (cont'd.)

- (j) To report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.
- (k) To provide Shariah advisory and consultancy services in all matters relating to Bank's products, transactions and activities as well as other businesses involving the Bank.
- (l) To scrutinise and endorse the annual financial report of the Bank.
- (m) To provide training to the staff of the Bank as well as provide note or relevant materials for their reference.
- (n) 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.
- (o) To maintain the confidentiality of the Bank's internal information and shall be responsible for the safe guarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.
- (p) To ensure the quality and consistency of the Shariah decision.

Zakat obligations

The Bank pays zakat on its business.

For the year ended 31 March 2014, the Bank has allocated an amount of RM5.4 million as provision for zakat.

Auditors

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 28 May 2014.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman
Kuala Lumpur, Malaysia

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

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Statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

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

We, Tan Sri Dato' Dr. Mohd Munir Abdul Majid and Dato' Haji Mohd Redza Shah Abdul Wahid, being two 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 13 to 190 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2014 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 May 2014.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman
Kuala Lumpur, Malaysia

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

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

I, Tuan Haji PeerMohamed Ibramsha, 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 13 to 190 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
above named Tuan Haji PeerMohamed Ibramsha
at Kuala Lumpur in Federal Territory
on 28 May 2014.

Tuan Haji PeerMohamed Ibramsha

Before me,

Commissioner for Oaths

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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 year ended 31 March 2014. We have also conducted our review to form an opinion as to whether Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

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

We planned and performed our review so as to obtain 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.

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 been detailed out in the relevant minutes of meetings and taking into account the advices and opinions given by the relevant experts, bodies and authorities, we are of the opinion that:

1. the contracts, transactions and dealings entered into by the Bank during the year ended 31 March 2014 that we have reviewed are in compliance with the Shariah principles;
2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. all earnings that have been realised from sources or by means prohibited by the Shariah principles have been identified and excluded from the bank's income and set aside for disposal to charitable causes; and
4. the calculation and distribution of zakat is in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Muamalat Malaysia Berhad, to the best of our knowledge, do hereby confirm that the operations of the Bank for the year ended 31 March 2014 have been conducted in conformity with the Shariah principles.

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

Azizi Che Seman
Chairman of Shariah Committee

Engku Ahmad Fadzil Engku Ali
Member of Shariah Committee

Kuala Lumpur, Malaysia
28 May 2014

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

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 March 2014 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 190.

Directors' responsibility for the financial statements

The directors of the Bank are also responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view 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 Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Wan Daneena Liza binti Wan Abdul Rahman
No. 2978/03/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
28 May 2014

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Consolidated statement of financial position as at 31 March 2014 (29 Jamadil Awal 1435H)

		Group	
	Note	2014	2013
		RM'000	RM'000
Assets			
Cash and short-term funds	4 (a)	966,260	3,236,505
Cash and placements with financial institutions	4 (b)	120,787	105,189
Financial investments designated at fair value through profit or loss	5 (a)	98,710	84,373
Financial investments available-for-sale	5 (b)	6,065,247	6,467,566
Islamic derivative financial assets	6	20,035	4,488
Financing of customers	7	11,899,691	10,352,626
Other assets	9	87,300	90,024
Statutory deposit with Bank Negara Malaysia	10	648,721	612,721
Investment in associate	12	-	580
Intangible assets	13	82,259	34,546
Property, plant and equipment	14	59,651	65,698
Prepaid land lease payment	15	243	247
Deferred tax assets	16	12,786	17,027
Total assets		20,061,690	21,071,590
Liabilities			
Deposits from customers	17	17,629,228	18,744,179
Deposits and placements of banks and other financial institutions	18	101,074	10,774
Bills and acceptances payable	19	105,004	132,750
Islamic derivative financial liabilities	6	4,145	8,905
Other liabilities	20	57,761	94,267
Provision for zakat and taxation	21	12,847	14,505
Recourse obligation on financing sold to Cagamas	22	-	61,679
Subordinated sukuk	23	406,055	406,055
Total liabilities		18,316,114	19,473,114

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**Consolidated statement of financial position as at 31 March 2014 (29 Jamadil Awal
1435H) (cont'd.)**

		Group	
	Note	2014	2013
		RM'000	RM'000
Shareholders' equity			
Share capital	24	1,195,000	1,000,000
Reserves	25	550,576	598,476
Total shareholders' equity		<u>1,745,576</u>	<u>1,598,476</u>
Total liabilities and shareholders' equity		<u>20,061,690</u>	<u>21,071,590</u>
Commitments and contingencies	42	<u>7,063,350</u>	<u>4,300,031</u>
Capital adequacy *	46		
CET 1 Capital Ratio		14.2%	14.7%
Total capital ratio		<u>17.6%</u>	<u>19.2%</u>

* 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
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Statement of financial position as at 31 March 2014 (29 Jamadil Awal 1435H)

	Note	Bank	
		2014 RM'000	2013 RM'000
Assets			
Cash and short-term funds	4 (a)	966,260	3,236,505
Cash and placements with financial institutions	4 (b)	120,787	105,189
Financial investments designated at fair value through profit or loss	5 (a)	94,610	79,573
Financial investments available-for-sale	5 (b)	6,065,247	6,467,566
Islamic derivative financial assets	6	20,035	4,488
Financing of customers	7	11,904,074	10,365,020
Other assets	9	86,734	80,493
Statutory deposit with Bank Negara Malaysia	10	648,721	612,721
Investment in subsidiaries	11	6,384	6,384
Investment in associate	12	-	1,000
Intangible assets	13	81,406	34,546
Property, plant and equipment	14	59,514	65,642
Prepaid land lease payment	15	243	247
Deferred tax assets	16	12,786	17,027
Total assets		20,066,801	21,076,401
Liabilities			
Deposits from customers	17	17,638,660	18,750,255
Deposits and placements of banks and other financial institutions	18	101,074	10,774
Bills and acceptances payable	19	105,004	132,750
Islamic derivative financial liabilities	6	4,145	8,905
Other liabilities	20	57,793	95,112
Provision for zakat and taxation	21	12,707	14,498
Recourse obligation on financing sold to Cagamas	22	-	61,679
Subordinated sukuk	23	406,055	406,055
Total liabilities		18,325,438	19,480,028

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Statement of financial position as at 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

		Bank	
	Note	2014	2013
		RM'000	RM'000
Shareholders' equity			
Share capital	24	1,195,000	1,000,000
Reserves	25	546,363	596,373
Total shareholders' equity		<u>1,741,363</u>	<u>1,596,373</u>
Total liabilities and shareholders' equity		<u>20,066,801</u>	<u>21,076,401</u>
Commitments and contingencies	42	<u>7,063,350</u>	<u>4,300,031</u>
Capital adequacy *	46		
CET 1 Capital Ratio		14.1%	14.6%
Total capital ratio		<u>17.6%</u>	<u>19.1%</u>

* 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
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Income statements

For the year ended 31 March 2014 (29 Jamadil Awal 1435H)

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income derived from investment of depositors' funds and others	26	914,086	916,569	914,086	916,569
Income derived from investment of shareholders' funds	27	90,303	82,770	84,409	81,692
Writeback of impairment on financing	28	55,290	12,554	55,290	12,554
Writeback of provision for commitments and contingencies	20(a)	6,000	14,845	6,000	14,845
Impairment writeback/(loss) on investments	29	4,843	(7,243)	5,543	(7,243)
Share of loss of an associate	12	(580)	(420)	-	-
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(12,245)	(9,369)	(12,245)	(9,369)
Total distributable income		1,057,697	1,009,706	1,053,083	1,009,048
Income attributable to depositors	30	(446,867)	(416,544)	(447,026)	(416,713)
Total net income		610,830	593,162	606,057	592,335
Personnel expenses	31	(207,109)	(197,008)	(205,076)	(195,499)
Other overheads and expenditures	34	(174,837)	(138,892)	(174,898)	(141,281)
Finance cost	35	(20,600)	(21,299)	(20,600)	(20,577)
Profit before zakat and taxation		208,284	235,963	205,483	234,978
Zakat	36	(5,137)	(6,149)	(5,137)	(6,149)
Taxation	37	(51,583)	(61,878)	(50,892)	(61,643)
Profit for the year		151,564	167,936	149,454	167,186
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	38	13.4	16.8		

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

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**Bank Muamalat Malaysia Berhad
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**Statements of comprehensive income
For the year ended 31 March 2014 (29 Jamadil Awal 1435H)**

		Group		Bank	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the year		151,564	167,936	149,454	167,186
Other comprehensive (loss)/ income:					
Items that may be reclassified subsequently to profit or loss					
Net unrealised (loss)/gain on revaluation of financial investments available-for- sale		(5,103)	39,476	(5,103)	39,476
Income tax relating to net loss/ (gain) on financial investments available- for-sale	16	816	(9,247)	816	(9,247)
Exchange fluctuation reserve		(177)	(693)	(177)	(693)
Other comprehensive (loss)/ income for the year, net of tax		(4,464)	29,536	(4,464)	29,536
Total comprehensive income for the year		147,100	197,472	144,990	196,722

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 year ended 31 March 2014 (29 Jamadil Awal 1435H)**

Group	Note	Non-distributable			Distributable		Total equity RM'000
		Ordinary shares RM'000	Statutory reserve* RM'000	Exchange fluctuation reserve RM'000	Available-for-sale reserve RM'000	Retained profits RM'000	
At 1 April 2013		1,000,000	398,978	(610)	(25,940)	226,048	1,598,476
Profit for the year		-	-	-	-	151,564	151,564
Other comprehensive loss the year		-	-	(177)	(4,287)	-	(4,464)
Total comprehensive income for the year		-	-	(177)	(4,287)	151,564	147,100
Dividend paid during the year	39	-	-	-	-	(195,000)	(195,000)
Transfer to statutory reserve		-	74,727	-	-	(74,727)	-
Issued during the year		195,000	-	-	-	-	195,000
At 31 March 2014		1,195,000	473,705	(787)	(30,227)	107,885	1,745,576
At 1 April 2012		1,000,000	315,385	83	(56,169)	141,705	1,401,004
Profit for the year		-	-	-	-	167,936	167,936
Other comprehensive (loss)/income for the year		-	-	(693)	30,229	-	29,536
Total comprehensive income for the year		-	-	(693)	30,229	167,936	197,472
Transfer to statutory reserve		-	83,593	-	-	(83,593)	-
At 31 March 2013		1,000,000	398,978	(610)	(25,940)	226,048	1,598,476

* The statutory reserve is maintained in compliance with BNM Guideline of Capital Funds for Islamic Banks and is not distributable as dividends.

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

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

**Statement of changes in equity
For the year ended 31 March 2014 (29 Jamadil Awal 1435H)**

Bank	Note	Non-distributable			Distributable		Total equity RM'000
		Ordinary shares RM'000	Statutory reserve* RM'000	Exchange fluctuation reserve RM'000	Available-for-sale reserve RM'000	Retained profits RM'000	
At 1 April 2013		1,000,000	397,381	(610)	(25,940)	225,542	1,596,373
Profit for the period		-	-	-	-	149,454	149,454
Other comprehensive loss the year		-	-	(177)	(4,287)	-	(4,464)
Total comprehensive income for the year		-	-	(177)	(4,287)	149,454	144,990
Dividend paid during the year	39	-	-	-	-	(195,000)	(195,000)
Transfer to statutory reserve		-	74,727	-	-	(74,727)	-
Issued during the year		195,000	-	-	-	-	195,000
At 31 March 2014		1,195,000	472,108	(787)	(30,227)	105,269	1,741,363
At 1 April 2012		1,000,000	313,788	83	(56,169)	141,949	1,399,651
Profit for the period		-	-	-	-	167,186	167,186
Other comprehensive (loss)/income for the the year		-	-	(693)	30,229	-	29,536
Total comprehensive income for the year		-	-	(693)	30,229	167,186	196,722
Transfer to statutory reserve		-	83,593	-	-	(83,593)	-
At 31 March 2013		1,000,000	397,381	(610)	(25,940)	225,542	1,596,373

* The statutory reserve is maintained in compliance with BNM Guideline of Capital Funds for Islamic Banks and is not distributable as dividends.

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

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

Statements of cash flows

For the year ended 31 March 2014 (29 Jamadil Awal 1435H)

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities					
Profit before zakat and taxation		208,284	235,963	205,483	234,978
Adjustment for :					
Amortisation of prepaid land lease payment	34	4	4	4	4
Amortisation of intangible assets	34	7,490	4,545	7,450	4,545
Depreciation of property, plant and equipment	34	17,032	16,851	17,000	16,847
Gain on disposal of property, plant and equipment	27	(7,912)	(339)	(7,912)	(339)
Gain on sale of foreclosed properties	27	(8,744)	-	(8,744)	-
Property, plant and equipment written off	34	-	72	-	72
Intangible assets written off	34	-	40	-	40
Amortisation/ (accretion of discount) of premium, net	26 & 27	1,326	(2,763)	1,326	(2,763)
Net gain from redemption of financial investments held-to-maturity	26	-	(13,494)	-	(13,494)
Net gain from sale of financial investments available-for-sale	26 & 27	(12,511)	(9,768)	(12,511)	(9,768)
Net gain from sale of financial investments designated at fair value through profit or loss	27	(6,604)	-	(6,604)	-
Net gain from sale of financial investments held-for-trading	26	(1,000)	(632)	(1,000)	(632)
Net gain on revaluation of foreign exchange transaction	27	(23,511)	(21,049)	(23,511)	(21,049)
Net loss/(gain) from foreign exchange derivatives	27	5,043	(899)	5,043	(899)
Unrealised (gain)/loss on revaluation of islamic profit rate swap	27	(25,350)	3,837	(25,350)	3,837
Unrealised loss/(gain) on revaluation of hedged items	27	21,708	(7,363)	21,708	(7,363)
Gain from disposal of associate	27	(1,000)	-	-	-
Impairment (writeback)/loss on investment securities	29	(4,843)	7,243	(5,543)	7,243
Loss from derecognition of investment securities	27	4,522	-	4,522	-

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

Statements of cash flows

For the year ended 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities (cont'd.)					
Allowance for /(writeback of) impairment on financing	28	16,630	(6,397)	16,630	(6,397)
Financing written off	28	5,381	12,767	5,381	12,767
Writeback of provision for commitments and contingencies	20(a)	(6,000)	(14,845)	(6,000)	(14,845)
Share of loss of an associate	12	580	420	-	-
Finance cost	35	20,600	21,299	20,600	20,577
Gross dividend income	27	(3,223)	(1,935)	(3,223)	(1,935)
Operating profit before working capital changes		207,902	223,557	204,749	221,426
(Increase)/decrease in operating assets:					
Islamic derivative financial assets		(20,590)	561	(20,590)	561
Financial investment portfolio		(13,360)	(25,689)	(13,360)	(25,689)
Financing of customers		(1,574,817)	(1,287,362)	(1,566,804)	(1,287,435)
Statutory deposit with Bank Negara Malaysia		(36,000)	(85,000)	(36,000)	(85,000)
Other assets		33,989	(16,047)	25,024	(13,496)
Increase/(decrease) in operating liabilities:					
Deposits from customers		(1,114,951)	593,092	(1,111,595)	591,508
Deposits and placements of banks and other financial institutions		90,300	(1,122)	90,300	(1,122)
Islamic derivative financial liabilities		10,180	(562)	10,180	(562)
Bills and acceptances payable		(27,746)	(177,574)	(27,746)	(177,574)
Other liabilities		(30,737)	(24,501)	(31,488)	(23,372)
Payment made to Cagamas	22	-	(3,231)	-	(3,231)
Recourse obligation on financing sold to Cagamas	22	(61,679)	-	(61,679)	-
Cash used in operations		(2,537,509)	(803,878)	(2,539,009)	(803,986)

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

Statements of cash flows

For the year ended 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities (cont'd.)					
Zakat paid		(5,874)	(3,087)	(5,874)	(3,087)
Tax paid		(47,385)	(34,907)	(46,890)	(34,859)
Net cash used in operating activities		(2,590,768)	(841,872)	(2,591,773)	(841,932)
Cash flows from investing activities					
Proceeds from disposal of financial investment in securities		8,158,839	6,667,330	8,158,839	6,667,330
Purchase of financial investment in securities		(7,748,235)	(6,925,426)	(7,748,235)	(6,925,426)
Proceeds from disposal of property, plant and equipment		9,271	833	9,271	833
Purchase of property, plant and equipment	14	(12,343)	(21,176)	(12,231)	(21,116)
Purchase of intangible assets	13	(55,203)	(19,998)	(54,310)	(19,998)
Acquisition of associate		-	(1,000)	-	(1,000)
Disposal of investment in associate		1,000	-	1,000	-
Dividend income		3,223	1,934	3,223	1,934
Net cash generated from/(used in) investing activities		356,552	(297,503)	357,557	(297,443)
Cash flows from financing activities					
Dividend paid on Islamic subordinated sukuk		(20,431)	(20,487)	(20,431)	(20,487)
Dividend paid to shareholders		(195,000)	-	(195,000)	-
Proceed from shares issuance		195,000	-	195,000	-
Net cash used in financing activities		(20,431)	(20,487)	(20,431)	(20,487)

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

Statements of cash flows

For the year ended 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

		Group		Bank	
	Note	2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Net decrease in cash and cash equivalents		(2,254,647)	(1,159,862)	(2,254,647)	(1,159,862)
Cash and cash equivalents at beginning of year		3,341,694	4,501,556	3,341,694	4,501,556
Cash and cash equivalents at end of year		1,087,047	3,341,694	1,087,047	3,341,694
Cash and cash equivalents consist of:					
Cash and short term funds	4 (a)	966,260	3,236,505	966,260	3,236,505
Cash and placements with financial institutions	4 (b)	120,787	105,189	120,787	105,189
		1,087,047	3,341,694	1,087,047	3,341,694

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

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

Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H)

1. Corporate information

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

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

There have been no significant changes in the nature of these activities during the financial year.

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

The holding and ultimate holding companies of the Bank are DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. respectively, both of which are incorporated in Malaysia. DRB-HICOM Berhad, is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 May 2014.

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, 1965 in Malaysia.

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

The financial statements of the Group and of the Bank are prepared under the historical cost basis, unless otherwise indicated in the respective accounting policies below.

The Group and the Bank present the statements of financial position in order of liquidity.

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

Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries including the equity accounting of interest in associates as at 31 March 2014. Further details on the accounting policies for interest in associates is disclosed in Note 2.3(b).

The financial statements of the Bank's subsidiaries and associates are prepared for the same reporting date as the Bank, using consistent accounting policies for transactions and events in similar circumstances.

Subsidiaries are consolidated from the date of acquisition or date of incorporation, 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 when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- 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.

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:

- The 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.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)****Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)****2. Significant accounting policies (cont'd.)****2.2 Basis of consolidation (cont'd.)**

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not wholly-owned, directly or indirectly by the Bank. NCI are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Total comprehensive income is allocated against the interest of NCI, even if this results in a deficit balance. Acquisition of NCI are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

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 profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to 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, including structured entities, controlled by the Bank, as defined in Note 2.2.

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

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

Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Investment in associates

Associates are entities in which the Group and the Bank have significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

In the Bank's separate financial statements, investment in associates 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 profit and loss.

Investment in associates are accounted for in the consolidated financial statements of the Group using the equity method. The associate is equity accounted for from the date the Group gains significant influence until the date the Group ceases to have significant influence over the associate.

In applying the equity method, the investment in associate is carried at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associates. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes and disclose this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The Group's share of profit or loss of an associate is shown on the face of the consolidated income statement and represents profit or loss after taxation and non-controlling interests in the subsidiaries of the associate.

(c) Financial assets

(i) Initial recognition and subsequent measurement

Financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), financing and receivables, financial investments held-to-maturity ("HTM") and financial investments available-for-sale ("AFS").

The classification of financial assets at initial recognition depends on the purpose and the management's intention for which the financial assets were acquired and their characteristics. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at FVTPL.

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

Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial assets (cont'd.)

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

The Group and Bank determine the classification of financial assets at initial recognition, in which the details are disclosed below.

1) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading ("HFT") and financial investments designated upon initial recognition at FVTPL. Financial assets classified as held-for-trading are derivatives (including separated embedded derivatives) or if they are acquired for the purpose of selling in the near term.

For financial investments designated at FVTPL, upon initial recognition the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different bases, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the Group is provided internally on that basis to the entity's key management personnel.

Subsequent to initial recognition, financial assets held-for-trading and financial investments designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss. Net gain or net losses on financial assets at fair value through profit or loss do not include exchange differences, profit and dividend income. Exchange differences, profit and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

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

Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial assets (cont'd.)

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

2) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financing assets classified in this category includes both cash and balances with banks, financing, advances and certain other receivables. These financial assets are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective profit method.

3) Financial investments HTM

Financial investments HTM are non-derivatives financial assets with fixed or determinable payments and fixed maturity, which the Bank has the intention and ability to hold to maturity.

Subsequent to initial recognition, financial investments HTM are measured at amortised cost using effective profit method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective profit rate. The amortisation, losses arising from impairment and gain or loss arising from derecognition of such investments are recognised in profit or loss.

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

Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial assets (cont'd.)

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

4) Financial investments AFS

Financial investments AFS are financial assets that are designated as available for sale or are not classified in any of the three (3) preceding categories.

Financial investments AFS include equity and debt securities, which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in market condition.

After initial recognition, financial investments AFS are subsequently measured at fair value. Any gain or loss arising from a change in fair value after applying amortised cost method are recognised directly in other comprehensive income, except impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective yield method which are recognised in the profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial investments AFS is derecognised in profit or loss.

Investment in equity instruments where fair value cannot be reliably measured are recorded at cost less impairment loss.

Dividends on an equity AFS instruments are recognised in the income statement when the Group's and Bank's right to receive payment are established.

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

Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial assets (cont'd.)

(ii) Derecognition

A financial asset is derecognised when:

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

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

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

Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial assets (cont'd.)

(iii) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the customer or a group of customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in profit or principal payments and where observable data indicates that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1) Financing and receivables

Classification of financing and receivable as impaired

Financing and receivable are classified as impaired when:

- principal or profit or both are past due for three (3) months or more;
- where financing in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or
- where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until payments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

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

Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial assets (cont'd.)

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

1) Financing and receivables (cont'd.)

Impairment Process – Individual Assessment

The Group and the Bank assess if objective evidence of impairment exist for financing and receiving which are deemed to be individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows discounted at the financings' original effective profit rate. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

Impairment Process – Collective Assessment

Financings which are not individually significant and financings that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These financings are grouped within similar credit risk characteristics for collective assessment, whereby data from the financing portfolio (such as credit quality, levels of arrears, credit utilisation, financing to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups) are taken into consideration.

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

Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial assets (cont'd.)

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

1) Financing and receivables (cont'd.)

Impairment Process – Collective Assessment (cont'd.)

Future cash flows in a group of financing that are collectively evaluated for impairment are estimated based on the historical loss experience of the Group and of the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of financial assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

Impairment Process – Written off accounts

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial assets (cont'd.)

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

2) Financial investments AFS

For financial investments AFS, the Group and the Bank assess at each reporting date whether there is objective evidence that a financial investment AFS is impaired.

In the case of debt instruments classified as AFS, the Group and the Bank assess individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

In the case of equity investments classified as AFS investment, the objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group and the Bank treat "significant" generally as 25% and "prolonged" generally as 12 months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss is removed from equity and recognised in profit or loss.

Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

For unquoted equity securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the profit or loss and such impairment losses are not reversed subsequent to its recognition.

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial assets (cont'd.)

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

3) Financial investments HTM

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

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

(iv) Determination of fair value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is the transaction price, i.e. the fair value of the consideration given or received.

Subsequent to initial recognition, the fair value of financial instruments measured at fair value are measured in accordance with the valuation methodologies as set out in Note 44.

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(d) 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 recognised in the statement of financial position when and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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 measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit and loss. Net gains or losses on derivatives include exchange differences.

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(d) Financial liabilities (cont'd.)

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

2) Other financial liabilities

The Group's and the Bank's other financial liabilities include deposits from customers, deposits and placements of banks and financial institutions, debt securities, payables, bills and acceptances payable and other liabilities.

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

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

(b) Islamic Debt securities

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

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

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)****Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)****2. Significant accounting policies (cont'd.)****2.3 Summary of significant accounting policies (cont'd.)****(d) Financial liabilities (cont'd.)****(ii) Initial recognition and subsequent measurement (cont'd.)****2) Other financial liabilities (cont'd.)****(b) *Islamic Debt securities (cont'd.)***

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

(d) *Bills and acceptances payable*

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

(e) *Other liabilities*

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

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is redeemed or otherwise extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in the income statement.

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(e) Derivative instruments and hedge accounting

(i) Derivative instruments

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

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

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

(ii) Hedge accounting

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

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

(ii) Hedge accounting (cont'd.)

1) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the profit and 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 profit or loss.

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

The Group and the Bank did not apply fair value hedge relationship as at the financial year end.

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 non-profit income. When the hedged cash flow affects the income statement, 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 income statement.

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

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

(ii) Hedge accounting (cont'd.)

2) Cash flow hedge (cont'd.)

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 profit or loss.

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

(f) Embedded derivatives

Derivatives embedded in other financial instruments are accounted for separately as derivatives if the economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not carried at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

(g) Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of financings and are stated at the lower of cost and net realisable value.

(h) 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-in-development which are not subject to amortisation.

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)****Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)****2. Significant accounting policies (cont'd.)****2.3 Summary of significant accounting policies (cont'd.)****(h) 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 income statements in the expense category consistent with the function of the intangible asset.

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

Computer software	3-10 years
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(i) Property, plant and equipment and depreciation

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

Subsequent to 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. Renovation work-in-progress are also not depreciated as these assets are not available for use.

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(i) Property, plant and equipment and depreciation (cont'd.)

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets as follows:

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

(j) Prepaid land lease payment

(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. 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:

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(j) Prepaid land lease payment (cont'd.)

(i) Classification (cont'd.)

- 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 financings. In calculating the present value of the minimum lease payments, the discount factor used is the profit rate implicit in the lease, when it is practical to determine; otherwise, the Bank's incremental financing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.3(i).

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(j) Prepaid land lease payment (cont'd.)

(iii) Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease.

The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(k) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's functional currency.

(ii) Foreign currency transactions and balances

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

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(k) Foreign currencies (cont'd.)

(ii) Foreign currency transactions and balances (cont'd.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in 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 foreign currency translation reserve in equity.

The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

(iii) Foreign operations

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

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(l) 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 balance sheet 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.

(m) Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(m) Impairment of non-financial assets (cont'd.)

Impairment losses are recognised in 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 profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

(n) Cash and cash equivalent

Cash and cash equivalent consist of cash and bank balances with banks and other financial institutions, and short term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(o) 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.

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)****Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)****2. Significant accounting policies (cont'd.)****2.3 Summary of significant accounting policies (cont'd.)****(p) 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 profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(q) Income recognition

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

(i) Profit and income from financing

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

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(q) Income recognition (cont'd.)

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

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.

(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 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.

(r) Income tax

Income tax on the profit or loss 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 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(r) Income tax (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 statement of comprehensive income 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.

(s) Zakat

This represents business zakat. It is an obligatory amount payable by the Bank to comply with the principles of Shariah. Zakat provision is calculated based on 2.5% of the shareholders' funds growth method.

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(t) Fair value measurement

The Group and the Bank measures financial instruments such as financial assets at FVTPL, financial investments AFS and derivatives at fair value at each statement of financial position date.

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

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

The principal or the most advantageous market must be accessible to by the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would 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.

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(t) Fair value measurement (cont'd.)

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 market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 - valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (ie. prices) or indirectly (ie. derived from prices), are used; and

Level 3 - valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the instrument's valuation.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determines 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 44.

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

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 2013, the Group and the Bank adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 April 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its investment with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

This standard affects disclosures only and has no impact on the Group and the Bank financial position or performance.

MFRS 11 Joint Arrangements

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

MFRS 11 Joint Arrangements (cont'd.)

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities (“JCE”) using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

This standard affects disclosures only and has no impact on the Group and the Bank financial position or performance.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group and the Bank financial position or performance.

MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group and the Bank re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures as disclosed in notes 44.

Application of MFRS 13 has not materiality impacted the fair value measurement of the Group and the Bank. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (eg. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (eg. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's and the Bank's financial position or performance.

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

MFRS 128 Investments in Associates and Joint Ventures

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

New policy documents on Financial Reporting issued by Bank Negara Malaysia ("BNM")

The Islamic Financial Service Act 2013 ("IFSA") came into force on 30 June 2013. The IFSA amalgamate several separate laws to govern the financial sector under a single legislative framework for the Islamic financial sectors respectively, namely, the Islamic Banking Act 1983, Insurance Act 1996, Takaful Act 1984, Payment Systems Act 2003 and Exchange Control Act 1953 which are repealed on 30 June 2013.

Key objectives of the new legislation include the following:

- Greater clarity and transparency in the implementation and administration of the law;
- A clear focus on Shariah compliance and governance in the Islamic financial sector;
- Provisions for differentiated regulatory requirements that reflect the nature of financial intermediation activities and their risks to the overall financial system;
- Provisions to regulate financial holding companies and non-regulated entities to take account of systemic risks that can emerge from the interaction between regulated and unregulated institutions, activities and markets;
- Strengthened business conduct and consumer protection requirements to promote consumer confidence in the use of financial services and products; and
- Strengthened provisions for effective and early enforcement and supervisory intervention.

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

New policy documents on Financial Reporting issued by Bank Negara Malaysia ("BNM") (cont'd.)

Pursuant to the Islamic Financial Services Act 2013, BNM has issued a new policy document on Financial Reporting for Islamic Banking Institutions which set out the financial reporting requirements for Islamic banking institutions. An Islamic banking institution is required to comply with the new policy document effective on 30 June 2013.

2.5 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

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

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group and the Bank financial assets, but will not have an impact on classification and measurements of the Group and the Bank financial liabilities. The Group and the Bank will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novation.

3. Significant accounting estimates and judgments

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:

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)****Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)****3. Significant accounting estimates and judgments (cont'd.)****3.1 Fair value estimation of financial investments available-for-sale (Note 5(b)) and derivative financial instruments (Note 6)**

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

3.2 Impairment of financial investments held-to-maturity and available-for-sale (Note 5(b), 5(c) and 29)

The Group and the Bank review financial investments classified as HTM and AFS at each reporting date to assess whether these are impaired. This requires similar judgment as applied to the individual assessment of financing.

The Group and the Bank also record impairment charges on AFS equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group and the Bank evaluate, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

3.3 Impairment losses on financing of customers (Note 8 and 28)

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

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Notes to the financial statements - 31 March 2014 (29 Jamadil Awal 1435H) (cont'd.)

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

3.3 Impairment losses on financing of customers (Note 8 and 28) (cont'd.)

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

3.4 Taxation (Note 37)

Significant management judgment is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation 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.

3.5 Deferred tax (Note 16)

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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4. (a) Cash and short-term funds

	Group and Bank	
	2014	2013
	RM'000	RM'000
Cash and balances with banks and other financial institutions	179,038	240,226
Money at call and interbank placements with remaining maturity not exceeding one month	787,222	2,996,279
	<u>966,260</u>	<u>3,236,505</u>

(b) Cash and placements with financial institutions

	Group and Bank	
	2014	2013
	RM'000	RM'000
Licensed Islamic banks	<u>120,787</u>	<u>105,189</u>

5. Financial investments

(a) Financial investments designated at fair value through profit and loss

	2014	2013
	RM'000	RM'000
Unquoted securities in Malaysia:		
Group		
Private equity funds	<u>98,710</u>	<u>84,373</u>
Bank		
Private equity fund	<u>94,610</u>	<u>79,573</u>

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5. Financial investments (cont'd.)

(b) Available-for-sale

At fair value, or at cost less impairment losses for certain financial investments:

	Group and Bank	
	2014	2013
	RM'000	RM'000
<u>At fair value</u>		
Government securities and treasury bills:		
Malaysian government investment certificates	3,227,134	3,383,061
Quoted securities in Malaysia:		
Quoted shares	66,671	44,182
Unquoted securities:		
Islamic private debt securities in Malaysia	2,675,680	2,942,983
Cagamas bonds	148,884	120,938
Foreign Islamic private debt securities and sukuk	27,572	62,460
	2,852,136	3,126,381
Accumulated impairment loss	(85,900)	(91,264)
	6,060,041	6,462,360
<u>At cost</u>		
Unquoted securities:		
Shares in Malaysia	5,206	5,206
Total available-for-sale securities	6,065,247	6,467,566

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6. Islamic derivative financial instruments

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	2014			2013		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts						
- Currency forwards						
Less than one year	209,588	1,948	(162)	54,230	2,862	(24)
- Currency swaps						
Less than one year	461,620	430	(3,876)	213,422	1,500	(1,021)
- Currency spot						
Less than one year	40,313	33	(107)	127,472	126	(134)
- Islamic profit rate swap (IPRS) More than one year	2,800,000	17,624	-	-	-	-
	3,511,521	20,035	(4,145)	395,124	4,488	(1,179)
Hedging derivatives:						
Islamic profit rate swap (IPRS) More than one year	-	-	-	875,000	-	(7,726)
Total	3,511,521	20,035	(4,145)	1,270,124	4,488	(8,905)

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6. Islamic derivative financial instruments (cont'd.)

Included within hedging derivatives is a derivative 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:

	2014			2013		
	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
Islamic profit rate swap (IPRS)	-	-	-	575,000	-	(3,837)

Fair Value hedges

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

For the financial year ended 31 March 2014, the Group and the Bank:-

- (i) recognised a net profit of RM8,100,827 (2013: net loss of RM3,837,303) on the hedging instrument. The total net loss on the hedged item attributable to the hedged risk for the year amounted to RM21,707,927 (2013: net gain of RM7,363,236).
- (ii) derecognised fair value of hedging instruments of RM3,477,779 (2013: nil) due to the discontinuation of the hedged items.

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7. Financing of customers

(i) By type

	Group	
	2014	2013
	RM'000	RM'000
Cash line	245,997	208,538
Term financing		
- Home financing	11,034,279	8,398,544
- Syndicated financing	181,105	141,177
- Hire purchase receivables	1,295,113	1,153,637
- Leasing receivables	128,843	146,559
- Other term financing	8,351,003	7,398,353
Trust receipts	52,714	107,256
Claims on customers under acceptance credits	675,932	742,214
Staff financing	127,402	120,362
Revolving credit	947,921	616,204
Sukuk	141,960	50,488
Ar- Rahnū	40,697	60,656
	23,222,966	19,143,988
Less : Unearned income	(11,052,832)	(8,520,066)
Gross financing	12,170,134	10,623,922
Less : Allowance for impaired financing:		
- Collective assessment	(195,951)	(242,843)
- Individual assessment	(74,492)	(28,453)
Total net financing	11,899,691	10,352,626

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7. Financing of customers (cont'd.)

(i) By type (cont'd.)

	Bank	
	2014	2013
	RM'000	RM'000
Cash line	245,997	208,538
Term financing		
- Home financing	11,034,279	8,398,544
- Syndicated financing	181,105	141,177
- Hire purchase receivables	1,295,113	1,153,637
- Leasing receivables	128,843	146,559
- Other term financing	8,361,386	7,416,747
Trust receipts	52,714	107,256
Claims on customers under acceptance credits	675,932	742,214
Staff financing	127,402	120,362
Revolving credit	947,921	616,204
Sukuk	141,960	50,488
Ar- Rahnu	40,697	60,656
	23,233,349	19,162,382
Less : Unearned income	(11,052,832)	(8,520,066)
Gross financing	12,180,517	10,642,316
Less : Allowance for impaired financing:		
- Collective assessment	(195,951)	(242,843)
- Individual assessment	(80,492)	(34,453)
Total net financing	11,904,074	10,365,020

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7. Financing of customers (cont'd.)

(ii) By contract

	Group	
	2014	2013
	RM'000	RM'000
Bai' Bithaman Ajil (deferred payment sale)	3,843,080	4,237,413
Ijarah (lease)	220,758	147,550
Ijarah Thumma Al-Bai (lease ended with purchase)	1,115,632	1,001,324
Inah (sale and buyback)	746,141	238,175
Tawarruq (commodity murabahah)	4,044,360	2,961,096
Bai Al Dayn (purchase of debt)	678,021	753,857
Murabahah (cost-plus)	1,175,415	922,188
Istisna' (sale order)	248,038	295,890
Qard (loan)	2,059	5,537
Shirkah Mutanaqisah (diminishing partnership)/ Musharakah (profit sharing)	55,933	236
Rahnu (Trustee)	40,697	60,656
	12,170,134	10,623,922
	Bank	
	2014	2013
	RM'000	RM'000
Bai' Bithaman Ajil (deferred payment sale)	3,843,080	4,237,413
Ijarah (lease)	220,758	147,550
Ijarah Thumma Al-Bai (lease ended with purchase)	1,115,632	1,001,324
Inah (sale and buyback)	746,141	238,175
Tawarruq (commodity murabahah)	4,044,360	2,961,096
Bai Al Dayn (purchase of debt)	678,021	753,857
Murabahah (cost-plus)	1,175,415	922,188
Istisna' (sale order)	248,038	295,890
Qard (loan)	68,375	5,537
Shirkah Mutanaqisah (diminishing partnership)/ Musharakah (profit sharing)	-	18,630
Rahnu (Trustee)	40,697	60,656
	12,180,517	10,642,316

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7. Financing of customers (cont'd.)

(iii) By type of customer

	Group	
	2014	2013
	RM'000	RM'000
Domestic non-banking institutions	553,765	438,890
Domestic business enterprises		
- Small business enterprises	332,203	269,238
- Others	2,643,185	2,449,268
Government and statutory bodies	561,020	608,510
Individuals	7,984,731	6,841,465
Other domestic entities	1,324	2,885
Foreign entities	93,906	13,666
	12,170,134	10,623,922
	Bank	
	2014	2013
	RM'000	RM'000
Domestic non-banking institutions	553,765	438,890
Domestic business enterprises		
- Small business enterprises	332,203	269,238
- Others	2,653,568	2,453,832
Government and statutory bodies	561,020	622,340
Individuals	7,984,731	6,841,465
Other domestic entities	1,324	2,885
Foreign entities	93,906	13,666
	12,180,517	10,642,316

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7. Financing of customers (cont'd.)

(iv) By profit rate sensitivity

	Group	
	2014	2013
	RM'000	RM'000
Fixed rate:		
Home financing	529,438	999,855
Hire purchase receivables	1,118,844	1,003,454
Others	3,863,022	4,580,985
Variable rate:		
Home financing	2,963,879	1,810,632
Others	3,694,951	2,228,996
	12,170,134	10,623,922

	Bank	
	2014	2013
	RM'000	RM'000
Fixed rate:		
Home financing	529,438	999,855
Hire purchase receivables	1,118,844	1,003,454
Others	3,863,022	4,585,549
Variable rate:		
Home financing	2,963,879	1,810,632
Others	3,705,334	2,242,826
	12,180,517	10,642,316

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7. Financing of customers (cont'd.)

(v) By sector

	Group	
	2014	2013
	RM'000	RM'000
Agriculture	101,793	51,001
Mining and quarrying	2,533	2,381
Manufacturing	787,079	707,878
Electricity, gas and water	123,043	134,743
Construction	487,010	488,928
Purchase of landed property:		
- Residential	3,589,711	2,890,830
- Non-residential	336,572	269,340
Real estate	281,332	129,267
Wholesale, retail and restaurant	524,853	475,284
Transport, storage and communication	233,665	336,166
Finance, takaful and business services	739,290	491,216
Purchase of securities	92	92
Purchase of transport vehicles	1,127,374	1,010,295
Consumption credit	3,167,428	2,909,624
Community, social and personal service	107,339	104,537
Government and statutory bodies	561,020	622,340
	12,170,134	10,623,922

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7. Financing of customers (cont'd.)

(v) By sector (cont'd.)

	Bank	
	2014	2013
	RM'000	RM'000
Agriculture	101,793	51,001
Mining and quarrying	2,533	2,381
Manufacturing	787,079	712,442
Electricity, gas and water	123,043	134,743
Construction	487,010	494,928
Purchase of landed property:		
- Residential	3,589,711	2,890,830
- Non-residential	336,572	269,340
Real estate	281,332	129,267
Wholesale, retail and restaurant	535,653	475,284
Transport, storage and communication	233,665	336,166
Finance, takaful and business services	698,357	491,216
Purchase of securities	92	92
Purchase of transport vehicles	1,127,374	1,010,295
Consumption credit	3,167,428	2,909,624
Community, social and personal service	147,855	112,367
Government and statutory bodies	561,020	622,340
	12,180,517	10,642,316

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7. Financing of customers (cont'd.)

(vi) By residual contractual maturity

	Group	
	2014	2013
	RM'000	RM'000
Maturity		
within one year	3,559,880	2,360,594
more than one to five years	4,124,544	3,852,107
more than five years	4,485,710	4,411,221
	12,170,134	10,623,922

	Bank	
	2014	2013
	RM'000	RM'000
Maturity		
within one year	3,559,880	2,360,594
more than one to five years	4,135,344	3,852,107
more than five years	4,485,293	4,429,615
	12,180,517	10,642,316

(vii) By geographical area

	Group	
	2014	2013
	RM'000	RM'000
Domestic	12,087,732	10,602,355
Labuan Offshore	82,402	21,567
	12,170,134	10,623,922

	Bank	
	2014	2013
	RM'000	RM'000
Domestic	12,098,115	10,620,749
Labuan Offshore	82,402	21,567
	12,180,517	10,642,316

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7. Financing of customers (cont'd.)

(viii) By economic purpose

	Group	
	2014	2013
	RM'000	RM'000
Purchase of securities	92	92
Purchase of transport vehicles	1,128,710	1,010,295
Purchase of landed properties of which:		
– residential	3,590,688	2,892,026
– non-residential	336,572	269,341
Purchase of fixed assets (excluding landed properties)	1,146,720	1,061,774
Personal use	3,167,428	2,909,624
Construction	516,326	526,512
Working capital	833,031	500,543
Other purposes	1,450,567	1,453,715
	12,170,134	10,623,922
	12,170,134	10,623,922

	Bank	
	2014	2013
	RM'000	RM'000
Purchase of securities	92	92
Purchase of transport vehicles	1,128,710	1,010,295
Purchase of landed properties of which:		
– residential	3,590,688	2,892,026
– non-residential	336,572	269,341
Purchase of fixed assets (excluding landed properties)	1,146,720	1,061,774
Personal use	3,167,428	2,909,624
Construction	516,326	526,512
Working capital	833,031	500,543
Other purposes	1,460,950	1,472,109
	12,180,517	10,642,316
	12,180,517	10,642,316

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8. Impaired financing

(i) Movements in the impaired financing

	Group RM'000	Bank RM'000
As at 31 March 2013		
As at 1 April 2012	446,344	452,344
Classified as impaired during the year	271,605	271,605
Reclassified as performing during the year	(143,533)	(143,533)
Recovered during the year	(155,741)	(155,741)
Written off during the year	(153,307)	(153,307)
As at 31 March 2013	<u>265,368</u>	<u>271,368</u>
Ratio of gross impaired financing to total financing	<u>2.5%</u>	<u>2.5%</u>
As at 31 March 2014		
As at 1 April 2013	265,368	271,368
Classified as impaired during the year	468,131	468,131
Reclassified as performing during the year	(222,303)	(222,303)
Recovered during the year	(169,037)	(169,037)
Written off during the year	(16,453)	(16,453)
As at 31 March 2014	<u>325,706</u>	<u>331,706</u>
Ratio of gross impaired financing to total financing	<u>2.7%</u>	<u>2.7%</u>

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8. Impaired financing (cont'd.)

(ii) Movements in the allowance for impaired financing

Collective assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2013		
As at 1 April 2012	268,297	268,297
Allowance made during the year (Note 28)	368,321	368,321
Amount written-back (Note 28)	(366,720)	(366,720)
Amount written-off	(27,055)	(27,055)
As at 31 March 2013	<u>242,843</u>	<u>242,843</u>
As % of gross financing, less individual assessment allowance	<u>2.3%</u>	<u>2.3%</u>

As at 31 March 2014

As at 1 April 2013	242,843	242,843
Allowance made during the year (Note 28)	374,131	374,131
Amount written-back (Note 28)	(406,525)	(406,525)
Amount written-off	(14,498)	(14,498)
As at 31 March 2014	<u>195,951</u>	<u>195,951</u>
As % of gross financing, less individual assessment allowance	<u>1.6%</u>	<u>1.6%</u>

Individual assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2013		
As at 1 April 2012	161,904	167,904
Allowance made during the year (Note 28)	21,876	21,876
Amount written-back (Note 28)	(29,874)	(29,874)
Amount written-off	(125,453)	(125,453)
As at 31 March 2013	<u>28,453</u>	<u>34,453</u>

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8. Impaired financing (cont'd.)

(ii) Movements in the allowance for impaired financing (cont'd.)

Individual assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2014		
As at 1 April 2013	28,453	34,453
Allowance made during the year (Note 28)	81,350	81,350
Amount written-back (Note 28)	(32,326)	(32,326)
Amount written-off	(2,985)	(2,985)
As at 31 March 2014	<u>74,492</u>	<u>80,492</u>

(iii) Impaired financing by geographical area

	Group	
	2014 RM'000	2013 RM'000
Domestic	318,687	243,801
Labuan Offshore	7,019	21,567
	<u>325,706</u>	<u>265,368</u>
	Bank	
	2014 RM'000	2013 RM'000
Domestic	324,687	249,801
Labuan Offshore	7,019	21,567
	<u>331,706</u>	<u>271,368</u>

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8. Impaired financing (cont'd.)

(iv) Impaired financing by sector

	Group	
	2014	2013
	RM'000	RM'000
Agriculture	214	-
Manufacturing	61,381	10,220
Construction	60,672	57,083
Purchase of landed property:		
- Residential	67,693	84,590
- Non-residential	5,456	10,313
Wholesale and retail and restaurant	36,912	15,620
Transport, storage and communication	141	137
Finance, takaful and business services	15,410	31,020
Purchase of securities	14	18
Purchase of transport vehicles	32,151	29,306
Consumption credit	36,059	26,086
Community, social and personal service	9,603	975
	325,706	265,368
	Bank	
	2014	2013
	RM'000	RM'000
Agriculture	214	-
Manufacturing	61,381	10,220
Construction	60,672	63,083
Purchase of landed property:		
- Residential	67,693	84,590
- Non-residential	5,456	10,313
Wholesale and retail and restaurant	42,912	15,620
Transport, storage and communication	141	137
Finance, takaful and business services	15,410	31,020
Purchase of securities	14	18
Purchase of transport vehicles	32,151	29,306
Consumption credit	36,059	26,086
Community, social and personal service	9,603	975
	331,706	271,368

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8. Impaired financing (cont'd.)

(v) Impaired financing by economic purpose

	Group	
	2014	2013
	RM'000	RM'000
Purchase of securities	14	18
Purchase of transport vehicles	32,151	29,306
Purchase of landed properties of which:		
– residential	67,693	84,590
– non-residential	5,456	10,313
Purchase of fixed assets (excluding landed properties)	10,663	3,171
Personal use	36,059	26,086
Construction	60,672	57,083
Working capital	32,654	7,000
Other purposes	80,344	47,801
	325,706	265,368
	Bank	
	2014	2013
	RM'000	RM'000
Purchase of securities	14	18
Purchase of transport vehicles	32,151	29,306
Purchase of landed properties of which:		
– residential	67,693	84,590
– non-residential	5,456	10,313
Purchase of fixed assets (excluding landed properties)	10,663	3,171
Personal use	36,059	26,086
Construction	60,672	63,083
Working capital	32,654	7,000
Other purposes	86,344	47,801
	331,706	271,368

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9. Other assets

	Group	
	2014	2013
	RM'000	RM'000
Deposits	18,612	6,193
Prepayments	4,037	2,662
Tax prepayment	-	61
Clearing accounts	26,000	40,992
Foreclosed properties	7,244	14,000
Golf club membership	600	900
Other debtors	30,807	25,216
	87,300	90,024

	Bank	
	2014	2013
	RM'000	RM'000
Deposits	18,610	6,041
Prepayments	3,934	2,660
Amount due from subsidiaries	6	91
Clearing accounts	26,000	40,992
Foreclosed properties	7,244	14,000
Golf club membership	600	900
Other debtors	30,340	15,809
	86,734	80,493

10. Statutory deposit with Bank Negara Malaysia

The Statutory deposit 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.

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11. Investment in subsidiaries

	Bank	
	2014	2013
	RM'000	RM'000
Unquoted shares at cost		
- in Malaysia	10,823	10,823
Less: Accumulated impairment loss	(4,439)	(4,439)
	6,384	6,384

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

Name	Principal activities	Percentage of equity held		Paid up capital	
		2014	2013	2014	2013
		%	%	RM	RM
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	100	100	10,000,000	10,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	100	100	100,002	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100	2	2
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	100	100	2	2

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12. Investment in associate

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Unquoted shares at cost	580	1,000
Share of loss of the associate	(580)	(420)
	<u>-</u>	<u>580</u>
	Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
Unquoted shares at cost		
As at 1 April 2013	1,000	-
Acquired during the year	-	1,000
Disposed during the year	(1,000)	-
As at 31 March 2014	<u>-</u>	<u>1,000</u>

Details of the associate which is incorporated in Malaysia are as follows:-

Name	Principal activity	Percentage of equity held		Paid up capital
		31 March 2014 %	31 March 2013 %	31 March 2014 RM
Pos Ar-Rahnu Sdn. Bhd.	Islamic Pawn broking	-	20	5,000,000

During the year, the associate company was disposed at cost on 30 September 2013, resulting in a gain on disposal for the Group of RM1,000,000.

The summarised financial information of the associate as at the disposal date and comparatives as at 31 March 2013 is as follow:

	Unaudited 30 September 2013 RM'000	31 March 2013 RM'000
Statement of financial position		
Total assets	52,169	26,466
Total liabilities	<u>54,420</u>	<u>23,563</u>
Income Statement		
Revenue	1,230	782
Loss after taxation	<u>(4,739)</u>	<u>(2,098)</u>

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13. Intangible assets

Group	Computer Software RM'000	Software under Development RM'000	Total RM'000
As at 31 March 2014			
Cost			
At 1 April 2013	44,161	23,967	68,128
Additions	3,818	51,385	55,203
Reclassification	693	(693)	-
As at 31 March 2014	<u>48,672</u>	<u>74,659</u>	<u>123,331</u>
Accumulated amortisation			
At 1 April 2013	33,582	-	33,582
Charge for the year	7,490	-	7,490
As at 31 March 2014	<u>41,072</u>	<u>-</u>	<u>41,072</u>
Carrying amount as at 31 March 2014	<u>7,600</u>	<u>74,659</u>	<u>82,259</u>
At as 31 March 2013			
Cost			
At 1 April 2012	42,220	5,950	48,170
Additions	780	19,218	19,998
Write off	-	(40)	(40)
Reclassification	1,161	(1,161)	-
As at 31 March 2013	<u>44,161</u>	<u>23,967</u>	<u>68,128</u>
Accumulated amortisation			
At 1 April 2012	29,037	-	29,037
Charge for the year	4,545	-	4,545
As at 31 March 2013	<u>33,582</u>	<u>-</u>	<u>33,582</u>
Carrying amount as at 31 March 2013	<u>10,579</u>	<u>23,967</u>	<u>34,546</u>

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13. Intangible assets

Bank	Computer Software RM'000	Software under Development RM'000	Total RM'000
As at 31 March 2014			
Cost			
At 1 April 2013	44,161	23,967	68,128
Additions	2,925	51,385	54,310
Reclassification	693	(693)	-
As at 31 March 2014	<u>47,779</u>	<u>74,659</u>	<u>122,438</u>
Accumulated amortisation			
At 1 April 2013	33,582	-	33,582
Charge for the year	7,450	-	7,450
As at 31 March 2014	<u>41,032</u>	<u>-</u>	<u>41,032</u>
Carrying amount as at 31 March 2014	<u>6,747</u>	<u>74,659</u>	<u>81,406</u>
At as 31 March 2013			
Cost			
At 1 April 2012	42,220	5,950	48,170
Additions	780	19,218	19,998
Write off	-	(40)	(40)
Reclassification	1,161	(1,161)	-
As at 31 March 2013	<u>44,161</u>	<u>23,967</u>	<u>68,128</u>
Accumulated amortisation			
At 1 April 2012	29,037	-	29,037
Charge for the year	4,545	-	4,545
As at 31 March 2013	<u>33,582</u>	<u>-</u>	<u>33,582</u>
Carrying amount as at 31 March 2013	<u>10,579</u>	<u>23,967</u>	<u>34,546</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	Capital work in progress RM'000	Total RM'000
As at 31 March 2014					
Cost					
As at 1 April 2013	2,299	16,049	183,161	7,587	209,096
Additions	-	-	10,763	1,580	12,343
Disposals	(996)	(1,092)	(97)	-	(2,185)
Reclassification	-	-	3,338	(3,338)	-
As at 31 March 2014	1,303	14,957	197,165	5,829	219,254
Accumulated depreciation					
As at 1 April 2013	839	4,946	137,613	-	143,398
Charge for the year	49	381	16,602	-	17,032
Disposals	(353)	(376)	(98)	-	(827)
As at 31 March 2014	535	4,951	154,117	-	159,603
Carrying amount as at 31 March 2014	768	10,006	43,048	5,829	59,651
At as 31 March 2013					
Cost					
At as 1 April 2012	2,958	16,049	159,200	11,131	189,338
Additions	-	-	14,372	6,804	21,176
Disposals	(659)	-	(687)	-	(1,346)
Write off	-	-	-	(72)	(72)
Reclassification	-	-	10,276	(10,276)	-
As at 31 March 2013	2,299	16,049	183,161	7,587	209,096
Accumulated depreciation					
At as 1 April 2012	988	4,545	121,866	-	127,399
Charge for the year	71	401	16,379	-	16,851
Disposals	(220)	-	(632)	-	(852)
As at 31 March 2013	839	4,946	137,613	-	143,398
Carrying amount as at 31 March 2013	1,460	11,103	45,548	7,587	65,698

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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	Capital work in progress RM'000	Total RM'000
As at 31 March 2014					
Cost					
As at 1 April 2013	2,299	16,049	182,980	7,587	208,915
Additions	-	-	10,651	1,580	12,231
Disposals	(996)	(1,092)	(97)	-	(2,185)
Reclassification	-	-	3,338	(3,338)	-
As at 31 March 2014	1,303	14,957	196,872	5,829	218,961
Accumulated depreciation					
As at 1 April 2013	839	4,946	137,488	-	143,273
Charge for the year	49	381	16,570	-	17,000
Disposals	(353)	(376)	(97)	-	(826)
As at 31 March 2014	535	4,951	153,961	-	159,447
Carrying amount as at 31 March 2014	768	10,006	42,911	5,829	59,514
At as 31 March 2013					
Cost					
At as 1 April 2012	2,958	16,049	159,079	11,131	189,217
Additions	-	-	14,312	6,804	21,116
Disposals	(659)	-	(687)	-	(1,346)
Write off	-	-	-	(72)	(72)
Reclassification	-	-	10,276	(10,276)	-
As at 31 March 2013	2,299	16,049	182,980	7,587	208,915
Accumulated depreciation					
At as 1 April 2012	988	4,545	121,745	-	127,278
Charge for the year	71	401	16,375	-	16,847
Disposals	(220)	-	(632)	-	(852)
As at 31 March 2013	839	4,946	137,488	-	143,273
Carrying amount as at 31 March 2013	1,460	11,103	45,492	7,587	65,642

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15. Prepaid land lease payments

	Group and Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
At 1 April	247	251
Amortisation	(4)	(4)
As at 31 March	<u>243</u>	<u>247</u>
Analysed as:		
Long term leasehold land	<u>243</u>	<u>247</u>

16. Deferred tax assets

	Group and Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
At beginning of the year	17,027	62,133
Recognised in the income statement (Note 37)	(5,057)	(35,859)
Recognised in the equity	816	(9,247)
At end of the year	<u>12,786</u>	<u>17,027</u>

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

	Group and Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
Deferred tax assets	<u>12,786</u>	<u>17,027</u>

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16. Deferred tax assets (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 and the Bank:

	Allowance for impaired financing RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2012	39,436	12,314	18,546	70,296
Recognised in income statements	(39,436)	2,027	(32)	(37,441)
Recognised in the equity	-	-	(9,247)	(9,247)
At 31 March 2013	<u>-</u>	<u>14,341</u>	<u>9,267</u>	<u>23,608</u>
At 1 April 2013	-	14,341	9,267	23,608
Recognised in income statements	-	(8,078)	118	(7,960)
Recognised in the equity	-	-	816	816
At 31 March 2014	<u>-</u>	<u>6,263</u>	<u>10,201</u>	<u>16,464</u>

Deferred tax liability of the Group and the Bank:

	Property, plant and equipment RM'000	Total RM'000
At 1 April 2012	(8,163)	(8,163)
Recognised in the income statement	1,582	1,582
At 31 March 2013	<u>(6,581)</u>	<u>(6,581)</u>
At 1 April 2013	(6,581)	(6,581)
Recognised in the income statement	2,903	2,903
At 31 March 2014	<u>(3,678)</u>	<u>(3,678)</u>

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17. Deposits from customers

(i) By type of deposits

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Non-Mudharabah Fund		
Demand deposits	2,342,082	2,576,108
Savings deposits	471,825	499,571
Negotiable Islamic debt certificate	1,715,087	856,478
Others	467,661	481,664
	<u>4,996,655</u>	<u>4,413,821</u>
Mudharabah Fund		
Demand deposits	685,940	325,814
Savings deposits	799,994	467,662
General investment deposits	10,329,673	12,299,161
Special general investment deposits	816,966	1,237,721
	<u>12,632,573</u>	<u>14,330,358</u>
	<u>17,629,228</u>	<u>18,744,179</u>

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17. Deposits from customers (cont'd.)

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

	Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
Non-Mudharabah Fund		
Demand deposits	2,346,214	2,576,587
Savings deposits	471,825	499,571
Negotiable Islamic debt certificate	1,715,087	856,478
Others	467,661	481,664
	<u>5,000,787</u>	<u>4,414,300</u>
Mudharabah Fund		
Demand deposits	685,940	325,814
Savings deposits	799,994	467,662
General investment deposits	10,334,973	12,304,758
Special general investment deposits	816,966	1,237,721
	<u>12,637,873</u>	<u>14,335,955</u>
	<u>17,638,660</u>	<u>18,750,255</u>

(ii) By type of customer

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Government and statutory bodies	4,199,543	3,102,500
Business enterprises	8,410,546	9,380,933
Individuals	1,607,533	1,318,928
Others	3,411,606	4,941,818
	<u>17,629,228</u>	<u>18,744,179</u>

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17. Deposits from customers (cont'd.)

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

	Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
Government and statutory bodies	4,199,543	3,102,500
Business enterprises	8,419,979	9,380,933
Individuals	1,607,533	1,318,928
Others	3,411,605	4,947,894
	<u>17,638,660</u>	<u>18,750,255</u>

The maturity structure of negotiable instruments of deposit and mudharabah general and special investment deposit are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Due within six months	11,615,918	11,706,967
More than six months to one year	1,240,835	2,671,003
More than one year to three years	4,973	15,390
	<u>12,861,726</u>	<u>14,393,360</u>

	Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
Due within six months	11,621,218	11,712,564
More than six months to one year	1,240,835	2,671,003
More than one year to three years	4,973	15,390
	<u>12,867,026</u>	<u>14,398,957</u>

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
Non-Mudharabah		
Bank Negara Malaysia	6,831	10,774
Others financial institutions	94,243	-
	<u>101,074</u>	<u>10,774</u>

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19. 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.

20. Other liabilities

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Sundry creditors	729	672
Provision for commitments and contingencies (Note (a))	7,412	25,428
Accrual for bonus	17,960	32,102
Accrued expenses	23,071	15,560
Accrual for directors' fees	672	658
Accrual for audit fees	219	323
Other liabilities	7,698	19,524
	<u>57,761</u>	<u>94,267</u>

	Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
Sundry creditors	1,172	1,750
Provision for commitments and contingencies (Note (a))	7,412	25,428
Accrual for bonus	17,642	31,937
Accrued expenses	22,989	15,505
Accrual for directors' fees	672	658
Accrual for audit fees	205	310
Other liabilities	7,701	19,524
	<u>57,793</u>	<u>95,112</u>

(a) Movement in provision for commitments and contingencies:

	Group and Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
At beginning of the year	25,428	40,273
Provision written back during the year	(6,000)	(14,845)
Settlement during the year	(12,016)	-
At end of the year	<u>7,412</u>	<u>25,428</u>

The provision relates to bank guarantees issued by the Group and the Bank that have a high likelihood to result in claims from the beneficiaries.

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21. Provision for zakat and taxation

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Zakat	5,412	6,149
Taxation	7,435	8,356
	<u>12,847</u>	<u>14,505</u>

	Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
Zakat	5,412	6,149
Taxation	7,295	8,349
	<u>12,707</u>	<u>14,498</u>

22. Recourse obligation on financing sold to Cagamas

	Group and Bank	
	31 March 2014 RM'000	31 March 2013 RM'000
At beginning of the year	61,679	64,910
Payment during the year	<u>(61,679)</u>	<u>(3,231)</u>
At end of the year	<u>-</u>	<u>61,679</u>

Recourse obligation on financing sold to Cagamas represents those financing acquired from the originators and sold to Cagamas Berhad with recourse. Under the agreement, 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 pre-determined and agreed-upon prudential criteria with recourse against the originators.

23. Subordinated sukuk

Subordinated sukuk as at 31 March 2014 relates to a RM400 million Tier-2 Capital Islamic Subordinated Sukuk issued on 15 June 2011. The sukuk carries a tenure of 10 years from the issue date on a 10 non-callable 5 basis feature with a profit rate of 5.15% per annum.

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23. Subordinated sukuk (cont'd.)

Should the Bank decide not to exercise its option to redeem the sukuk, the sukuk holders will be entitled to a replacement of other capital instrument of the same or better quality and such replacement of capital shall be done prior to or concurrent with the redemption of the sukuk. Subject to the gradual phase out treatment in accordance with BNM's Capital Adequacy Framework for Islamic Bank (Capital Components) issued on 28 November 2012, the RM400 million sukuk qualifies as Tier-2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.

24. Share capital

	Number of shares of RM1 each		Amount	
	31 March 2014 '000	31 March 2013 '000	31 March 2014 RM'000	31 March 2013 RM'000
Authorised:				
Ordinary shares	<u>3,000,000</u>	3,000,000	<u>3,000,000</u>	3,000,000
Musharakah Irredeemable Non-Cumulative Convertible Preference Shares	<u>1,000,000</u>	1,000,000	<u>1,000,000</u>	1,000,000
Total	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>
Issued and fully paid:				
Ordinary shares				
At 1 January	<u>1,000,000</u>	1,000,000	<u>1,000,000</u>	1,000,000
Issued during the year	<u>195,000</u>	-	<u>195,000</u>	-
At 1 April/31 March	<u>1,195,000</u>	1,000,000	<u>1,195,000</u>	1,000,000

During the current financial year ended 31 March 2014, the Bank increased its issued and paid-up share capital from RM1,000,000,000 to RM1,195,000,000 via issuance of 195,000,000 new ordinary shares of RM1.00 each arising from the reinvestment of the dividend paid on 25 July 2013 into ordinary shares.

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25. Reserves

	Note	Group	
		31 March 2014 RM'000	31 March 2013 RM'000
Statutory reserve	(a)	473,705	398,978
Retained profit	(b)	107,885	226,048
Exchange fluctuation reserve	(c)	(787)	(610)
Net unrealised losses on financial investment available-for-sale	(d)	(30,227)	(25,940)
		<u>550,576</u>	<u>598,476</u>

	Note	Bank	
		31 March 2014 RM'000	31 March 2013 RM'000
Statutory reserve	(a)	472,108	397,381
Retained profit	(b)	105,269	225,542
Exchange fluctuation reserve	(c)	(787)	(610)
Net unrealised losses on financial investment available-for-sale	(d)	(30,227)	(25,940)
		<u>546,363</u>	<u>596,373</u>

(a) Statutory reserve

The statutory reserve is maintained in compliance with Section 57 (2)(1) of the Islamic Financial Service Act 2013 and is not distributable as cash dividends.

(b) Retained profit

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Bank did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the 108 balance to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2013, the Bank has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings. Any 108 balance which has not been utilised as at 31 December 2013 is disregarded. Thereafter, the Bank may distribute dividends out of its entire retained earnings under the single tier system.

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25. Reserves (cont'd.)

(c) Exchange fluctuation reserves

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) Net unrealised losses on financial investment available-for-sale

This represent the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed or impaired.

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	576,954	661,453
(ii) Other deposits	337,132	255,116
	<u>914,086</u>	<u>916,569</u>

(i) Income derived from investment of general investment deposits

	Group and Bank	
	2014	2013
	RM'000	RM'000
Finance income and hibah:		
Income from financing	397,055	444,879
Financial investment held-for-trading	13	13
Financial investment held-for-maturity	-	860
Financial investment available-for-sale	133,091	144,458
Money at call and deposit with financial institutions	24,024	37,683
	<u>554,183</u>	<u>627,893</u>
(Amortisation of premium)/accretion of discounts, net	<u>(2,520)</u>	811
Total finance income and hibah	<u>551,663</u>	<u>628,704</u>

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

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Other operating income:		
Net gain/(loss) from sale/redemption of:		
- financial investment held-for-trading	631	456
- financial investment available-for-sale	3,946	2,526
- financial investment held-to-maturity	-	9,738
- financing to customer	-	(2,220)
	<u>4,577</u>	<u>10,500</u>
Fees and commission		
Guarantee fees	1,962	2,740
Safekeeping fees	5,092	2,562
Processing fees	2,925	1,330
Service charges and fees	6,185	6,535
Commission	4,550	9,082
	<u>20,714</u>	<u>22,249</u>
Total	<u>576,954</u>	<u>661,453</u>
Of which:		
Financing income earned on impaired financing	<u>71</u>	<u>1,725</u>

(ii) Income derived from investment of other deposits

	Group and Bank	
	2014	2013
	RM'000	RM'000
Finance income and hibah		
Income from financing	232,013	171,585
Financial investment held-for-trading	7	5
Financial investment held-for-maturity	-	332
Financial investment available-for-sale	77,769	55,716
Money at call and deposit with financial institutions	14,038	14,534
	<u>323,827</u>	<u>242,172</u>
(Amortisation of premium)/accretion of discounts, net	<u>(1,473)</u>	<u>313</u>
Total finance income and hibah	<u>322,354</u>	<u>242,485</u>

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

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Other operating income		
Net gain/(loss) from sale/redemption of:		
- financial investment held-for-trading	369	176
- financial investment available-for-sale	2,306	974
- financial investment held-to-maturity	-	3,756
- financing to customer	-	(856)
	<u>2,675</u>	<u>4,050</u>
Fees and commission		
Guarantee fees	1,146	1,057
Safekeeping fees	2,975	1,497
Processing fees	1,709	4
Service charges and fees	3,614	2,521
Commission	2,659	3,502
	<u>12,103</u>	<u>8,581</u>
Total	<u>337,132</u>	<u>255,116</u>
Of which :		
Financing income earned on impaired financing	<u>42</u>	<u>665</u>

27. Income derived from investment of shareholders' funds

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financial investment				
available-for-sale	24,437	31,782	24,437	31,782
Accretion of discounts, net	2,667	1,639	2,667	1,639
Total finance income and hibah	<u>27,104</u>	<u>33,421</u>	<u>27,104</u>	<u>33,421</u>

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

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Other operating income				
Net gain on revaluation of foreign exchange transactions	23,511	21,049	23,511	21,049
Net (loss)/gain from foreign exchange derivatives	(5,043)	899	(5,043)	899
Net gain from sale of financial investment available-for-sale	6,259	6,268	6,259	6,268
Net gain from sale of fair value through profit and loss securities	6,604	-	6,604	-
Loss from derecognition of investment securities	(4,522)	-	(4,522)	-
Gain from disposal of associate	1,000	-	-	-
Gross dividend income -unquoted in Malaysia	3,223	1,935	3,223	1,935
Net dividend paid for Islamic profit rate swap	(4,062)	(1,302)	(4,062)	(1,302)
Unrealised gain/(loss) on revaluation of Islamic profit rate swap	25,350	(3,837)	25,350	(3,837)
Unrealised (loss)/gain on revaluation from hedged items	(21,708)	7,363	(21,708)	7,363
	30,612	32,375	29,612	32,375
Fees and commission				
Processing fees	32	1,825	32	1,825
Corporate advisory fees	3,837	3,016	1,542	3,035
Service charges and fees	3,089	1,601	490	504
Commission	8,366	9,495	8,366	9,495
Others	62	87	62	87
	15,386	16,024	10,492	14,946
Other income				
Rental income	545	611	545	611
Gain from sale of property plant and equipment	7,912	339	7,912	339
Gain from sale of foreclosed properties	8,744	-	8,744	-
	17,201	950	17,201	950
Total	90,303	82,770	84,409	81,692

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28. (Writeback of)/allowance for impairment on financing

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(Writeback of)/allowance for impairment on financing				
(a) Individual assessment allowance (Note 8(ii)):				
Made during the year	81,350	21,876	81,350	21,876
Written back during the year	(32,326)	(29,874)	(32,326)	(29,874)
	49,024	(7,998)	49,024	(7,998)
(b) Collective assessment allowance (Note 8(ii)):				
Made during the year	374,131	368,321	374,131	368,321
Written back during the year	(406,525)	(366,720)	(406,525)	(366,720)
	(32,394)	1,601	(32,394)	1,601
Bad debts on financing:				
Written off	5,381	12,767	5,381	12,767
Recovered	(77,301)	(18,924)	(77,301)	(18,924)
	(71,920)	(6,157)	(71,920)	(6,157)
Total	(55,290)	(12,554)	(55,290)	(12,554)

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29. Impairment (writeback)/loss on investments

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Impairment (writeback)/loss on Islamic private debt securities included under available-for-sale	(5,543)	9,304	(5,543)	9,304
Impairment writeback on Islamic private debt securities included under held-to-maturity	-	(2,061)	-	(2,061)
Impairment loss on Islamic private debt securities included under fair value through profit	700	-	-	-
	(4,843)	7,243	(5,543)	7,243

30. Income attributable to depositors

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah funds	384,010	336,202	384,166	336,370
- Non-Mudharabah funds	55,555	74,426	55,558	74,427
Deposits and placements of banks and other financial institutions				
- Mudharabah funds	3,309	99	3,309	99
- Non-Mudharabah funds	3,993	5,817	3,993	5,817
	446,867	416,544	447,026	416,713

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31. Personnel expenses

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Salary and wages	127,189	115,662	125,875	114,692
Contribution to defined contribution plan	23,686	22,799	23,529	22,652
Social security contributions	1,193	1,098	1,193	1,098
Allowances and bonuses	29,538	34,872	30,466	34,563
Others	25,503	22,577	24,013	22,494
	207,109	197,008	205,076	195,499

32. Directors and shariah committee members' remuneration

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(a) Executive Directors/ Chief Executive Officer				
Salaries and wages	1,741	1,369	1,247	1,134
Other emoluments	630	385	463	318
Bonuses	1,483	630	1,323	630
Benefits-in-kind	62	95	60	90
	3,916	2,479	3,093	2,172
(b) Non-Executive Directors				
Fees	934	910	894	902
Benefits-in-kind	-	28	-	28
Other emoluments	545	533	537	531
	1,479	1,471	1,431	1,461
(c) Shariah Committee Members				
Allowance	399	340	399	340
	399	340	399	340
Total	5,794	4,290	4,923	3,973
Total (excluding benefits-in-kind)	5,732	4,167	4,863	3,855

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32. 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 2014	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 32(a) :						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,247	-	1,323	463	60	3,093
Executive Director of the subsidiaries:						
Sharifatul Hanizah Binti Said Ali	494		160	167	2	823
	1,741	-	1,483	630	62	3,916
Note 32(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	35	-	257
Tuan Haji Ismail Ibrahim *	-	84	-	79	-	163
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	72	-	156
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	73	-	157
Tuan Haji Mohd Izani Ghani *	-	84	-	42	-	126
Dato' Azmi Abdullah	-	84	-	103	-	187
Dato' Hj Kamil Khalid Ariff	-	84	-	74	-	158
Dato' Sri Che Khalib Mohamad Noh	-	84	-	23	-	107
Dato' Mohamed Hazlan Mohamed Hussain	-	84	-	36	-	120
Dato' Sri Haji Mohd Khamil Jamil	-	-	-	-	-	-
Dato' Lukman Ibrahim	-	-	-	-	-	-
Director -subsidiaries:						
Shariah Committee:						
Fakihah binti Azahari	-	20	-	3	-	23
Dato' Adnan bin Alias	-	20	-	5	-	25
	-	934	-	545	-	1,479
Total Directors' remuneration	1,741	934	1,483	1,175	62	5,395

* Director's fees payable to Khazanah Nasional Berhad

Group and Bank 2014	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 32(c) :						
Shariah Committee:						
En Azizi Che Seman	-	48	-	28	-	76
Dr Mohamad Sabri Haron	-	42	-	22	-	64
Engku Ahmad Fadzil Engku Ali	-	42	-	26	-	68
Dr Ab Halim Muhammad	-	42	-	23	-	65
Dr Zulkifli Mohamad	-	42	-	18	-	60
Dr Wan Marhaini Wan Ahmad	-	42	-	24	-	66
	-	258	-	141	-	399

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32. Directors and shariah committee members' remuneration (cont'd.)

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

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

Group 2013	Salary RM'000	Fees RM'000	Bonus RM'000	Other moluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 32(a) :						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,134	-	630	318	90	2,172
Executive Director of the subsidiaries:						
Sharifatul Hanizah Binti Said Ali	235	-	-	67	5	307
	<u>1,369</u>	<u>-</u>	<u>630</u>	<u>385</u>	<u>95</u>	<u>2,479</u>
Note 32(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	244	-	35	28	307
Tuan Haji Ismail Ibrahim *	-	84	-	74	-	158
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	72	-	156
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	80	-	164
Tuan Haji Mohd Izani Ghani *	-	84	-	41	-	125
Dato' Azmi Abdullah	-	84	-	105	-	189
Dato' Hj Kamil Khalid Ariff	-	84	-	72	-	156
Dato' Sri Che Khalib Mohamad Noh	-	49	-	17	-	66
Dato' Mohamed Hazlan Mohamed Hussain	-	49	-	21	-	70
Dato' Sri Haji Mohd Khamil Jamil	-	21	-	6	-	27
Dato' Lukman Ibrahim	-	35	-	8	-	43
Director -subsidiaries:						
Fakihah binti Azahari	-	8	-	2	-	10
	<u>-</u>	<u>910</u>	<u>-</u>	<u>533</u>	<u>28</u>	<u>1,471</u>
Total Directors' remuneration	<u>1,369</u>	<u>910</u>	<u>630</u>	<u>918</u>	<u>123</u>	<u>3,950</u>

* Director's fees payable to Khazanah Nasional Berhad

Group and Bank 2013	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 32(c) :						
Shariah Committee:						
En Azizi Che Seman	-	46	-	17	-	63
Dr Mohamad Sabri Haron	-	40	-	17	-	57
Engku Ahmad Fadzil Engku Ali	-	40	-	17	-	57
Dr Ab Halim Muhammad	-	40	-	16	-	56
Dr Zulkifli Mohamad	-	40	-	13	-	53
Dr Wan Marhaini Wan Ahmad	-	40	-	14	-	54
	<u>-</u>	<u>246</u>	<u>-</u>	<u>94</u>	<u>-</u>	<u>340</u>

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32. Directors and shariah committee members' remuneration (cont'd.)

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

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

Bank 2014	Salary RM'000	Fees RM'000	Bonus RM'000	Other moluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 32(a) :						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,247	-	1,323	463	60	3,093
	1,247	-	1,323	463	60	3,093
Note 32(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	35	-	257
Tuan Haji Ismail Ibrahim *	-	84	-	79	-	163
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	72	-	156
Tengku Dato' Seri Hasmuiddin Tengku Othman	-	84	-	73	-	157
Tuan Haji Mohd Izani Ghani *	-	84	-	42	-	126
Dato' Azmi Abdullah	-	84	-	103	-	187
Dato' Hj Kamil Khalid Ariff	-	84	-	74	-	158
Dato' Sri Che Khalib Mohamad Noh	-	84	-	23	-	107
Dato' Mohamed Hazlan Mohamed Hussain	-	84	-	36	-	120
Dato' Sri Haji Mohd Khamil Jamil	-	-	-	-	-	-
Dato' Lukman Ibrahim	-	-	-	-	-	-
	-	894	-	537	-	1,431
Total Directors' remuneration	1,247	894	1,323	1,000	60	4,524

* Director's fees payable to Khazanah Nasional Berhad

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32. Directors and shariah committee members' remuneration (cont'd.)

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

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

Bank 2013	Salary RM'000	Fees RM'000	Bonus RM'000	Other moluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 32(a) :						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,134	-	630	318	90	2,172
	<u>1,134</u>	<u>-</u>	<u>630</u>	<u>318</u>	<u>90</u>	<u>2,172</u>
Note 32(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	244	-	35	28	307
Tuan Haji Ismail Ibrahim *	-	84	-	74	-	158
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	72	-	156
Tengku Dato' Seri Hasmuiddin Tengku Othman	-	84	-	80	-	164
Tuan Haji Mohd Izani Ghani *	-	84	-	41	-	125
Dato' Azmi Abdullah	-	84	-	105	-	189
Dato' Hj Kamil Khalid Ariff	-	84	-	72	-	156
Dato' Sri Che Khalib Mohamad Noh	-	49	-	17	-	66
Dato' Mohamed Hazlan Mohamed Hussain	-	49	-	21	-	70
Dato' Sri Haji Mohd Khamil Jamil	-	21	-	6	-	27
Dato' Lukman Ibrahim	-	35	-	8	-	43
	<u>-</u>	<u>902</u>	<u>-</u>	<u>531</u>	<u>28</u>	<u>1,461</u>
Total Directors' remuneration	<u>1,134</u>	<u>902</u>	<u>630</u>	<u>849</u>	<u>118</u>	<u>3,633</u>

* Director's fees payable to Khazanah Nasional Berhad

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33. Key management personnel remuneration

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2014	2013
	RM'000	RM'000
Short-term employees benefits (salary, bonus and allowances)	8,513	5,970
Included in the total key management personnel are:		
Executive directors' remuneration (Note 32(a))	3,916	2,479
	Bank	
	2014	2013
	RM'000	RM'000
Short-term employees benefits (salary, bonus, allowances)	7,690	5,664
Included in the total key management personnel are:		
Executive directors' remuneration (Note 32(a))	3,093	2,172

34. Other overheads and expenditures

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Marketing				
Advertisement and publicity	17,557	7,478	17,527	7,478
Donation and sponsorship	22,897	7,662	22,897	7,662
Others	2,683	3,960	2,649	3,953
	43,137	19,100	43,073	19,093

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Establishment				
Rental	8,636	8,244	8,636	8,244
Depreciation	17,032	16,851	17,000	16,847
Amortisation of intangible assets	7,490	4,545	7,450	4,545
Amortisation of prepaid land lease payment	4	4	4	4
Information technology expenses	35,839	35,534	35,839	35,534
Repair and maintenance	2,135	3,225	2,125	3,223
Hire of equipment	5,052	4,590	4,630	4,584
Takaful	3,961	5,410	3,961	5,410
Utilities expenses	5,181	5,105	5,151	5,087
Security expenses	8,312	7,091	8,312	7,091
Others	3,347	3,829	3,339	3,823
	96,989	94,428	96,447	94,392
General expenses				
Auditors' fees				
- statutory audit	360	325	344	310
- regulatory related services	359	252	341	225
- others	100	89	92	80
Professional fees	3,789	1,468	3,663	1,367
Legal expenses	2,857	1,862	2,857	1,862
Telephone	2,250	2,169	2,242	2,161
Stationery and printing	2,594	2,490	2,580	2,485
Postage and courier	1,691	1,991	1,691	1,991
Travelling	3,767	3,785	3,762	3,784
Directors remuneration and Shariah Committee allowance (Note 32)	5,732	4,167	4,863	3,855
Impairment of Golf Club membership	300	-	300	-
Property, plant and equipment written off	-	72	-	72
Intangible assets written off	-	40	-	40
Others	10,912	6,654	12,643	9,564
	34,711	25,364	35,378	27,796
	174,837	138,892	174,898	141,281

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35. Finance cost

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Dividend paid on subordinated sukuk	20,600	20,577	20,600	20,577
Subordinated sukuk charges paid to subsidiary company	-	722	-	-
	20,600	21,299	20,600	20,577

36. Zakat

	Group and Bank	
	2014	2013
	RM'000	RM'000
Provision of zakat for the year	5,412	6,149
Overprovision in prior year	(275)	-
	5,137	6,149

37. Taxation

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current income tax	47,017	54,597	46,293	54,348
In respect of changes in tax treatment for collective assessment allowance	-	(29,656)	-	(29,656)
(Over)/Under provision in prior years	(491)	1,078	(458)	1,092
	46,526	26,019	45,835	25,784
Deferred tax:				
Relating to origination and reversal of temporary differences	5,056	(1,725)	5,056	(1,725)
In respect of changes in tax treatment for collective assessment allowance	-	39,436	-	39,436
Under/(Over) provision in prior years	1	(1,852)	1	(1,852)
	5,057	35,859	5,057	35,859
	51,583	61,878	50,892	61,643

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37. Taxation (cont'd.)

Domestic current income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year.

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation	208,284	235,963	205,483	234,978
Taxation at Malaysian statutory tax rate 25% (2014: 25%)	52,071	58,991	51,371	58,745
Income not subject to tax	(5,127)	(9,942)	(4,468)	(9,942)
Expenses not deductible for tax purposes	5,129	3,823	4,446	3,820
Over provision of income tax in prior years	(491)	(28,578)	(458)	(28,564)
Under provision of deferred tax in prior years	1	37,584	1	37,584
Income tax expense for the year	51,583	61,878	50,892	61,643

The Group has not recognised the following unused tax losses and unabsorbed capital allowances of subsidiary for the Group:

	Group	
	2014 RM'000	2013 RM'000
Unused tax losses	2,153	2,445

The unused tax losses of the Group amounting to RM2,153,095 (2013: RM2,445,000) are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

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38. Earnings per share

Basic and diluted	Group	
	2014	2013
	RM'000	RM'000
Profit attributable to ordinary equity holders of the Bank (RM'000)	151,564	167,936
Weighted average number of ordinary shares in issue ('000)	1,130,000	1,000,000
Basic earnings per share (sen)	13.4	16.8

39. Dividends

During the Annual General Meeting held on 18 July 2013, a final dividend in respect of the financial year ended 31 March 2013 of 26.0 sen per share, less taxation of 25% on 1,000,000,000 ordinary shares, amounting to RM195 million was approved by the shareholders.

Arising from the dividend payout, it was agreed that the shareholders to reinvest the dividend as a capital contribution and subscribe to the newly issued and paid up ordinary shares of RM195 million in accordance to the shareholders respective shareholdings.

The payment of cash dividends and crediting of shares under the dividend reinvestment plan ("DRP") was completed on 25 July 2013.

The director did not recommend any final dividend for the financial year ended 31 March 2014.

40. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group 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.

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

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Holding company		
Expenditure		
- hibah on deposit	553	86
- sponsorship	19,513	5,501
Amounts due to		
- deposits	63,200	50,000
	Bank	
	2014	2013
	RM'000	RM'000
Subsidiaries		
Income		
- management income	1,484	1,048
- profit sharing incentive	444	1,040
Expenditure		
- hibah on deposit	160	169
Amounts due from		
- financing	66,316	18,448
Amounts due to		
- deposits	9,432	6,075
	<u>9,432</u>	<u>6,075</u>

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

	Group and Bank	
	2014	2013
Key management personnel	RM'000	RM'000
Amounts due from		
- financing	268	36
	<hr/>	<hr/>
Other related companies		
Income		
- profit on financing	14,009	13,739
Expenditure		
- hibah on deposit	6,843	1,387
- seconded staff salary and related expenses	1,356	702
- mailing & courier service	355	301
- rental (Offsite ATM Machine & branch)	231	91
- others	668	791
Amounts due to		
- deposits	233,184	208,116
- derivatives	1,645	2,770
Amounts due from		
- financing	289,122	308,090
	<hr/>	<hr/>

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41. Credit exposures arising from credit transactions with connected parties

	Group and Bank	
	2014	2013
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>1,368,359</u>	<u>1,218,329</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>6.3%</u>	<u>6.0%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>-</u>	<u>-</u>

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 private debt securities issued by the connected parties.

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

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42. Commitments and contingencies

- (i) In the normal course of business, the Group and the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Risk weighted exposures of the Group and the Bank are as follows:

	Group and Bank					
	2014			2013		
	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000
The commitments and contingencies constitute the following:						
Contingent liabilities						
Direct credit substitutes	15,880	15,880	15,707	16,362	16,362	8,362
Trade-related contingencies	34,424	6,885	4,284	73,372	14,674	4,904
Transaction related contingencies	344,838	172,419	168,699	501,061	250,531	191,325
Obligations under an on-going underwriting agreement	7,500	3,750	750	25,000	12,500	2,500
Commitments						
Credit extension commitment:						
- Maturity within one year	705,115	141,023	124,981	450,046	90,009	76,294
- Maturity exceeding one year	2,433,060	1,216,529	420,255	1,944,354	972,177	256,626
Bills of collection	11,012	-	-	19,712	-	-
Islamic derivative financial instruments						
Foreign exchange related contracts	711,521	9,528	4,558	395,124	6,670	4,341
Profit rate related contract	2,800,000	89,624	17,925	875,000	37,250	7,450
	7,063,350	1,655,638	757,159	4,300,031	1,400,173	551,802

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43. Financial risk management objectives and policies

Overview

The integrated risk management system enables the Group and Bank to achieve a single view of risks across its various business operations and in order to gain strategic competitive advantage from its capabilities. It can be described as the strategy and technique of managing risks by taking a holistic approach towards risk management process, which includes risk identification, measurement and management. It also aims at integrating the control and optimization 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 organization, infrastructure, process and technology with the objective of advancing the Group and Bank towards value protection and creation.

Generally, the objectives of the Group and Bank 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 and Bank strategy, lines of business and nature of operations;
- Set out an enterprise-wide organization structure and defining the appropriate roles and responsibilities; and
- Instill the risk culture within the Group and Bank.

Risk governance

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

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

The execution of the Board's risk strategies and policies is the responsibility of the Group's and Bank's management and the conduct of these functions are being exercised under a 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 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.

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

Risk governance (cont'd.)

There are other risk committees at the management level to oversee specific risk areas and control function the following is the detail:

Committee	Objective
Asset & Liability Working Committee ("ALCO")	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by BRMC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's large financing exposure (business and consumer). These include authority to decide on new and/or additional exposures and review the direction of existing exposure.
Investment Committee ("IC")	To manage the Bank's investments and decides on new and/or additional increases of existing investment securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

To carry out the day-to-day risk management functions, a dedicated Risk Management Department ("RMD") that is independent of profit and volume target, supports the above committees.

(a) Credit risk

Credit Risk is defined as the potential loss to the Group and Bank as a result of defaults in payment by counter parties via financing and investment activities. The Group and 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 private debt securities issuance).

The Group and Bank's RMD and Senior Management via ERMC implement and execute the strategies and policies in managing credit risk to ensure that the Bank's exposure to credit are always kept within the Group and Bank risk appetite parameters and the Group and Bank will be able to identify its risk tolerance levels. The administration of credit risk is governed by a full set of credit related policies such as Credit Risk Policy ("CRP"), and Guidelines to Credit Risk Policies ("GCRP"), product manuals and standard operating procedures.

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

(a) Credit risk (cont'd.)

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

The Group and Bank credit risk disclosures also cover past due and impaired financing including the approaches in determining the individual and collective impairment provisions.

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)****43. Financial risk management objectives and policies (cont'd.)****(a) Credit risk (cont'd.)****(i) Maximum credit risk exposures and credit risk concentration**

The following tables presents the Group's and the Bank's maximum exposure to credit risk (without taking account of any collateral held or other credit enhancements) for each class of financial assets, including derivatives with positive fair values, and commitments and contingencies. Where financial assets are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. Included in commitments and contingencies are contingent liabilities and credit commitments. For contingent liabilities, the maximum exposures to credit risk is the maximum amount that the Group or the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of undrawn credit granted to customers and derivative financial instruments.

A concentration credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

By sector analysis

The analysis of credit risk concentration presented relates to financial assets, including derivatives with positive fair values, and commitments and contingencies, subject to credit risk and are based on the sector in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account of any collateral held or other credit enhancements.

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43. 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

Group	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Others	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On balance sheet exposures							
Cash and short-term funds	-	966,260	-	-	-	-	966,260
Cash and placements with financial institutions	-	120,787	-	-	-	-	120,787
Financial investments designated at fair value through profit and loss	-	94,610	4,100	-	-	-	98,710
Financial investment available-for-sale	3,573,987	503,681	780,253	-	-	1,207,326	6,065,247
Islamic derivative financial assets	-	20,035	-	-	-	-	20,035
Financing of customers	560,164	728,528	1,356,244	736,609	1,085,553	7,432,593	11,899,691
Statutory deposit with Bank Negara Malaysia	648,721	-	-	-	-	-	648,721
Other financial assets	-	-	-	-	-	66,099	66,099
	4,782,872	2,433,901	2,140,597	736,609	1,085,553	8,706,018	19,885,550
Commitments and contingencies							
Contingent liabilities	7,478	7,500	59,292	227,589	-	100,783	402,642
Commitments	1,492,522	-	572,031	297,490	7,100	780,044	3,149,187
Derivative financial instruments	-	3,511,521	-	-	-	-	3,511,521
	1,500,000	3,519,021	631,323	525,079	7,100	880,827	7,063,350
Total credit exposures	6,282,872	5,952,922	2,771,920	1,261,688	1,092,653	9,586,845	26,948,900

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43. 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 2013	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	3,236,505	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	105,189	-	-	-	-	105,189
Financial investments designated at fair value through profit and loss	-	79,573	4,800	-	-	-	84,373
Financial investment available-for-sale	4,398,695	368,717	482,340	257,340	-	960,474	6,467,566
Islamic derivative financial assets	-	4,488	-	-	-	-	4,488
Financing of customers	621,076	481,993	1,205,013	588,866	971,027	6,484,651	10,352,626
Statutory deposit with Bank Negara Malaysia	612,721	-	-	-	-	-	612,721
Other financial assets	-	-	-	-	-	22,959	22,959
	5,632,492	4,276,465	1,692,153	846,206	971,027	7,468,084	20,886,427
Commitments and contingencies							
Contingent liabilities	139,872	25,000	73,259	260,811	-	116,853	615,795
Commitments	1,360,128	-	304,007	279,623	14,036	456,318	2,414,112
Derivative financial instruments	-	1,270,124	-	-	-	-	1,270,124
	1,500,000	1,295,124	377,266	540,434	14,036	573,171	4,300,031
Total credit exposures	7,132,492	5,571,589	2,069,419	1,386,640	985,063	8,041,255	25,186,458

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43. 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 2014	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	966,260	-	-	-	-	966,260
Cash and placements with financial institutions	-	120,787	-	-	-	-	120,787
Financial investments designated at fair value through profit and loss	-	94,610	-	-	-	-	94,610
Financial investment available-for-sale	3,573,987	503,681	780,253	-	-	1,207,326	6,065,247
Islamic derivative financial assets	-	20,035	-	-	-	-	20,035
Financing of customers	560,164	687,595	1,367,044	730,609	1,085,553	7,473,109	11,904,074
Statutory deposit with Bank Negara Malaysia	648,721	-	-	-	-	-	648,721
Other financial assets	-	-	-	-	-	65,638	65,638
	4,782,872	2,392,968	2,147,297	730,609	1,085,553	8,746,073	19,885,372
Commitments and contingencies							
Contingent liabilities	7,478	7,500	59,292	227,589	-	100,783	402,642
Commitments	1,492,522	-	572,031	297,490	7,100	780,044	3,149,187
Derivative financial instruments	-	3,511,521	-	-	-	-	3,511,521
	1,500,000	3,519,021	631,323	525,079	7,100	880,827	7,063,350
Total credit exposures	6,282,872	5,911,989	2,778,620	1,255,688	1,092,653	9,626,900	26,948,722

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43. 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 2013	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	3,236,505	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	105,189	-	-	-	-	105,189
Financial investments designated at fair value through profit and loss	-	79,573	-	-	-	-	79,573
Financial investment available-for-sale	4,398,695	368,717	482,340	257,340	-	960,474	6,467,566
Islamic derivative financial assets	-	4,488	-	-	-	-	4,488
Financing of customers	621,076	481,993	1,209,577	588,866	971,027	6,492,481	10,365,020
Statutory deposit with Bank Negara Malaysia	612,721	-	-	-	-	-	612,721
Other financial assets	-	-	-	-	-	13,488	13,488
	5,632,492	4,276,465	1,691,917	846,206	971,027	7,466,443	20,884,550
Commitments and contingencies							
Contingent liabilities	139,872	25,000	73,259	260,811	-	116,853	615,795
Commitments	1,360,128	-	304,007	279,623	14,036	456,318	2,414,112
Derivative financial instruments	-	1,270,124	-	-	-	-	1,270,124
	1,500,000	1,295,124	377,266	540,434	14,036	573,171	4,300,031
Total credit exposures	7,132,492	5,571,589	2,069,183	1,386,640	985,063	8,039,614	25,184,581

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

(a) Credit risk (cont'd.)

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

By geographical analysis

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

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2014				
On Balance Sheet				
Exposures				
Cash and short-term funds	907,021	59,239	907,021	59,239
Cash and placements with financial institutions	120,787	-	120,787	-
Financial investment designated at fair value through profit and loss	4,100	94,610	-	94,610
Financial investment available-for-sale	6,043,271	21,976	6,043,271	21,976
Islamic derivative financial assets	20,034	1	20,034	1
Financing of customers	11,824,128	75,563	11,828,511	75,563
Statutory deposit with Bank Negara Malaysia	648,721	-	648,721	-
Other financial assets	66,095	4	65,634	4
	<u>19,634,157</u>	<u>251,393</u>	<u>19,633,979</u>	<u>251,393</u>
Commitments and contingencies				
Contingent liabilities	402,642	-	402,642	-
Commitments	3,149,187	-	3,149,187	-
Derivative financial instruments	3,511,521	-	3,511,521	-
	<u>7,063,350</u>	<u>-</u>	<u>7,063,350</u>	<u>-</u>
Total credit exposures	<u>26,697,507</u>	<u>251,393</u>	<u>26,697,329</u>	<u>251,393</u>

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

(a) Credit risk (cont'd.)

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

By geographical analysis (cont'd.)

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2013				
On Balance Sheet				
Exposures				
Cash and short-term funds	3,232,160	4,345	3,232,160	4,345
Cash and placements with financial institutions	105,189	-	105,189	-
Financial investment designated at fair value through profit and loss	4,800	79,573	-	79,573
Financial investment available-for-sale	6,409,947	57,044	6,409,947	57,044
Islamic derivative financial assets	4,487	1	4,487	1
Financing of customers	10,337,627	14,999	10,350,021	14,999
Statutory deposit with Bank Negara Malaysia	612,721	-	612,721	-
Other financial assets	22,955	4	13,484	4
	<u>20,729,886</u>	<u>155,966</u>	<u>20,728,009</u>	<u>155,966</u>
Commitments and contingencies				
Contingent liabilities	615,795	-	615,795	-
Commitments	2,414,112	-	2,414,112	-
Derivative financial instruments	1,270,124	-	1,270,124	-
	<u>4,300,031</u>	<u>-</u>	<u>4,300,031</u>	<u>-</u>
Total credit exposures	<u>25,029,917</u>	<u>155,966</u>	<u>25,028,040</u>	<u>155,966</u>

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**Bank Muamalat Malaysia Berhad
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43. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality 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 2014	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total RM'000
	Good RM'000	Satisfactory RM'000	RM'000	RM'000	
Term financing					
- Home financing	3,054,655	253,077	130,201	68,307	3,506,240
- Syndicated financing	93,914	-	-	7,019	100,933
- Hire purchase receivables	1,032,037	36,518	26,863	32,151	1,127,569
- Leasing receivables	67,360	-	-	14,493	81,853
- Other term financing	5,129,946	137,032	30,952	94,107	5,392,037
Other financing	1,830,320	9,164	12,389	109,629	1,961,502
	11,208,232	435,791	200,405	325,706	12,170,134
Less:					
- Collective assesment allowance	-	-	-	-	(195,951)
- Individual assesment allowance	-	-	-	(74,492)	(74,492)
Total net financing	11,208,232	435,791	200,405	251,214	11,899,691

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**Bank Muamalat Malaysia Berhad
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43. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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

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

Group	Neither past due nor impaired		Past due	Impaired	Total
	Good	Satisfactory	but not	financing	
31 March 2013	RM'000	RM'000	impaird RM'000	RM'000	RM'000
Term financing					
- Home financing	2,291,366	307,003	128,490	83,628	2,810,487
- Syndicated financing	33,220	-	-	21,567	54,787
- Hire purchase receivables	855,491	78,021	40,738	29,204	1,003,454
- Leasing receivables	75,381	-	-	21,681	97,062
- Other term financing	4,468,744	224,994	87,720	75,681	4,857,139
Other financing	1,097,361	667,430	2,595	33,607	1,800,993
	<u>8,821,563</u>	<u>1,277,448</u>	<u>259,543</u>	<u>265,368</u>	<u>10,623,922</u>
Less:					
- Collective assesment allowance	-	-	-	-	(242,843)
- Individual assesment allowance	-	-	-	(28,453)	(28,453)
Total net financing	<u>8,821,563</u>	<u>1,277,448</u>	<u>259,543</u>	<u>236,915</u>	<u>10,352,626</u>

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

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

(a) Credit risk (cont'd.)

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

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

Bank 2014	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total RM'000
	Good RM'000	Satisfactory RM'000	RM'000	RM'000	
Term financing					
- Home financing	3,054,655	313,393	130,201	68,307	3,566,556
- Syndicated financing	93,914	-	-	7,019	100,933
- Hire purchase receivables	1,032,037	36,518	26,863	32,151	1,127,569
- Leasing receivables	67,360	-	-	14,493	81,853
- Other term financing	5,074,011	137,032	30,952	100,107	5,342,102
Other financing	1,830,320	9,166	12,389	109,629	1,961,504
	11,152,297	496,109	200,405	331,706	12,180,517
Less:					
- Collective assesment allowance	-	-	-	-	(195,951)
- Individual assesment allowance	-	-	-	(80,492)	(80,492)
Total net financing	11,152,297	496,109	200,405	251,214	11,904,074

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

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

(a) Credit risk (cont'd.)

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

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

Bank 2013	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good RM'000	Satisfactory RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	2,291,366	307,003	128,490	83,628	2,810,487
- Syndicated financing	33,220	-	-	21,567	54,787
- Hire purchase receivables	855,491	78,021	40,738	29,204	1,003,454
- Leasing receivables	75,381	-	-	21,681	97,062
- Other term financing	4,481,138	224,994	87,720	81,681	4,875,533
Other financing	1,097,361	667,430	2,595	33,607	1,800,993
	<u>8,833,957</u>	<u>1,277,448</u>	<u>259,543</u>	<u>271,368</u>	<u>10,642,316</u>
Less:					
- Collective assesment allowance	-	-	-	-	(242,843)
- Individual assesment allowance	-	-	-	(34,453)	(34,453)
Total net financing	<u>8,833,957</u>	<u>1,277,448</u>	<u>259,543</u>	<u>236,915</u>	<u>10,365,020</u>

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 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 months or have undergone a rescheduling or restructuring exercise previously.

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

(a) Credit risk (cont'd.)

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

Past due but not impaired

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

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

Group and Bank 2014	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	94,326	35,875	130,201
- Hire purchase receivables	-	22,510	4,352	26,862
- Other term financing	-	22,785	8,168	30,953
Other financing	4,690	3,705	3,994	12,389
Total	4,690	143,326	52,389	200,405

Group and Bank 2013	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	93,161	35,329	128,490
- Hire purchase receivables	-	34,658	6,080	40,738
- Other term financing	-	80,769	6,951	87,720
Other financing	614	531	1,450	2,595
Total	614	209,119	49,810	259,543

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

(a) Credit risk (cont'd.)

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

Past due but not impaired (cont'd.)

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

Group and Bank

	2014	2013
	RM'000	RM'000
Purchase of transport vehicles	26,863	40,838
Purchase of landed properties of which:		
– residential	130,585	130,116
– non-residential	10,416	14,518
Personal use	25,080	13,253
Construction	1,255	24,734
Working capital	-	-
Other purpose	6,206	36,084
	<u>200,405</u>	<u>259,543</u>

Impaired financing

Classification of impaired financing and provisioning is made on the Group's and Bank's financing assets upon determination of the existence of "objective evidence of impairment" and categorisation into individual and collective assessment.

Individual assessment allowance

Financing are classified as individually impaired when they fulfill either of the following criteria:

- (a) principal or profit or both are past due for more than three (3) months or more;
- (b) where financing in arrears for less than three (3) months exhibits indications of credit weaknesses whether or not impairment loss had been provided for; or
- (c) where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until payment based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

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

(a) Credit risk (cont'd.)

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

Impaired financing (cont'd.)

Individual assessment allowance (cont'd.)

In addition, for all financing that are considered individually significant, the Group and the Bank assesses the financing at each reporting date whether there is any objective evidence that a financing is impaired. The criteria that the Group uses to determine that there is objective evidence of impairment include:

1. Bankruptcy petition filed against the customer
2. Customer resorting to Section 176 Companies Act 1965 (and alike)
3. Other banks calling their lines (revealed through publicised news, market rumours, etc)
4. Customer involved in material fraud
5. Excess drawing or unpaid profit / principal
6. 90 days past due
7. Abandoned project
8. Future cashflows barely covers profit
9. Distressed debt restructuring
10. Improper use of credit lines
11. Legal action by other creditors

Collective assessment allowance for financing of customers

Following the adoption of MFRS, exposures not individually considered to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not yet identified. The required financing loss allowance is estimated on the basis of historical loss experience of the Bank for assets with credit risk characteristics similar to those in the collective pool.

**Bank Muamalat Malaysia Berhad
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43. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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

Impaired financing (cont'd.)

Collective assessment allowance for financing of customers (cont'd.)

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 share margin financing - pledges over securities from listed exchange;
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank is at 44% as at 31 March 2014, (31 March 2013 of 40% for the Group and the Bank). The financial effect of collateral held for other financial assets is not significant.

At 31 March 2014, the fair value of collateral that the Group and Bank hold relating to financing of customers individually determined to be impaired amounts to RM275,697,000 as compared with 31 March 2013 of RM693,984,000. The collateral consists of cash, securities, letters of guarantee and properties.

**Bank Muamalat Malaysia Berhad
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43. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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

Repossessed collateral

Group and Bank

	2014	2013
	RM'000	RM'000
Residential properties	7,244	14,000

It is the Group's and the Bank's policy to dispose of repossessed collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral repossessed are subject to disposal as soon as practicable. Foreclosed properties are recognised in other assets on the statement of financial position. The Group and the Bank does not occupy repossessed properties for its own business use.

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

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets:

Group 2014	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
<u>Individual assessment allowance</u>					
At 1 April 2013	28,453	-	91,264	-	119,717
Allowance made during the year	81,350	700	11,655	-	93,705
Amount written back	(32,326)	-	(17,198)	-	(49,524)
Amount written off	(2,985)	-	-	-	(2,985)
Foreign exchange differences	-	-	179	-	179
As at 31 March 2014	74,492	700	85,900	-	161,092

Group 2013	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
<u>Individual assessment allowance</u>					
At 1 April 2012	161,904	-	65,448	2,061	229,413
Allowance made during the year	21,876	-	19,118	-	40,994
Amount written back	(29,874)	-	(9,711)	(2,061)	(41,646)
Amount written off	(125,453)	-	-	-	(125,453)
Reclassification	-	-	16,546	-	16,546
Foreign exchange differences	-	-	(137)	-	(137)
As at 31 March 2013	28,453	-	91,264	-	119,717

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

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

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets:

Bank 2014	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
<u>Individual assessment allowance</u>					
At 1 April 2013	34,453	-	91,264	-	125,717
Allowance made during the year	81,350	-	11,655	-	93,005
Amount written back	(32,326)	-	(17,198)	-	(49,524)
Amount written off	(2,985)	-	-	-	(2,985)
Foreign exchange differences	-	-	179	-	179
As at 31 March 2014	80,492	-	85,900	-	166,392

Bank 2013	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
<u>Individual assessment allowance</u>					
At 1 April 2012	167,904	-	65,448	2,061	235,413
Allowance made during the year	21,876	-	19,118	-	40,994
Amount written back	(29,874)	-	(9,711)	(2,061)	(41,646)
Amount written off	(125,453)	-	-	-	(125,453)
Reclassification	-	-	16,546	-	16,546
Foreign exchange differences	-	-	(137)	-	(137)
As at 31 March 2013	34,453	-	91,264	-	125,717

**Bank Muamalat Malaysia Berhad
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43. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(iv) Credit quality of financial investments and other financial assets

Set out below are the credit quality of financial investments (money market instruments and non-money market instruments-Islamic debt securities) and other financial assets analysed by ratings from external credit ratings agencies:

Group	Financial investment available-for-sale						
	Money Market Instruments			Non Money Market Instruments - Islamic			Other financial assets
	International	Domestic	Total	Debt Securities		Total	
	Ratings	Ratings		International	Domestic		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2014							
AAA+ to AA-	-	-	-	-	2,064,969	2,064,969	-
A+ to A-	-	-	-	9,309	10,137	19,446	-
BBB+ to BB-	-	-	-	-	-	-	-
Unrated	-	-	-	-	266,379	266,379	66,099
Defaulted	-	-	-	5,842	17,528	23,370	-
Sovereign	-	-	-	6,826	3,684,257	3,691,083	-
Total	-	-	-	21,977	6,043,270	6,065,247	66,099
2013							
AAA+ to AA-	-	-	-	-	1,610,783	1,610,783	-
A+ to A-	-	-	-	15,765	165,945	181,710	-
BBB+ to BB-	-	-	-	-	257,340	257,340	-
Unrated	-	-	-	-	49,387	49,387	22,959
Defaulted	-	-	-	5,423	-	5,423	-
Sovereign	-	-	-	35,856	4,327,067	4,362,923	-
Total	-	-	-	57,044	6,410,522	6,467,566	22,959

**Bank Muamalat Malaysia Berhad
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43. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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

Set out below are the credit quality of financial investments (money market instruments and non-money market instruments-Islamic debt securities) and other financial assets analysed by ratings from external credit ratings agencies:

Bank	Financial investment available-for-sale						
	Money Market Instruments			Non Money Market Instruments - Islamic			Other financial assets
	International	Domestic	Total	Debt Securities		Total	
	Ratings	Ratings		International	Domestic		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2014							
AAA+ to AA-	-	-	-	-	2,064,969	2,064,969	-
A+ to A-	-	-	-	9,309	10,137	19,446	-
BBB+ to BB-	-	-	-	-	-	-	-
Unrated	-	-	-	-	266,379	266,379	65,638
Defaulted	-	-	-	5,842	17,528	23,370	-
Sovereign	-	-	-	6,826	3,684,257	3,691,083	-
Total	-	-	-	21,977	6,043,270	6,065,247	65,638
2013							
AAA+ to AA-	-	-	-	-	1,610,783	1,610,783	-
A+ to A-	-	-	-	15,765	165,945	181,710	-
BBB+ to BB-	-	-	-	-	257,340	257,340	-
Unrated	-	-	-	-	49,387	49,387	13,488
Defaulted	-	-	-	5,423	-	5,423	-
Sovereign	-	-	-	35,856	4,327,067	4,362,923	-
Total	-	-	-	57,044	6,410,522	6,467,566	13,488

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)****43. Financial risk management objectives and policies (cont'd.)****(a) Credit risk (cont'd.)****(iv) Credit quality of financial investment (cont'd.)**

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date, none of the financial investment above are past due, except for defaulted private debt securities of the Group and the Bank held under financial investments available-for-sale with carrying value of RM131,335,000 (31 March 2013: RM5,423,000), which has been classified as impaired.

At 31 March 2014, the fair value of collateral that the Group's and Bank's holds relating to defaulted private debt securities held under financial investments available-for-sale amounts to RM32,375,000 (31 March 2013: RM11,699,000). The collateral consists of cash, securities, letters of guarantee and properties.

(b) Market risk

Market risk is 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 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 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 Bank's traded market risk for its profit-sensitive fixed income instruments is measured by the present value of a one basis point change ("PV01") and is monitored independently by the Compliance Unit on a daily basis against approved market risk limits. In addition, the Compliance Unit is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Division. Changes to market risk limits must be approved by the Board. The trading positions and limits are regularly reported to the ALCO. The Group's and Bank's maintains 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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43. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

(ii) Non-traded market risk

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

Rate of return risk

Rate of return risk is the potential loss of income arising from changes in market rates on the return on assets and on the returns payable on funding. The risk arises from option embedded in many Group's and Bank's assets, liabilities and off-balance-sheet portfolio.

Rate of return risk emanates from the re-pricing mismatches of the Group's and Bank's banking assets and liabilities and also from the Group's and 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 net profit income ("NPI") and economic value of equity ("EVE"), whilst balancing the cost of such hedging activities on the current revenue streams. This is 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 uses various tools including re-pricing gap reports, sensitivity analysis and income scenario simulations to measure its rate of return risk. The impact on earnings and EVE is considered at all times in measuring the rate of return risk and is subject to limits approved by the Board.

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

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43. 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
2014	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	872,243	23,644	-	-	-	-	-	-	70,373	-	966,260	3.0%
Cash and placements with financial institutions	-	120,787	-	-	-	-	-	-	-	-	120,787	3.0%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	98,710	-	98,710	-
Financial investment available-for-sale	29,669	10,254	406,544	1,180,121	676,803	1,125,598	1,129,942	1,386,627	119,689	-	6,065,247	3.8%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	20,035	20,035	-
Financing of customers:												
- non-impaired	6,070,682	138,899	477,273	556,368	436,027	320,318	1,099,316	2,626,880	118,665	-	11,844,428	5.9%
- impaired*	-	-	-	-	-	-	-	-	251,214	-	251,214	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(195,951)	-	(195,951)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	890,960	-	890,960	-
TOTAL ASSETS	6,972,594	293,584	883,817	1,736,489	1,112,830	1,445,916	2,229,258	4,013,507	1,353,660	20,035	20,061,690	
LIABILITIES AND EQUITY												
Deposits from customers	6,248,738	5,679,745	2,284,378	2,891,841	1,137	271	244	-	522,874	-	17,629,228	2.6%
Deposits and placements of banks and other financial institutions	40,000	-	-	614	803	2,058	3,311	-	54,288	-	101,074	3.1%
Bills and acceptances payable	-	-	-	-	-	-	-	-	105,004	-	105,004	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	4,145	4,145	-
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated sukuk	-	6,055	-	-	400,000	-	-	-	-	-	406,055	5.2%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	70,608	-	70,608	-
Total Liabilities	6,288,738	5,685,800	2,284,378	2,892,455	401,940	2,329	3,555	-	752,774	4,145	18,316,114	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,745,576	-	1,745,576	-
TOTAL LIABILITIES AND EQUITY	6,288,738	5,685,800	2,284,378	2,892,455	401,940	2,329	3,555	-	2,498,350	4,145	20,061,690	

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43. 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 2014	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	683,856	(5,392,216)	(1,400,561)	(1,155,966)	710,890	1,443,587	2,225,703	4,013,507	(1,144,690)	15,890	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	2,800,000	2,800,000	-
TOTAL PROFIT SENSITIVITY GAP	683,856	(5,392,216)	(1,400,561)	(1,155,966)	710,890	1,443,587	2,225,703	4,013,507	(1,144,690)	2,815,890	2,800,000	

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

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43. 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 2013	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	2,996,279	-	-	-	-	-	-	-	240,226	-	3,236,505	3.1%
Cash and placements with financial institutions	-	105,189	-	-	-	-	-	-	-	-	105,189	3.1%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	84,373	-	84,373	-
Financial investment available-for-sale	597,903	170,538	576,955	1,089,807	1,226,056	774,564	889,424	1,088,406	53,913	-	6,467,566	3.9%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,488	4,488	-
Financing of customers:												
- non-impaired	410,207	203,713	208,516	557,063	572,897	614,915	376,064	7,415,179	-	-	10,358,554	6.2%
- impaired*	-	-	-	-	-	-	-	-	236,915	-	236,915	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(242,843)	-	(242,843)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	820,843	-	820,843	-
TOTAL ASSETS	4,004,389	479,440	785,471	1,646,870	1,798,953	1,389,479	1,265,488	8,503,585	1,193,427	4,488	21,071,590	
LIABILITIES AND EQUITY												
Deposits from customers	10,542,127	5,204,983	2,509,808	4,577	376	599	296	-	481,413	-	18,744,179	2.6%
Deposits and placements of banks and other financial institutions	(46)	2,820	4,390	-	650	850	2,110	-	-	-	10,774	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	132,750	-	132,750	-
Islamic derivative financial liabilities	-	-	-	7,726	-	-	-	-	-	1,179	8,905	-
Recourse obligation on financing sold to Cagamas	-	-	61,679	-	-	-	-	-	-	-	61,679	-
Subordinated sukuk	-	6,055	-	-	-	400,000	-	-	-	-	406,055	5.2%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	108,772	-	108,772	-
Total Liabilities	10,542,081	5,213,858	2,575,877	12,303	1,026	401,449	2,406	-	722,935	1,179	19,473,114	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,598,476	-	1,598,476	-
TOTAL LIABILITIES AND EQUITY	10,542,081	5,213,858	2,575,877	12,303	1,026	401,449	2,406	-	2,321,411	1,179	21,071,590	

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43. 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 2013	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	(6,537,692)	(4,734,418)	(1,790,406)	1,634,567	1,797,927	988,030	1,263,082	8,503,585	(1,127,984)	3,309	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	875,000	875,000	-
TOTAL PROFIT SENSITIVITY GAP	(6,537,692)	(4,734,418)	(1,790,406)	1,634,567	1,797,927	988,030	1,263,082	8,503,585	(1,127,984)	878,309	875,000	

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

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43. 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 2014	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	872,243	23,644	-	-	-	-	-	-	70,373	-	966,260	3.0%
Cash and placements with financial institutions	-	120,787	-	-	-	-	-	-	-	-	120,787	3.0%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	94,610	-	94,610	-
Financial investment available-for-sale	29,669	10,254	406,544	1,180,121	666,803	1,125,598	1,109,942	1,326,627	209,689	-	6,065,247	3.8%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	20,035	20,035	-
Financing of customers:												
- non-impaired	6,070,682	138,899	477,273	556,368	436,027	320,318	1,099,316	2,570,948	178,980	-	11,848,811	5.9%
- impaired*	-	-	-	-	-	-	-	-	251,214	-	251,214	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(195,951)	-	(195,951)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	895,788	-	895,788	-
TOTAL ASSETS	6,972,594	293,584	883,817	1,736,489	1,102,830	1,445,916	2,209,258	3,897,575	1,504,703	20,035	20,066,801	
LIABILITIES AND EQUITY												
Deposits from customers	6,252,025	5,679,745	2,284,378	2,886,984	1,137	271	244	-	533,876	-	17,638,660	2.6%
Deposits and placements of banks and other financial institutions	40,000	-	-	614	803	2,058	3,311	-	54,288	-	101,074	3.1%
Bills and acceptances payable	-	-	-	-	-	-	-	-	105,004	-	105,004	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	4,145	4,145	-
Subordinated sukuk	-	6,055	-	-	400,000	-	-	-	-	-	406,055	5.2%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	70,500	-	70,500	-
Total Liabilities	6,292,025	5,685,800	2,284,378	2,887,598	401,940	2,329	3,555	-	763,668	4,145	18,325,438	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,741,363	-	1,741,363	-
TOTAL LIABILITIES AND EQUITY	6,292,025	5,685,800	2,284,378	2,887,598	401,940	2,329	3,555	-	2,505,031	4,145	20,066,801	

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43. 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 2014	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	680,569	(5,392,216)	(1,400,561)	(1,151,109)	700,890	1,443,587	2,205,703	3,897,575	(1,000,328)	15,890	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	2,800,000	2,800,000	-
TOTAL PROFIT SENSITIVITY GAP	680,569	(5,392,216)	(1,400,561)	(1,151,109)	700,890	1,443,587	2,205,703	3,897,575	(1,000,328)	2,815,890	2,800,000	

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

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43. 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	Up to	>1-3	>3-12	>1-2 years	>2-3 years	>3-4 years	>4-5 years	Over	Non-profit	Trading	Total	Effective
31 March 2013	1 month	months	months	RM'000	RM'000	RM'000	RM'000	5 years	sensitive	books	RM'000	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	2,996,279	-	-	-	-	-	-	-	240,226	-	3,236,505	3.1%
Cash and placements with financial institutions	-	105,189	-	-	-	-	-	-	-	-	105,189	3.1%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	79,573	-	79,573	-
Financial investment available-for-sale	597,903	170,538	576,955	1,089,807	1,226,056	774,564	889,424	1,088,406	53,913	-	6,467,566	3.9%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,488	4,488	-
Financing of customers:												
- non-impaired	410,207	203,713	208,516	569,457	572,897	614,915	376,064	7,415,179	-	-	10,370,948	6.2%
- impaired*	-	-	-	-	-	-	-	-	236,915	-	236,915	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(242,843)	-	(242,843)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	818,060	-	818,060	-
TOTAL ASSETS	4,004,389	479,440	785,471	1,659,264	1,798,953	1,389,479	1,265,488	8,503,585	1,185,844	4,488	21,076,401	
LIABILITIES AND EQUITY												
Deposits from customers	10,542,603	5,204,983	2,515,408	4,577	376	599	296	-	481,413	-	18,750,255	2.6%
Deposits and placements of banks and other financial institutions	(46)	2,820	4,390	-	650	850	2,110	-	-	-	10,774	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	132,750	-	132,750	-
Islamic derivative financial liabilities	-	-	-	7,726	-	-	-	-	-	1,179	8,905	-
Recourse obligation on financing sold to Cagamas	-	-	61,679	-	-	-	-	-	-	-	61,679	-
Subordinated sukuk	-	6,055	-	-	-	400,000	-	-	-	-	406,055	5.2%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	109,610	-	109,610	-
Total Liabilities	10,542,557	5,213,858	2,581,477	12,303	1,026	401,449	2,406	-	723,773	1,179	19,480,028	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,596,373	-	1,596,373	-
TOTAL LIABILITIES AND EQUITY	10,542,557	5,213,858	2,581,477	12,303	1,026	401,449	2,406	-	2,320,146	1,179	21,076,401	

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43. 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 2013	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	(6,538,168)	(4,734,418)	(1,796,006)	1,646,961	1,797,927	988,030	1,263,082	8,503,585	(1,134,302)	3,309	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	875,000	875,000	-
TOTAL PROFIT SENSITIVITY GAP	(6,538,168)	(4,734,418)	(1,796,006)	1,646,961	1,797,927	988,030	1,263,082	8,503,585	(1,134,302)	878,309	875,000	

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

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43. 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 perspective ("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 Bank by undermining its capital adequacy and reducing market confidence.

- Economic value perspective ("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 a bank can be viewed as the present value of the Group's and 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 Bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

Rate of return risk measurement

- Gap analysis

Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (repriced) over the residual maturity period or on maturity.

A rate sensitive gap greater than one implies that the rate of return in sensitive assets is greater than the rate of return in sensitive liabilities. As rate of returns rise, the income on assets will increase faster than the funding costs, resulting in higher spread income and vice versa.

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43. 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 less than one suggests a higher ratio of rate of return in sensitive liabilities than in sensitive assets. If rate of returns rises, funding costs will grow at a faster rate than the income on assets, resulting in a fall in spread income (net rate of return income) and vice versa.

- Simulation analysis

Detail assessments of the potential effects of changes in rate of return on the Group and Bank earning 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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43. 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 increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

Increase/(decrease) in basis points	Tax rate %	Group		Bank	
		-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
2014					
Effect on profit after tax	25%	6,800	(6,800)	6,591	(6,591)
Effect on other comprehensive income, net of tax	25%	79,163	(79,163)	77,263	(77,263)
Effect on equity		118,327	(118,327)	115,812	(115,812)
2013					
Effect on profit after tax	25%	29,815	(29,815)	29,837	(29,837)
Effect on other comprehensive income, net of tax	25%	68,650	(68,650)	68,650	(68,650)
Effect on equity		159,855	(159,855)	159,854	(159,854)

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Group controls its FX exposures by transacting in permissible currencies. It has an internal Foreign Exchange Net Open Position ("FX NOP") to measure, control and monitor its FX risk and implements FX Hedging strategies to minimise FX exposures. Stress Testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, US Dollar, Australian Dollar, Swiss Franc, Euro, the Great Britain Pound and Japan Yen. The "others" foreign exchange risk include mainly exposure to Canadian Dollar and Singapore Dollar.

Group	Malaysian	United	Australian	Swiss	Euro	Great	Japan	Others	Total
2014	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	865,961	20,515	1,591	124	6,121	2,955	63,506	5,487	966,260
Cash and placements with financial institutions	-	120,787	-	-	-	-	-	-	120,787
Financial investment designated at fair value through profit and loss	4,100	94,610	-	-	-	-	-	-	98,710
Financial investment available-for-sale	6,043,271	21,976	-	-	-	-	-	-	6,065,247
Islamic derivative financial assets	17,624	594	-	-	3	127	1,680	7	20,035
Financing of customers	11,824,128	75,563	-	-	-	-	-	-	11,899,691
Other assets	87,208	92	-	-	-	-	-	-	87,300
Statutory deposit with Bank Negara Malaysia	648,721	-	-	-	-	-	-	-	648,721
Intangible assets	82,259	-	-	-	-	-	-	-	82,259
Property, plant and equipment	59,651	-	-	-	-	-	-	-	59,651
Prepaid land lease payment	243	-	-	-	-	-	-	-	243
Deferred tax assets	12,786	-	-	-	-	-	-	-	12,786
Total Assets	19,645,952	334,137	1,591	124	6,124	3,082	65,186	5,494	20,061,690

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43. 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	Japan	Others	Total
2014 (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	17,158,691	468,229	-	-	2,308	-	-	-	17,629,228
Deposits and placements of banks and other financial institutions	101,074	-	-	-	-	-	-	-	101,074
Bills and acceptances payable	105,004	-	-	-	-	-	-	-	105,004
Islamic derivative financial liabilities	-	3,741	8	-	12	279	42	63	4,145
Other liabilities	57,750	11	-	-	-	-	-	-	57,761
Provision for taxation and zakat	12,827	20	-	-	-	-	-	-	12,847
Subordinated sukuk	406,055	-	-	-	-	-	-	-	406,055
Total Liabilities	17,841,401	472,001	8	-	2,320	279	42	63	18,316,114
On-balance sheet open position	1,804,551	(137,864)	1,583	124	3,804	2,803	65,144	5,431	1,745,576
Less: Islamic derivative financial assets	(17,624)	(594)	-	-	(3)	(127)	(1,680)	(7)	(20,035)
Add: Islamic derivative financial liabilities	-	3,741	8	-	12	279	42	63	4,145
Net open position	1,786,927	(134,717)	1,591	124	3,813	2,955	63,506	5,487	1,729,686

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43. 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	Japan	Others	Total
2013	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	2,982,432	139,426	-	59	75,886	111	38,262	329	3,236,505
Cash and placements with financial institutions	-	105,189	-	-	-	-	-	-	105,189
Financial investment designated at fair value through profit and loss	4,800	79,573	-	-	-	-	-	-	84,373
Financial investment available-for-sale	6,410,522	57,044	-	-	-	-	-	-	6,467,566
Islamic derivative financial assets	-	1,676	-	-	6	12	2,794	-	4,488
Financing of customers	10,337,627	14,999	-	-	-	-	-	-	10,352,626
Other assets	89,958	66	-	-	-	-	-	-	90,024
Statutory deposit with Bank Negara Malaysia	612,721	-	-	-	-	-	-	-	612,721
Interest in associates	580	-	-	-	-	-	-	-	580
Intangible assets	34,546	-	-	-	-	-	-	-	34,546
Property, plant and equipment	65,698	-	-	-	-	-	-	-	65,698
Prepaid land lease payment	247	-	-	-	-	-	-	-	247
Deferred tax assets	17,027	-	-	-	-	-	-	-	17,027
Total Assets	20,556,158	397,973	-	59	75,892	123	41,056	329	21,071,590

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43. 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 2013 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	18,193,755	448,661	-	-	101,763	-	-	-	18,744,179
Deposits and placements of banks and other financial institutions	10,774	-	-	-	-	-	-	-	10,774
Bills and acceptances payable	132,750	-	-	-	-	-	-	-	132,750
Islamic derivative financial liabilities	7,726	363	24	-	756	11	25	-	8,905
Other liabilities	94,267	-	-	-	-	-	-	-	94,267
Provision for taxation and zakat	14,505	-	-	-	-	-	-	-	14,505
Recourse obligation on financing sold to Cagamas	61,679	-	-	-	-	-	-	-	61,679
Subordinated sukuk	406,055	-	-	-	-	-	-	-	406,055
Total Liabilities	18,921,511	449,024	24	-	102,519	11	25	-	19,473,114
On-balance sheet open position	1,634,647	(51,051)	(24)	59	(26,627)	112	41,031	329	1,598,476
Less: Islamic derivative financial assets	-	(1,676)	-	-	(6)	(12)	(2,794)	-	(4,488)
Add: Islamic derivative financial liabilities	7,726	363	24	-	756	11	25	-	8,905
Net open position	1,642,373	(52,364)	-	59	(25,877)	111	38,262	329	1,602,893

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43. 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 2014	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	865,961	20,515	1,591	124	6,121	2,955	63,506	5,487	966,260
Cash and placements with financial institutions	-	120,787	-	-	-	-	-	-	120,787
Financial investment designated at fair value through profit and loss	-	94,610	-	-	-	-	-	-	94,610
Financial investment available-for-sale	6,043,271	21,976	-	-	-	-	-	-	6,065,247
Islamic derivative financial assets	17,624	594	-	-	3	127	1,680	7	20,035
Financing of customers	11,828,511	75,563	-	-	-	-	-	-	11,904,074
Other assets	86,642	92	-	-	-	-	-	-	86,734
Statutory deposit with Bank Negara Malaysia	648,721	-	-	-	-	-	-	-	648,721
Investment in subsidiaries	6,384	-	-	-	-	-	-	-	6,384
Interest in associates	-	-	-	-	-	-	-	-	-
Intangible assets	81,406	-	-	-	-	-	-	-	81,406
Property, plant and equipment	59,514	-	-	-	-	-	-	-	59,514
Prepaid land lease payment	243	-	-	-	-	-	-	-	243
Deferred tax assets	12,786	-	-	-	-	-	-	-	12,786
Total Assets	19,651,063	334,137	1,591	124	6,124	3,082	65,186	5,494	20,066,801

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43. 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	Japan	Others	Total
2014 (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	17,168,123	468,229	-	-	2,308	-	-	-	17,638,660
Deposits and placements of banks and other financial institutions	101,074	-	-	-	-	-	-	-	101,074
Bills and acceptances payable	105,004	-	-	-	-	-	-	-	105,004
Islamic derivative financial liabilities	-	3,741	8	-	12	279	42	63	4,145
Other liabilities	57,782	11	-	-	-	-	-	-	57,793
Provision for taxation and zakat	12,687	20	-	-	-	-	-	-	12,707
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	-	-	-	-
Subordinated sukuk	406,055	-	-	-	-	-	-	-	406,055
Total Liabilities	17,850,725	472,001	8	-	2,320	279	42	63	18,325,438
On-balance sheet open position	1,800,338	(137,864)	1,583	124	3,804	2,803	65,144	5,431	1,741,363
Less: Islamic derivative financial assets	(17,624)	(594)	-	-	(3)	(127)	(1,680)	(7)	(20,035)
Add: Islamic derivative financial liabilities	-	3,741	8	-	12	279	42	63	4,145
Net open position	1,782,714	(134,717)	1,591	124	3,813	2,955	63,506	5,487	1,725,473

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43. 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 2013	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	2,982,432	139,426	-	59	75,886	111	38,262	329	3,236,505
Cash and placements with financial institutions	-	105,189	-	-	-	-	-	-	105,189
Financial investment designated at fair value through profit and loss	-	79,573	-	-	-	-	-	-	79,573
Financial investment available-for-sale	6,410,522	57,044	-	-	-	-	-	-	6,467,566
Islamic derivative financial assets	-	1,676	-	-	6	12	2,794	-	4,488
Financing of customers	10,350,021	14,999	-	-	-	-	-	-	10,365,020
Other assets	80,427	66	-	-	-	-	-	-	80,493
Statutory deposit with Bank Negara Malaysia	612,721	-	-	-	-	-	-	-	612,721
Investment in subsidiaries	6,384	-	-	-	-	-	-	-	6,384
Interest in associates	1,000	-	-	-	-	-	-	-	1,000
Intangible assets	34,546	-	-	-	-	-	-	-	34,546
Property, plant and equipment	65,642	-	-	-	-	-	-	-	65,642
Prepaid land lease payment	247	-	-	-	-	-	-	-	247
Deferred tax assets	17,027	-	-	-	-	-	-	-	17,027
Total Assets	20,560,969	397,973	-	59	75,892	123	41,056	329	21,076,401

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43. 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 2013 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	18,199,831	448,661	-	-	101,763	-	-	-	18,750,255
Deposits and placements of banks and other financial institutions	10,774	-	-	-	-	-	-	-	10,774
Bills and acceptances payable	132,750	-	-	-	-	-	-	-	132,750
Islamic derivative financial liabilities	7,726	363	24	-	756	11	25	-	8,905
Other liabilities	95,112	-	-	-	-	-	-	-	95,112
Provision for taxation and zakat	14,498	-	-	-	-	-	-	-	14,498
Recourse obligation on financing sold to Cagamas	61,679	-	-	-	-	-	-	-	61,679
Subordinated sukuk	406,055	-	-	-	-	-	-	-	406,055
Total Liabilities	18,928,425	449,024	24	-	102,519	11	25	-	19,480,028
On-balance sheet open position	1,632,544	(51,051)	(24)	59	(26,627)	112	41,031	329	1,596,373
Less: Islamic derivative financial assets	-	(1,676)	-	-	(6)	(12)	(2,794)	-	(4,488)
Add: Islamic derivative financial liabilities	7,726	363	24	-	756	11	25	-	8,905
Net open position	1,640,270	(52,364)	-	59	(25,877)	111	38,262	329	1,600,790

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

(b) Market risk (cont'd.)

No sensitivity has been performed for foreign exchange risk as the Group and the Bank do not have significant exposures denominated in foreign currencies.

(c) Liquidity and funding risk

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

The Bank monitors the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group and Bank ability to maintain a stable liquidity profile is primarily on account of its success in retaining and growing its customer deposit base.

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

The Asset Liability Committee (ALCO) chaired by the Chief Operating Officer-Business, will be conducted on monthly basis purposely to review the Liquidity Gap Profile of the bank. In addition the Group and Bank apply the liquidity stress test which addresses strategic issues concerning liquidity risk.

The table below is the analysis of assets and liabilities of the Group and Bank as at 31 March 2014 based on remaining contractual maturities.

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

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

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

Group 2014	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	614,000	352,260	-	-	-	-	966,260
Cash and placements with financial institutions	-	-	97,935	22,852	-	-	120,787
Financial investment designated at fair value through profit and loss	-	-	-	-	-	98,710	98,710
Financial investment available-for-sale	10,277	19,392	10,254	90,318	326,266	5,608,740	6,065,247
Islamic derivative financial assets	180	865	1,115	215	36	17,624	20,035
Financing of customers	-	1,324,639	736,984	585,898	841,799	8,410,371	11,899,691
Other assets	-	-	-	-	86,700	804,260	890,960
TOTAL ASSETS	624,457	1,697,156	846,288	699,283	1,254,801	14,939,705	20,061,690
LIABILITIES AND EQUITY							
Deposits from customers	1,345,621	7,969,321	5,648,711	1,792,847	826,752	45,976	17,629,228
Deposits and placements of banks and other financial institutions	67,142	27,100	-	-	-	6,832	101,074
Islamic derivative financial liabilities	470	296	71	3,308	-	-	4,145
Other liabilities	-	137,824	10,738	-	33,105	400,000	581,667
Total Liabilities	1,413,233	8,134,541	5,659,520	1,796,155	859,857	452,808	18,316,114
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,745,576	1,745,576
NET MATURITY MISMATCH	(788,776)	(6,437,385)	(4,813,232)	(1,096,872)	394,944	12,741,321	-

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

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

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

Group 2013	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	2,913,226	323,279	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	-	105,189	-	-	-	105,189
Financial investment designated at fair value through profit and loss	-	-	-	-	-	84,373	84,373
Financial investment available-for-sale	130,708	467,195	185,850	282,741	294,214	5,106,858	6,467,566
Islamic derivative financial assets	340	2,529	789	728	102	-	4,488
Financing of customers	-	675,133	416,540	438,304	766,336	8,056,313	10,352,626
Other assets	-	-	-	-	90,024	730,819	820,843
TOTAL ASSETS	3,044,274	1,468,136	708,368	721,773	1,150,676	13,978,363	21,071,590
LIABILITIES AND EQUITY							
Deposits from customers	1,848,030	8,925,947	5,365,877	1,582,461	990,359	31,505	18,744,179
Deposits and placements of banks and other financial institutions	-	-	2,820	-	3,152	4,802	10,774
Islamic derivative financial liabilities	938	-	230	-	11	7,726	8,905
Other liabilities	-	168,743	6,517	703	133,293	400,000	709,256
Total Liabilities	1,848,968	9,094,690	5,375,444	1,583,164	1,126,815	444,033	19,473,114
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,598,476	1,598,476
NET MATURITY MISMATCH	1,195,306	(7,626,554)	(4,667,076)	(861,391)	23,861	11,935,854	-

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

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

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

Bank 2014	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	614,000	352,260	-	-	-	-	966,260
Cash and placements with financial institutions	-	-	97,935	22,852	-	-	120,787
Financial investment designated at fair value through profit and loss	-	-	-	-	-	94,610	94,610
Financial investment available-for-sale	10,277	19,392	10,254	90,318	326,266	5,608,740	6,065,247
Islamic derivative financial assets	180	865	1,115	215	36	17,624	20,035
Financing of customers	-	1,324,639	736,984	585,898	841,799	8,414,754	11,904,074
Other assets	-	-	-	-	86,134	809,654	895,788
TOTAL ASSETS	624,457	1,697,156	846,288	699,283	1,254,235	14,945,382	20,066,801
LIABILITIES AND EQUITY							
Deposits from customers	1,349,753	7,974,621	5,648,711	1,792,847	826,752	45,976	17,638,660
Deposits and placements of banks and other financial institutions	67,142	27,100	-	-	-	6,832	101,074
Islamic derivative financial liabilities	470	296	71	3,308	-	-	4,145
Other liabilities	-	138,185	10,739	-	32,635	400,000	581,559
Total Liabilities	1,417,365	8,140,202	5,659,521	1,796,155	859,387	452,808	18,325,438
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,741,363	1,741,363
NET MATURITY MISMATCH	(792,908)	(6,443,046)	(4,813,233)	(1,096,872)	394,848	12,751,211	-

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

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

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

Bank 2013	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	2,913,226	323,279	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	-	105,189	-	-	-	105,189
Financial investment designated at fair value through profit and loss	-	-	-	-	-	79,573	79,573
Financial investment available-for-sale	130,708	467,195	185,850	282,741	294,214	5,106,858	6,467,566
Islamic derivative financial assets	340	2,529	789	728	102	-	4,488
Financing of customers	-	675,133	416,540	438,304	766,336	8,068,707	10,365,020
Other assets	-	-	-	-	80,492	737,568	818,060
TOTAL ASSETS	3,044,274	1,468,136	708,368	721,773	1,141,144	13,992,706	21,076,401
LIABILITIES AND EQUITY							
Deposits from customers	1,848,506	8,931,547	5,365,877	1,582,461	990,359	31,505	18,750,255
Deposits and placements of banks and other financial institutions	-	-	2,820	-	3,152	4,802	10,774
Islamic derivative financial liabilities	938	-	230	-	11	7,726	8,905
Other liabilities	-	169,765	6,517	703	133,109	400,000	710,094
Total Liabilities	1,849,444	9,101,312	5,375,444	1,583,164	1,126,631	444,033	19,480,028
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,596,373	1,596,373
NET MATURITY MISMATCH	1,194,830	(7,633,176)	(4,667,076)	(861,391)	14,513	11,952,300	-

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43. 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	
2014							
By contractual maturity	1,345,621	7,969,321	5,648,711	1,792,847	826,752	45,976	17,629,228
By behavioural maturity	1,748,032	1,564,122	933,992	1,276,716	201,637	11,904,729	17,629,228
Difference	(402,411)	6,405,199	4,714,719	516,131	625,115	(11,858,753)	-
2013							
By contractual maturity	1,848,030	8,925,947	5,365,877	1,582,461	990,359	31,505	18,744,179
By behavioural maturity	2,114,990	1,922,126	910,685	160,414	224,555	13,411,409	18,744,179
Difference	(266,960)	7,003,821	4,455,192	1,422,047	765,804	(13,379,904)	-

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

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

(ii) Behavioural maturity of deposits from customers (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
2014							
By contractual maturity	1,349,753	7,974,621	5,648,711	1,792,847	826,752	45,976	17,638,660
By behavioural maturity	1,752,164	1,569,422	933,992	1,276,716	201,637	11,904,729	17,638,660
Difference	<u>(402,411)</u>	<u>6,405,199</u>	<u>4,714,719</u>	<u>516,131</u>	<u>625,115</u>	<u>(11,858,753)</u>	<u>-</u>
2013							
By contractual maturity	1,848,506	8,931,547	5,365,877	1,582,461	990,359	31,505	18,750,255
By behavioural maturity	2,115,466	1,922,126	910,685	166,014	224,555	13,411,409	18,750,255
Difference	<u>(266,960)</u>	<u>7,009,421</u>	<u>4,455,192</u>	<u>1,416,447</u>	<u>765,804</u>	<u>(13,379,904)</u>	<u>-</u>

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

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances reported in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The cash flows of commitments and contingent liabilities are not presented on an undiscounted basis as the total outstanding contractual amounts do not represent future cash requirements since the Group and the Bank expect many of these contingencies to expire or be unconditionally cancelled without being called or drawn upon and many of the contingent liabilities are reimbursable by customers.

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

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

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

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2014							
Non-derivative liabilities							
Deposits from customers	1,345,621	7,969,321	5,648,711	1,792,847	826,752	46,294	17,629,546
Deposits and placements of banks and other financial institutions	67,142	27,100	-	-	-	7,782	102,024
Bills and acceptances payable	-	100,321	4,683	-	-	-	105,004
Other liabilities	-	23,800	-	-	891	-	24,691
Subordinated sukuk	-	-	-	-	-	409,882	409,882
Derivative liabilities	470	296	71	3,308	-	-	4,145
Total Financial Liabilities	1,413,233	8,120,838	5,653,465	1,796,155	827,643	463,958	18,275,292

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

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

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

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2013							
Non-derivative liabilities							
Deposits from customers	1,848,030	8,931,547	5,365,877	1,582,461	990,359	31,628	18,749,902
Deposits and placements of banks and other financial institutions	-	-	2,820	-	3,152	5,022	10,994
Bills and acceptances payable	-	132,750	-	-	-	-	132,750
Other liabilities	-	16,232	-	-	981	-	17,213
Recourse obligation on financing sold to Cagamas	-	238	462	703	60,277	-	61,680
Subordinated sukuk	-	-	-	-	-	410,412	410,412
Derivative liabilities	938	-	230	-	11	8,385	9,564
Total Financial Liabilities	1,848,968	9,080,767	5,369,389	1,583,164	1,054,780	455,447	19,392,515

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43. 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
2014							
Non-derivative liabilities							
Deposits from customers	1,349,753	7,974,621	5,648,711	1,792,847	826,752	46,294	17,638,978
Deposits and placements of banks and other financial institutions	67,142	27,100	-	-	-	7,782	102,024
Bills and acceptances payable	-	100,321	4,683	-	-	-	105,004
Other liabilities	-	24,161	-	-	877	-	25,038
Subordinated sukuk	-	-	-	-	-	409,882	409,882
Derivative liabilities	470	296	71	3,308	-	-	4,145
Total Financial Liabilities	1,417,365	8,126,499	5,653,465	1,796,155	827,629	463,958	18,285,071
2013							
Non-derivative liabilities							
Deposits from customers	1,848,506	8,931,547	5,365,877	1,582,461	990,359	31,628	18,750,378
Deposits and placements of banks and other financial institutions	-	-	2,820	-	3,152	5,022	10,994
Bills and acceptances payable	-	132,750	-	-	-	-	132,750
Other liabilities	-	17,255	-	-	968	-	18,223
Recourse obligation on financing sold to Cagamas	-	238	462	703	60,277	-	61,680
Subordinated sukuk	-	-	-	-	-	410,412	410,412
Derivative liabilities	938	-	230	-	11	8,385	9,564
Total Financial Liabilities	1,849,444	9,081,790	5,369,389	1,583,164	1,054,767	455,447	19,394,001

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

(d) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed through an operational risk management framework with established operational risk management processes. To manage and control operational risk, the Group and Bank place great emphasis on the importance of proper monitoring and reporting of business units' adherence to established risk policies, procedures and limits by independent control and support units, oversight provided by the management and the Board of Directors, and independent assessment of the adequacy and reliability of the risk management processes by the Internal Audit Division.

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.

44. Fair values of financial instruments

(a) Financial instruments measured at fair value

Determination of fair value and the fair value hierarchy

MFRS 7 Financial Instruments: Disclosures requires the classification of financial instruments held at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of financial instruments:

Level 1 - quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 - valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (ie. prices) or indirectly (ie. derived from prices), are used; and

Level 3 - valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the instrument's valuation.

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44. Fair values of financial instruments (cont'd.)

(a) Financial instruments measured at fair value (cont'd.)

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

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 instrument 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 Bank generally uses widely recognised valuation techniques with market observable inputs for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

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

Group	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	98,710	98,710
Financial investments available-for-sale	66,671	5,861,316	137,260	6,065,247
Derivative financial assets	-	20,035	-	20,035
Total financial assets measured at fair value	66,671	5,881,351	235,970	6,183,992
Financial liabilities				
Derivative financial liabilities	-	4,145	-	4,145
Total financial liabilities measured at fair value	-	4,145	-	4,145

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44. Fair values of financial instruments (cont'd.)

(a) 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	
2013				
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	84,373	84,373
Financial investments available-for-sale	44,182	6,316,460	106,924	6,467,566
Derivative financial assets	-	4,488	-	4,488
Total financial assets measured at fair value	44,182	6,320,948	191,297	6,556,427
Financial liabilities				
Derivative financial liabilities	-	8,905	-	8,905
Total financial liabilities measured at fair value	-	8,905	-	8,905
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	
2014				
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	94,610	94,610
Financial investments available-for-sale	66,671	5,861,316	137,260	6,065,247
Derivative financial assets	-	20,035	-	20,035
Total financial assets measured at fair value	66,671	5,881,351	231,870	6,179,892
Financial liabilities				
Derivative financial liabilities	-	4,145	-	4,145
Total financial liabilities measured at fair value	-	4,145	-	4,145

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44. Fair values of financial instruments (cont'd.)

(a) 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	
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	79,573	79,573
Financial investments available-for-sale	44,182	6,316,460	106,924	6,467,566
Derivative financial assets	-	4,488	-	4,488
Total financial assets measured at fair value	44,182	6,320,948	186,497	6,551,627
Financial liabilities				
Derivative financial liabilities	-	8,905	-	8,905
Total financial liabilities measured at fair value	-	8,905	-	8,905

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 April 2013	191,297	66,994	186,497	62,194
Gains recognised in income statement	14,234	4,397	14,934	4,397
(Losses)/gains recognised in other comprehensive income	(2,927)	712	(2,927)	712
Purchases	36,117	33,601	36,117	33,601
Sales	(25,034)	(4,597)	(25,034)	(4,597)
Settlements	-	(13,067)	-	(13,067)
Foreign exchange translation difference	4,755	-	4,755	-
Transfer into Level 3	17,528	103,257	17,528	103,257
At 31 March 2014	235,970	191,297	231,870	186,497

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44. Fair values of financial instruments (cont'd.)

(a) Financial instruments measured at fair value (cont'd.)

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

Reconciliation of financing assets at fair value measurements in Level 3 of the fair value hierarchy (cont'd.):

The reason for the transfer was due to impairment of the securities which resulted in the inability to obtain market prices for the securities as at reporting date.

	Group	
	2014	2013
	RM'000	RM'000
Total gains recognised in income statement for financial instruments measured at fair value at the end of the financial year	14,234	4,397
Total (losses)/gains recognised in other comprehensive income for financial instruments measured at fair value at the end of the financial year	(2,927)	712
	Bank	
	2014	2013
	RM'000	RM'000
Total gains recognised in income statement for financial instruments measured at fair value at the end of the financial year	14,934	4,397
Total (losses)/gains recognised in other comprehensive income for financial instruments measured at fair value at the end of the financial year	(2,927)	712

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44. Fair values of financial instruments (cont'd.)

(b) Financial instruments not carried at fair value

Group 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
Financial assets					
Financing of customers		7,620,453	4,149,202	11,769,655	11,899,691
Financial liabilities					
Deposits from customers	-	2,328,971	15,301,995	17,630,966	17,629,228
Deposits and placements of banks and other financial institutions	-	4,489	96,503	100,992	101,074
Bills and acceptances payable	-	-	105,004	105,004	105,004
Subordinated sukuk	-	411,855	-	411,855	406,055
Bank 2014					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
Financial assets					
Financing of customers	-	7,620,453	4,153,586	11,774,039	11,904,074
Financial liabilities					
Deposits from customers	-	2,328,970	15,311,428	17,640,398	17,638,660
Deposits and placements of banks and other financial institutions	-	4,489	96,503	100,992	101,074
Bills and acceptances payable	-	-	105,004	105,004	105,004
Subordinated sukuk	-	411,855	-	411,855	406,055

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44. Fair values of financial instruments (cont'd.)

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

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with MFRS 132 comprise all their assets and liabilities with the exception of investments in subsidiaries, interest in associates, property, plant and equipment and provision for current and deferred taxation.

For financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

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 stated.

Financing to customers

The fair values of financing to 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 balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of specific allowance for bad and doubtful financing.

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44. Fair values of financial instruments (cont'd.)

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

Deposits from customers

The fair values of deposits from customers are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

Subordinated sukuk

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for financings with similar risks profiles.

Recourse obligation on financing sold to Cagamas

The fair value of recourse obligation on financing sold to Cagamas are determined based on the discounted cash flows of future instalment payables at applicable prevailing Cagamas rate as at reporting date.

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45. 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 statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Amount not set off in the statement of financial position		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
2014						
Derivative assets	20,035	-	20,035	-	-	20,035
Derivative liabilities	(4,145)	-	(4,145)	-	-	(4,145)
2013						
Derivative assets	4,488	-	4,488	-	-	4,488
Derivative liabilities	(8,905)	-	(8,905)	-	-	(8,905)

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The amount not set off in the statement of financial position relate to transactions where:

- (i) the counterparty has an offsetting exposure with the Group and 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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46. Capital and other commitments

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group	
	2014	2013
	RM'000	RM'000
Approved and contracted for	82,476	11,996
Approved but not contracted for	63,766	21,366
	<u>146,242</u>	<u>33,362</u>
	Bank	
	2014	2013
	RM'000	RM'000
Approved and contracted for	82,476	11,996
Approved but not contracted for	64,389	21,426
	<u>146,865</u>	<u>33,422</u>

47. Capital adequacy

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	Group	
	2014	2013
	RM'000	RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	10,995,042	9,687,613
Total market RWA	113,581	57,818
Total operational RWA	1,068,340	1,022,010
Total RWA	<u>12,176,963</u>	<u>10,767,441</u>

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47. Capital adequacy (cont'd.)

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	Group	
	2014	2013
	RM'000	RM'000
Computation of capital ratios		
<u>Tier-I capital</u>		
Paid-up ordinary share capital	1,195,000	1,000,000
Retained profits	107,885	226,048
Other Reserves		
Statutory reserve	473,705	398,978
Unrealised losses on available for-sale financial instruments	(30,227)	(25,940)
Foreign exchange translation reserve	(787)	(610)
	-	
Less: Regulatory Adjustment		
Deferred tax assets (net)	(12,786)	(17,027)
Investment in subsidiaries	-	-
Total Common Equity Tier-I Capital	1,732,790	1,581,449
Total Tier-I Capital	1,732,790	1,581,449
<u>Tier-II capital</u>		
Subordinated sukuk	324,844	365,450
Collective assessment	90,088	121,095
Total Tier-II Capital	414,932	486,545
Total Capital Base	2,147,722	2,067,994
<u>Ratio (%)</u>		
CET 1 Capital	14.2%	14.7%
Tier 1 Capital	14.2%	14.7%
Total Capital	17.6%	19.2%

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47. Capital adequacy (cont'd.)

(a) The core capital ratios and risk-weighted capital ratios of the the Bank are as follows:

	Bank	
	2014	2013
	RM'000	RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	10,995,963	9,680,838
Total market RWA	113,581	57,818
Total operational RWA	1,063,238	1,020,708
Total RWA	12,172,782	10,759,364
Computation of capital ratios (cont'd.)		
<u>Tier-I capital</u>		
Paid-up ordinary share capital	1,195,000	1,000,000
Retained profits	105,269	225,542
Other Reserves		
Statutory reserve	472,108	397,381
Unrealised losses on available for-sale financial instruments	(30,227)	(25,940)
Foreign exchange translation reserve	(787)	(610)
Regulatory Adjustment		
Less: Deferred tax assets (net)	(12,786)	(17,027)
Less: Investment in subsidiaries	(6,384)	(6,384)
Total Common Equity Tier- I Capital	1,722,193	1,572,962
Total Tier-I Capital	1,722,193	1,572,962
<u>Tier-II capital</u>		
Subordinated sukuk	324,844	365,450
Collective assessment	90,088	120,903
Total Tier-II Capital	414,932	486,353
Total Capital Base	2,137,125	2,059,315

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47. Capital adequacy (cont'd.)

(a) The core capital ratios and risk-weighted capital ratios of the the Bank are as follows (cont'd.):

	Bank	
	2014	2013
	RM'000	RM'000
Computation of capital ratios (cont'd.)		
<u>Ratio (%)</u>		
CET 1 Capital	14.1%	14.6%
Tier 1 Capital	14.1%	14.6%
Total Capital	17.6%	19.1%

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. The Group and Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I capital ratio and Tier I capital ratio are 3.5% and 4.5% respectively for the current period. The minimum regulatory capital adequacy requirement remains at 8.0% (2013: 8.0%) for total capital ratio.

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47. Capital adequacy (cont'd.)

(b) Credit risk disclosure by risk weights of the Group as at 31 March, are as follows:

	Group			
	2014			2013
	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%	6,428,416	-	9,165,454	-
20%	2,722,323	544,465	2,260,167	452,033
35%	1,161,435	406,502	988,384	345,934
50%	663,050	331,525	747,640	373,820
75%	3,933,421	2,950,066	3,100,378	2,325,285
100%	6,592,961	6,592,961	6,084,959	6,084,959
150%	113,015	169,523	70,388	105,582
Risk weighted assets for credit risk	21,614,621	10,995,042	22,417,370	9,687,613
Risk weighted assets for market risk		113,581		57,818
Risk weighted assets for operational risk		1,068,340		1,022,010
Total risk weighted assets		12,176,963		10,767,441

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47. Capital adequacy (cont'd.)

(b) Credit risk disclosure by risk weights of the Bank as at 31 March, are as follows:

	Bank			
	2014			2013
	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%	6,428,416	-	9,165,454	-
20%	2,722,323	544,465	2,260,167	452,033
35%	1,161,435	406,502	988,384	345,934
50%	663,050	331,525	747,640	373,820
75%	3,933,421	2,950,066	3,100,379	2,325,283
100%	6,587,306	6,587,306	6,077,556	6,077,556
150%	117,399	176,099	70,808	106,212
Risk weighted assets for credit risk	21,613,350	10,995,963	22,410,388	9,680,838
Risk weighted assets for market risk		113,581		57,818
Risk weighted assets for operational risk		1,063,238		1,020,708
Total risk weighted assets		12,172,782		10,759,364

48. Capital management

The issuance of subordinated sukuk which qualifies for Tier 2 capital amounting to RM400 million which was issued in June 2011, had ensured that the Group and the Banks' RWCR remain competitive throughout the duration of the 5-year business plan.

**Bank Muamalat Malaysia Berhad
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Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the management level, capital management strategy review is a period exercise that is under the purview of Asset-Liability Management Committee ("ALCO"). The said exercise refers to an assessment of the Bank's capital requirement vis-à-vis the development of the Bank as well as the broad environment, i.e. regulatory and macroeconomic setting.

Latest review exercise revealed that the management of the Bank's capital has remained consistent with the development of the 5-year business plan. This indicates that the present depth in capital is sufficient to meet the requirements of the business plan outlined.

Meanwhile, there were a series of developments made from the regulatory perspective, in particular, the proposal by the Basel Committee on Banking Supervision on Basel III. Much has been deliberated as regulators globally strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

The Bank has adopted the Standardised Approach for the measurement of credit and market risks, and the Basic Indicator Approach for operational risk, in compliance with BNM's requirements vis-à-vis the Capital Adequacy Framework for Islamic Bank. In addition, the stress testing process forecast the Bank's capital requirements under plausible and worst case stress scenarios to assess the Bank's capital to withstand the shocks.

49. Segment information**(a) Business segments**

The Bank is organised into three major business segments:

- (i) Business banking - this segment comprises the full range of products and services offered to business customers in the region, ranging from large corporates and the public sector and also commercial enterprises. The products and services offered including long-term financing such as project financing, short-term credit such as Muamalat Cashline and trade financing and fee based services such as cash management .
- (ii) Consumer banking - this segment comprises the full range of products and services offered to individual customers in Malaysia, including savings accounts, current accounts, general investment accounts, remittance services, internet banking services, cash management services, consumer financing such as mortgage financing, personal financing, hire purchases financing, micro financing, wealth management and bancatakaful products.
- (iii) Treasury and Investment Banking - this segment comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market securities.

Investment Banking focuses on business needs of mainly large corporate customers and financial institutions which include corporate advisory services, bond issuances, IPOs and debt restructuring advisory services. It also explores investment opportunities via Private Equity investments for the Bank.

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49. Segment information (cont'd.)

(a) Business segments (cont'd.)

Other business segments include rental services, none of which is of a sufficient size to be reported separately.

Group	Business	Consumer	Treasury and	Others	Total
2014	banking	banking	Investment		
	RM'000	RM'000	banking	RM'000	RM'000
			RM'000		
Revenue	195,173	476,256	314,297	18,662	1,004,388
Total Income	120,914	343,759	42,397	49,872	556,942
Writeback of/(allowance for) impairment on financing	34,380	26,906	5,547	(700)	66,133
Other expenses	-	-	-	(12,245)	(12,245)
Total net income	155,294	370,665	47,944	36,927	610,830
Total Overhead expenses					(402,546)
Profit before zakat and taxation					208,284
Zakat					(5,137)
Taxation					(51,583)
Profit for the year					151,564
Group	Business	Consumer	Treasury and	Others	Total
2013	banking	banking	Investment		
	RM'000	RM'000	banking	RM'000	RM'000
			RM'000		
Revenue	222,735	434,788	331,172	10,643	999,339
Total Income	137,088	319,593	85,906	39,788	582,375
Writeback of/(allowance for) impairment on financing	41,742	(16,493)	(5,093)	-	20,156
Other expenses	-	-	-	(9,369)	(9,369)
Total net income	178,830	303,100	80,813	30,419	593,162
Total Overhead expenses					(357,199)
Profit before zakat and taxation					235,963
Zakat					(6,149)
Taxation					(61,878)
Profit for the year					167,936

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49. Segment information (cont'd.)

(a) Business segments (cont'd.)

Other business segments include rental services, none of which is of a sufficient size to be reported separately.

Bank	Business	Consumer	Treasury and	Others	Total
2014	banking	banking	Investment	RM'000	RM'000
	RM'000	RM'000	banking		
			RM'000		
Revenue	195,173	476,256	312,006	15,060	998,495
Total Income	120,914	343,759	40,106	46,690	551,469
Writeback of impairment during the year	34,380	26,906	5,547	-	66,833
Other expenses	-	-	-	(12,245)	(12,245)
Total net income	155,294	370,665	45,653	34,445	606,057
Total Overhead expenses					(400,574)
Profit before zakat and taxation					205,483
Zakat					(5,137)
Taxation					(50,892)
Profit for the year					149,454
Bank	Business	Consumer	Treasury and	Others	Total
2013	banking	banking	Investment	RM'000	RM'000
	RM'000	RM'000	banking		
			RM'000		
Revenue	222,735	434,788	331,023	9,715	998,261
Total Income	137,088	319,593	85,757	39,110	581,548
Writeback of/(allowance for) impairment during the year	41,742	(16,493)	(5,093)	-	20,156
Other expenses	-	-	-	(9,369)	(9,369)
Total net income	178,830	303,100	80,664	29,741	592,335
Total Overhead expenses					(357,357)
Profit before zakat and taxation					234,978
Zakat					(6,149)
Taxation					(61,643)
Profit for the year					167,186

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50. Subsequent events

There were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements except for the following event:

Islamic Financial Services Act 2013 (IFSA)

The Islamic Banking has entered a new regulatory landscape through the enforcement of Islamic Financial Services Act 2013 (IFSA) on 30 June 2013 that focuses in safeguarding financial stability, promoting shariah governance and strengthening market and consumer confidence.

These include mandatory compliance to Islamic deposits and investment accounts requirements as defined by the Acts, in which to be completed by June 2015. The Bank has put in place comprehensive transition plans and initiatives that summarized as follows:-

Deposits	Transition Plans
a. Mudharabah Current Account & Mudharabah Saving Account	Maintained as investment account under the guidance of AIBIM through joint collaboration with other Islamic Banks. The transition is guided by the BNM's Guidelines on Investment Account, issued on 14th March 2014. The process will be completed by June 2015.
b. Mudharabah General Investment Account (GIA) & Mudharabah Special General Investment Deposit (SGID)	To be converted and rolled over to Fixed Term Account (FTA-i). The launch of the new FTA will be made in tandem with the Bank's Muamalat Banking Solution (MBS) cut-over date.
c. Other deposits	No changes