



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

Directors' Report and Audited Financial
Statements
31 March 2019

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

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Bank Muamalat Malaysia Berhad
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Directors' Report

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

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

Principal activities

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

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

Results

	Group RM'000	Bank RM'000
Profit before zakat and taxation	241,188	247,123
Zakat	(6,255)	(6,195)
Taxation	(55,439)	(55,253)
Profit for the year	<u>179,494</u>	<u>185,675</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 of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

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

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Directors

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

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

Directors of the subsidiary companies

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

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

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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 during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			As at 31.3.2019
	As at 1.4.2018	Acquired	Disposal	
Interest in DRB-HICOM Berhad, holding company:				
Dato' Sri Che Khalib Mohamad Noh	3,500	-	-	3,500

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Directors' benefits

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

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

Directors' indemnity

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

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Other statutory information

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render:
 - (i) the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) As at the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.

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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 (12) months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

Compliance with Bank Negara Malaysia's Guidelines on Financial Reporting

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

Significant and subsequent events

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

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

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Business review 2018/2019

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

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

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

Prospects

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

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

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

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

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Prospects (cont'd.)

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

Rating by external rating agencies

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Rating Received
Rating Agency Malaysia Berhad	May 2019	Long term	A2
		Short term	P1
		Subordinated Sukuk	A3
		Outlook	Stable
Malaysia Rating Corporation Berhad	November 2018	Long term	A
		Short term	MARC-1
		Senior Sukuk	A
		Outlook	Stable

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Disclosure of Shariah Committee

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

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

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Disclosure of Shariah Committee (cont'd.)

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

Zakat obligations

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

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

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Auditors and auditors' remuneration

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

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

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



Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman



Dato' Haji Mohd Redza Shah Abdul Wahid
Director

Kuala Lumpur, Malaysia

**Bank Muamalat Malaysia Berhad
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Statement by directors

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

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

We, Tan Sri Dato' Dr. Mohd Munir Abdul Majid and Dato' Haji Mohd Redza Shah Abdul Wahid, being two (2) of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 17 to 214 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2019 and of the results and the cash flows of the Group and of the Bank for the year then ended.

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



Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman



Dato' Haji Mohd Redza Shah Abdul Wahid
Director

Kuala Lumpur, Malaysia

Statutory declaration

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

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

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

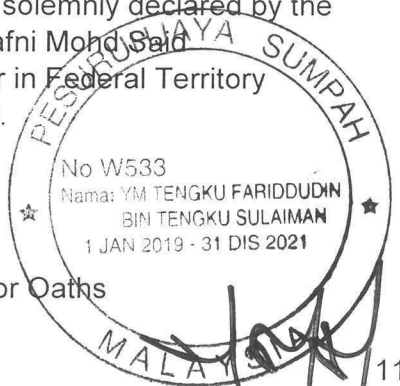
Subscribed and solemnly declared by the
abovenamed Hafni Mohd Said
at Kuala Lumpur in Federal Territory
on 29 May 2019.



Hafni Mohd Said

Before me,

Commissioner for Oaths



205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

**Bank Muamalat Malaysia Berhad
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Report of the Shariah Committee

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

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

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

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

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

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

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

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

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



En. Azizi Che Seman
Chairman of Shariah Committee



Assoc. Prof. Dr. Mohamad Sabri Haron
Member of Shariah Committee

Kuala Lumpur, Malaysia

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

Opinion

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 March 2019 of the Group and of the Bank, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 214.

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

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard on the Directors' Report.

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

Other matters

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



Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia
29 May 2019



Muhammad Syarizal Bin Abdul Rahim

No. 03157/01/2021 J

Chartered Accountant

Bank Muamalat Malaysia Berhad
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Consolidated statement of financial position as at 31 March 2019 (24 Rejab 1440H)

		Group	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
Assets			
Cash and short-term funds	4 (a)	830,571	1,579,923
Cash and placements with financial institutions	4 (b)	11,937	7,758
Investment accounts due from designated financial institution	18 (a)	-	146
Financial investments at fair value through profit or loss	5 (i)	660,799	161,274
Financial investments at fair value through other comprehensive income	5 (ii)	4,936,032	-
Financial investments at amortised cost	5 (iii)	103,310	-
Financial investments available-for-sale	5 (iv)	-	6,319,413
Financial investments held-to-maturity	5 (v)	-	143,730
Islamic derivative financial assets	6	24,853	72,770
Financing of customers	7	15,330,895	14,687,846
Other assets	9	81,625	91,978
Statutory deposits with Bank Negara Malaysia	10	699,275	674,500
Investment properties	12	45,303	41,781
Intangible assets	13	84,684	94,069
Property, plant and equipment	14	58,361	52,669
Prepaid land lease payments	15	223	227
Deferred tax assets (net)	16	17,742	15,607
Total assets		22,885,610	23,943,691
Liabilities			
Deposits from customers	17	19,144,118	20,172,527
Deposits and placements of banks and other financial institutions	19	6,747	8,854
Bills and acceptances payable	20	15,678	9,618
Islamic derivative financial liabilities	6	48,162	77,923
Other liabilities	21	78,450	117,339
Provision for zakat and taxation	22	6,670	7,914
Recourse obligation on financing sold to Cagamas	23	471,102	485,851
Deferred tax liabilities (net)	16	65	587
Subordinated sukuk	24 (a)	254,025	254,035
Senior sukuk	24 (b)	509,174	509,127
Total liabilities		20,534,191	21,643,775

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Consolidated statement of financial position as at 31 March 2019 (24 Rejab 1440H) (cont'd.)

		Group	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
Shareholders' equity			
Share capital	25	1,195,000	1,195,000
Reserves	26	1,156,419	1,104,916
Total shareholders' equity		<u>2,351,419</u>	<u>2,299,916</u>
Total liabilities and shareholders' equity		<u>22,885,610</u>	<u>23,943,691</u>
Restricted investment accounts	18 (b)	<u>20,444</u>	<u>42,090</u>
Total Islamic banking asset and asset under management		<u>22,906,054</u>	<u>23,985,781</u>
Commitments and contingencies	45	<u>9,264,470</u>	<u>6,776,928</u>
Capital adequacy *	50		
CET 1 capital ratio		15.80%	16.04%
Total capital ratio		<u>18.59%</u>	<u>18.38%</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
(Incorporated in Malaysia)

Statement of financial position as at 31 March 2019 (24 Rejab 1440H)

		Bank	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
Assets			
Cash and short-term funds	4 (a)	830,571	1,579,923
Cash and placements with financial institutions	4 (b)	11,937	7,758
Investment accounts due from designated financial institution	18 (a)	-	146
Financial investments at fair value through profit or loss	5 (i)	658,866	161,274
Financial investments at fair value through other comprehensive income	5 (ii)	4,933,767	-
Financial investments at amortised cost	5 (iii)	103,310	-
Financial investments available-for-sale	5 (iv)	-	6,316,759
Financial investments held-to-maturity	5 (v)	-	143,730
Islamic derivative financial assets	6	24,853	72,770
Financing of customers	7	15,333,281	14,687,429
Other assets	9	83,531	89,543
Statutory deposits with Bank Negara Malaysia	10	699,275	674,500
Investment in subsidiaries	11	12,559	8,559
Investment properties	12	45,303	41,781
Intangible assets	13	84,560	93,894
Property, plant and equipment	14	58,360	52,661
Prepaid land lease payments	15	223	227
Deferred tax assets (net)	16	17,742	15,607
Total assets		22,898,138	23,946,561
Liabilities			
Deposits from customers	17	19,167,905	20,190,854
Deposits and placements of banks and other financial institutions	19	6,747	8,854
Bills and acceptances payable	20	15,678	9,618
Islamic derivative financial liabilities	6	48,162	77,923
Other liabilities	21	74,156	115,612
Provision for zakat and taxation	22	6,597	5,989
Recourse obligation on financing sold to Cagamas	23	471,102	485,851
Subordinated sukuk	24 (a)	254,025	254,035
Senior sukuk	24 (b)	509,174	509,127
Total liabilities		20,553,546	21,657,863

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 March 2019 (24 Rejab 1440H) (cont'd.)

		Bank	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
Shareholders' equity			
Share capital	25	1,195,000	1,195,000
Reserves	26	1,149,592	1,093,698
Total shareholders' equity		<u>2,344,592</u>	<u>2,288,698</u>
Total liabilities and shareholders' equity		<u>22,898,138</u>	<u>23,946,561</u>
Restricted investment accounts	18 (b)	<u>20,944</u>	<u>44,493</u>
Total Islamic banking asset and asset under management		<u>22,919,082</u>	<u>23,991,054</u>
Commitments and contingencies	45	<u>9,264,470</u>	<u>6,776,928</u>
Capital adequacy *	50		
CET 1 capital ratio		15.68%	15.92%
Total capital ratio		<u>18.47%</u>	<u>18.27%</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
(Incorporated in Malaysia)

Statements of profit or loss
For the year ended 31 March 2019 (24 Rejab 1440H)

		Group		Bank	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	27	1,248,778	1,192,349	1,248,778	1,192,349
Income derived from investment of investment account funds	28	511	47	511	47
Income derived from investment of shareholders' funds	29	84,302	27,409	82,335	17,442
Writeback of impairment on financing	30	6,355	50,126	11,277	50,126
Writeback of impairment losses on financial investments, net	31	801	3,343	1,801	3,847
Allowance for impairment on other financial assets, net	32	(4,830)	-	(4,830)	-
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(10,723)	(7,739)	(10,723)	(7,739)
Total distributable income		1,325,194	1,265,535	1,329,149	1,256,072
Income attributable to depositors	33	(613,236)	(577,500)	(613,684)	(577,966)
Total net income		711,958	688,035	715,465	678,106
Personnel expenses	34	(214,576)	(213,015)	(212,614)	(210,774)
Other overheads and expenditures	37	(192,031)	(181,235)	(191,565)	(180,609)
Finance costs	38	(64,163)	(63,237)	(64,163)	(63,237)
Profit before zakat and taxation		241,188	230,548	247,123	223,486
Zakat	39	(6,255)	(6,138)	(6,195)	(5,587)
Taxation	40	(55,439)	(42,785)	(55,253)	(39,236)
Profit for the year		179,494	181,625	185,675	178,663
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	41	15.02	15.20		

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of other comprehensive income
For the year ended 31 March 2019 (24 Rejab 1440H)

		Group		Bank	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Profit for the year		179,494	181,625	185,675	178,663
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
Net gain on financial investments at fair value through other comprehensive income		42,434	-	42,434	-
- Net gain on change in fair value		68,836	-	68,836	-
- Changes in expected credit losses	5 (ii)	(191)	-	(191)	-
- Income tax effect	16	(8,758)	-	(8,758)	-
- Realised gain transferred to profit or loss on disposal	27 & 29	(17,453)	-	(17,453)	-
Net (loss)/gain on financial investments available-for-sale		-	(16,318)	-	4,261
- Net gain on change in fair value		-	12,844	-	24,504
- Income tax effect	16	-	5,107	-	(1,392)
- Realised gain transferred to profit or loss on disposal	27 & 29	-	(34,269)	-	(18,851)
Exchange fluctuation reserve		1,362	(3,962)	1,362	(3,962)
Items that may not be reclassified subsequently to profit or loss					
Net unrealised loss on equity securities at fair value through other comprehensive income		(12,560)	-	(12,560)	-
Other comprehensive income/(loss) for the year, net of tax		31,236	(20,280)	31,236	299
Total comprehensive income for the year		210,730	161,345	216,911	178,962

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

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Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the year ended 31 March 2019 (24 Rejab 1440H)

Group	Non-distributable					Distributable		Total equity RM'000
	Ordinary shares RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Fair Value Through Other Comprehensive Income Reserve RM'000	Available- for-sale reserve RM'000	Retained profits RM'000	
At 1 April 2018								
- as previously stated	1,195,000	-	1,530	(1,779)	-	(27,616)	1,132,781	2,299,916
- effect of adopting MFRS 9 (Note 2.4(i))	-	-	39,064	-	(29,056)	27,616	(196,851)	(159,227)
At 1 April 2018, as restated	1,195,000	-	40,594	(1,779)	(29,056)	-	935,930	2,140,689
Profit for the year	-	-	-	-	-	-	179,494	179,494
Other comprehensive income for the year	-	-	-	1,362	29,874	-	-	31,236
Total comprehensive income for the year	-	-	-	1,362	29,874	-	179,494	210,730
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	-	(2,332)	-	2,332	-
Transfer to regulatory reserve	-	-	22,991	-	-	-	(22,991)	-
At 31 March 2019	1,195,000	-	63,585	(417)	(1,514)	-	1,094,765	2,351,419
At 1 April 2017	1,195,000	658,158	-	2,183	-	(11,298)	294,528	2,138,571
Profit for the year	-	-	-	-	-	-	181,625	181,625
Other comprehensive loss for the year	-	-	-	(3,962)	-	(16,318)	-	(20,280)
Total comprehensive income for the year	-	-	-	(3,962)	-	(16,318)	181,625	161,345
Transfer from statutory reserve	-	(658,158)	-	-	-	-	658,158	-
Transfer to regulatory reserve	-	-	1,530	-	-	-	(1,530)	-
At 31 March 2018	1,195,000	-	1,530	(1,779)	-	(27,616)	1,132,781	2,299,916

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

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Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 March 2019 (24 Rejab 1440H)

	Non-distributable					Distributable		Total equity RM'000
	Ordinary shares RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Fair Value Through Other Comprehensive Income Reserve RM'000	Available- for-sale reserve RM'000	Retained profits RM'000	
Bank								
At 1 April 2018								
- as previously stated	1,195,000	-	1,530	(1,779)	-	(29,473)	1,123,420	2,288,698
- effect of adopting MFRS 9 (Note 2.4(ii))	-	-	39,064	-	(29,055)	29,473	(200,499)	(161,017)
At 1 April 2018, as restated	1,195,000	-	40,594	(1,779)	(29,055)	-	922,921	2,127,681
Profit for the year	-	-	-	-	-	-	185,675	185,675
Other comprehensive income for the year	-	-	-	1,362	29,874	-	-	31,236
Total comprehensive income for the year	-	-	-	1,362	29,874	-	185,675	216,911
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	-	(2,332)	-	2,332	-
Transfer to regulatory reserve	-	-	22,991	-	-	-	(22,991)	-
At 31 March 2019	1,195,000	-	63,585	(417)	(1,513)	-	1,087,937	2,344,592
At 1 April 2017	1,195,000	656,561	-	2,183	-	(33,734)	289,726	2,109,736
Profit for the year	-	-	-	-	-	-	178,663	178,663
Other comprehensive income for the year	-	-	-	(3,962)	-	4,261	-	299
Total comprehensive income for the year	-	-	-	(3,962)	-	4,261	178,663	178,962
Transfer from statutory reserve	-	(656,561)	-	-	-	-	656,561	-
Transfer to regulatory reserve	-	-	1,530	-	-	-	(1,530)	-
At 31 March 2018	1,195,000	-	1,530	(1,779)	-	(29,473)	1,123,420	2,288,698

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2019 (24 Rejab 1440H)

	Note	Group 2019 RM'000	2018 RM'000	Bank 2019 RM'000	2018 RM'000
Cash flows from operating activities					
Profit before zakat and taxation		241,188	230,548	247,123	223,486
Adjustment for:					
Amortisation of prepaid land lease payments	37	4	4	4	4
Amortisation of intangible assets	37	30,299	27,743	30,138	27,528
Depreciation of property, plant and equipment	37	15,564	17,224	15,557	17,190
Gain on sale of property, plant and equipment	29	(70)	(45)	(70)	(45)
Amortisation of cost on subordinated sukuk and senior sukuk issued		200	200	200	200
Property, plant and equipment written off	37	53	12	53	12
Intangible assets written off	37	-	368	-	368
Amortisation of premium/ (accretion of discount)	27 & 29	1,229	(2,030)	1,229	(2,030)
Net gain from sale of financial investments available-for-sale	27 & 29	-	(34,269)	-	(18,851)
Net gain from sale of financial investments at fair value through other comprehensive income	27 & 29	(17,453)	-	(17,453)	-
Net gain from sale of financial investments designated at FVTPL	27 & 29	(953)	(1,328)	(874)	(528)
Unrealised (gain)/loss on revaluation of financial investment designated at FVTPL	27 & 29	(37,305)	12,204	(38,558)	12,204
Net (gain)/loss on revaluation of foreign exchange transaction	29	(8,322)	22,607	(8,322)	22,607
Net (gain)/loss from foreign exchange derivatives	29	(3,448)	1,562	(3,448)	1,562
Unrealised loss/(gain) on revaluation of Islamic profit rate swap	29	21,604	(3,549)	21,604	(3,549)

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2019 (24 Rejab 1440H) (cont'd.)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities (cont'd.)					
Unrealised (gain)/loss on revaluation of hedged items	29	(33,297)	5,158	(33,297)	5,158
Gain from derecognition of fair value of hedged items	29	(2,102)	(4,811)	(2,102)	(4,811)
Impairment writeback on investments securities	31	(801)	(3,343)	(801)	(3,343)
Impairment writeback on investment in a subsidiary	31	-	-	(1,000)	(504)
Fair value adjustments of investment properties	29	(1,580)	(2,415)	(1,580)	(2,415)
Net allowance for/(writeback of) impairment on financing	30	9,176	(47,815)	9,176	(47,815)
Financing written off	30	2,592	6,684	2,592	6,684
Allowance for impairment on other financial assets, net		4,830	-	4,830	-
Finance costs	38	64,163	63,237	64,163	63,237
Gross dividend income	29	(53)	(502)	-	(14,315)
Operating profit before working capital changes		285,518	287,444	289,164	282,034
Decrease/(Increase) in operating assets:					
Investment accounts due from designated financial institution		146	236	146	236
Islamic derivative financial assets		51,365	(18,384)	51,365	(18,384)
Financial investments portfolio		(33,748)	(257)	(24,251)	(259)
Financing of customers		(922,514)	271,118	(927,106)	291,119
Statutory deposits with Bank Negara Malaysia		(24,775)	24,136	(24,775)	24,136
Other assets		23,596	6,960	10,352	1,292

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2019 (24 Rejab 1440H) (cont'd.)

	Note	Group		Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)					
Decrease/(Increase) in operating liabilities:					
Deposits from customers		(1,028,409)	255,045	(1,022,949)	261,095
Deposits and placements of banks and other financial institutions		(2,107)	(552,800)	(2,107)	(552,800)
Islamic derivative financial liabilities		(51,365)	18,384	(51,365)	18,384
Bills and acceptances payable		6,060	422	6,060	422
Other liabilities		(38,889)	10,197	(41,456)	16,078
Cash (used in)/generated from operations		(1,735,122)	302,501	(1,736,922)	323,353
Zakat paid		(6,134)	(4,320)	(5,587)	(4,275)
Tax paid		(17,908)	(1,674)	(15,689)	(20)
Net cash (used in)/generated from operating activities		(1,759,164)	296,507	(1,758,198)	319,058
Cash flows from investing activities					
Proceeds from disposal of investment in securities		10,188,634	7,724,324	10,188,555	7,687,949
Purchase of financial investment in securities		(9,051,526)	(7,870,260)	(9,049,470)	(7,870,252)
Proceeds from disposal of property, plant and equipment		134	56	134	56
Purchase of property, plant and equipment	14	(21,373)	(17,368)	(21,373)	(17,365)
Purchase of intangible assets	13	(20,914)	(12,909)	(20,804)	(12,909)
Purchase of investment properties	12	(1,942)	(588)	(1,942)	(588)
Purchase of additional ordinary shares in existing subsidiaries		-		(3,000)	
Dividend income	29	53	502	-	14,315
Net cash generated from/ (used in) investing activities		1,093,066	(176,243)	1,092,100	(198,794)

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2019 (24 Rejab 1440H) (cont'd.)

	Note	Group		Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities					
Dividend paid on Islamic subordinated sukuk		(42,000)	(42,120)	(42,000)	(42,120)
Redemption of subordinated sukuk		-	(5,000)	-	(5,000)
Proceed from recourse obligation on financing sold to Cagamas		-	499,999	-	499,999
Repayment of principal for recourse obligation on financing sold to Cagamas		(14,799)	(14,334)	(14,799)	(14,334)
Repayment of finance cost for recourse obligation on financing sold to Cagamas		(22,276)	(21,053)	(22,276)	(21,053)
Net cash (used in)/generated from financing activities		(79,075)	417,492	(79,075)	417,492
Net (decrease)/increase in cash and cash equivalents		(745,173)	537,756	(745,173)	537,756
Cash and cash equivalents at beginning of year		1,587,681	1,049,925	1,587,681	1,049,925
Cash and cash equivalents at end of year		842,508	1,587,681	842,508	1,587,681
Cash and cash equivalents consist of:					
Cash and short term funds	4 (a)	830,571	1,579,923	830,571	1,579,923
Cash and placements with financial institutions	4 (b)	11,937	7,758	11,937	7,758
		842,508	1,587,681	842,508	1,587,681

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2019 (24 Rejab 1440H) (cont'd.)

(a) Reconciliation of liabilities arising from financing activities:

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

Group and Bank

	Sukuk		Recourse obligation on financing sold to Cagamas	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	763,162	768,084	485,851	-
Net changes from financing cash flows:				
Dividend paid on Islamic subordinated sukuk	(42,000)	(42,120)	-	-
Redemption of subordinated sukuk	-	(5,000)	-	-
Proceed from recourse obligation on financing sold to Cagamas	-	-	-	499,999
Repayment of principal for recourse obligation on financing sold to Cagamas	-	-	(14,799)	(14,334)
Repayment of finance cost for recourse obligation on financing sold to Cagamas	-	-	(22,276)	(21,053)
	721,162	720,964	448,776	464,612
Other changes:				
Amortisation of cost on sukuk issued	200	200	-	-
Finance cost	41,837	41,998	22,326	21,239
At end of the financial year	763,199	763,162	471,102	485,851

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

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

Notes to the financial statements - 31 March 2019 (24 Rejab 1440H)

1. Corporate information

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

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

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

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

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

The financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the directors on 29 May 2019.

2. Significant accounting policies

2.1 Basis of preparation

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

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

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

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

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

Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (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 as at 31 March 2019.

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

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

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

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

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

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

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

Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

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

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

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

2.3 Summary of significant accounting policies

(a) Investment in subsidiaries

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

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

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

Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets

(i) Initial recognition and subsequent measurement

From 1 April 2018, the Group and the Bank classify all of its financial assets based on the business model for managing the assets and the assets' contractual cash flow characteristics. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

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

Before 1 April 2018, the Group and the Bank classified its financial assets as financing and receivables, FVTPL, held-to-maturity ("HTM") or available-for-sale ("AFS").

The accounting for financial liabilities remains largely the same as it was under MFRS 139.

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

(1) Financial assets at amortised cost

From 1 April 2018, the Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

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

The details of these conditions are outlined below:

(i) The SPPP test

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

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

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

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(ii) Business model assessment

The Group and the Bank determine its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

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

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

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

The Group's and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The way the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The way the managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales which are also important aspects of the Group's and the Bank's assessment.
- The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

Included in financial assets at amortised cost are cash and short-term funds, cash and placements with financial institutions, financial investments, financing of customers, statutory deposits and a portion of other assets as disclosed in the respective notes to the financial statements.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

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

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

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

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under MFRS 139.

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

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

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

Before 1 April 2018, financial assets at FVTPL include financial assets held-for-trading ("HFT") and financial investments designated upon initial recognition at FVTPL. Financial assets classified as held-for-trading are derivatives (including separated embedded derivatives) or if they are acquired for the purpose of selling in the near term.

From 1 April 2018, financial assets at FVTPL are those that are held-for-trading and have been either designated by Management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9.

Management designates an instrument at FVTPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

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

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(4) Financing and receivables (Policy applicable before 1 April 2018)

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financing assets classified in this category includes financing of customers and certain other assets. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective profit rate method, less impairment.

(5) Financial investments HTM (Policy applicable before 1 April 2018)

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

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

(6) Financial investments AFS (Policy applicable before 1 April 2018)

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(6) Financial investments AFS (Policy applicable before 1 April 2018) (cont'd.)

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

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

Dividends on an equity AFS instruments are recognised in the statements of profit or loss when the Group's and the Bank's right to receive payment is established.

(ii) Derecognition

A financial asset is derecognised when:

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

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2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

(ii) Derecognition (cont'd.)

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

(iii) Impairment of financial assets (Policy applicable from 1 April 2018)

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model that replaces the Incurred Loss model under MFRS 139. The ECL model applies to financial assets measured at amortised cost or at FVOCI (with recycling to profit or loss), irrevocable financing commitments and financial guarantee contracts, and financing of customers and debt instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15 Revenue from Contracts with Customers and lease receivables under MFRS 117 Leases.

The measurement of ECL involves increased complexity and judgement that include:

(1) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is critical in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

(iii) Impairment of financial assets (Policy applicable from 1 April 2018) (cont'd.)

(1) Determining a significant increase in credit risk since initial recognition (cont'd.)

The Group and the Bank apply a 3-stage approach based on the change in credit quality since initial recognition:

3-Stage Approach	Stage 1	Stage 2	Stage 3
	Performing	Under-performing	Non-performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

(2) ECL Measurement

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

**(iii) Impairment of financial assets (Policy applicable from 1 April 2018)
(cont'd.)**

(3) Expected life

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

(4) Forward looking information

ECL are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information is based on the collation of macroeconomic data obtained from various external sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Where applicable, the Bank incorporates forward-looking adjustments in credit risk factors of PD and LGD used in the ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

**(iii) Impairment of financial assets (Policy applicable from 1 April 2018)
(cont'd.)**

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

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

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

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

(5) Financial investments at FVOCI

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

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

The Bank's accounting policy for collateral assigned to it through its financing arrangements under MFRS 9 is the same as it was under MFRS 139.

(7) Impairment process – written-off accounts

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

**(iii) Impairment of financial assets (Policy applicable from 1 April 2018)
(cont'd.)**

(8) Impairment of other financial assets

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

(iv) Impairment of financial assets (Policy applicable before 1 April 2018)

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

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

(1) Financing and receivables

Classification of financing and receivables as impaired

Financing and receivables are classified as impaired when:

- principal or profit or both are past due for three (3) months or more;
- where financing in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

**(iv) Impairment of financial assets (Policy applicable before 1 April 2018)
(cont'd.)**

(1) Financing and receivables (cont'd.)

Classification of financing and receivables as impaired (cont'd.)

- where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until payments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

Impairment Process – Individual Assessment

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

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

Impairment Process – Collective Assessment

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

**(iv) Impairment of financial assets (Policy applicable before 1 April 2018)
(cont'd.)**

(1) Financing and receivables (cont'd.)

Impairment Process – 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.

(2) Financial investments AFS

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

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

In the case of equity investments classified as AFS investment, the objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. In general, the Group and the Bank treats "significant" as 25% and "prolonged" as twelve (12) months.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

**(iv) Impairment of financial assets (Policy applicable before 1 April 2018)
(cont'd.)**

(2) Financial investments AFS (cont'd.)

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in statements of profit or loss is removed from equity and recognised in statements of profit or loss.

Subsequent positive price movement in regard to impairment losses on equity investments are not reversed through the income statement; instead, increases in the fair value after impairment are recognised in other comprehensive income.

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

(3) Financial investments HTM

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

(v) Determination of fair value

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

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

(c) Financial liabilities

(i) Date of recognition

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

(ii) Initial recognition and subsequent measurement

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

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

(1) Financial liabilities at FVTPL

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities (cont'd.)

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

(1) Financial liabilities at FVTPL (cont'd.)

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

(2) Financial liabilities at amortised cost

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

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

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

(b) Islamic debt securities

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities (cont'd.)

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

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

(b) Islamic debt securities (cont'd.)

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

(c) Payables

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

(d) Bills and acceptances payable

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

(e) Other liabilities

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

(f) Recourse obligation on financing sold to Cagamas

Recourse obligations on financing sold to Cagamas are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective profit method.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities (cont'd.)

(iii) Derecognition

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

(d) Derivative instruments and hedge accounting

(i) Derivative instruments

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

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

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

(ii) Hedge accounting

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

(ii) Hedge accounting (cont'd.)

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

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

(1) Fair value hedge

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

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

(2) Cash flow hedge

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

(ii) Hedge accounting (cont'd.)

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

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

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

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

(e) Foreclosed properties

Foreclosed properties are those properties acquired in full or partial satisfaction of financing and are stated at the lower of cost and net realisable value and reported within other assets.

(f) Investment properties

Investment properties, comprising principally land and shoplots, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Bank.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, representing open-market value determined annually by registered independent valuer having appropriate recognised professional qualification. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group and the Bank use alternative valuation methods such as recent prices of less active markets or discounted cash flow projections. Changes in fair values are recorded in statement of profit or loss in the year in which they arise.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(f) Investment properties (cont'd.)

On disposal of an investment property, or when it is permanently withdrawn from use or no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in statement of profit or loss in the period of the retirement or upon disposal.

(g) Intangible assets

Intangible assets include computer software and software under development.

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

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

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

Computer software is amortised over its estimated finite useful lives ranging from 3 to 10 years.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(h) Property, plant and equipment

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

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

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

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

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(i) Prepaid land lease payments

(i) Classification

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

(ii) Finance lease

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

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

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

(iii) Operating lease

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

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(j) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

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

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(j) Foreign currencies (cont'd.)

(iii) Foreign operations

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

(k) Provision for liabilities

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

(l) Impairment of non-financial assets

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

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

Impairment losses are recognised in the statements of profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in statements of profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short term deposits with original maturity tenor of less than three (3) months that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(n) Contingent liabilities and contingent assets

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

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

(o) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plan

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition

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

(i) Profit and income from financing

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

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

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition

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

(2) Ijarah Thumma Al-Bai'

This contract involves lease ending with transfer of ownership from the lessor to the lessee in the form of sale transaction based on agreed terms and conditions. There are two (2) contracts involved in this arrangement. The first contract is Ijarah where the lessee enjoys the usufruct of the assets for an agreed rental during an agreed period of time while the ownership remains with the lessor. The second contract is the sale contract which may take place at the end of the Ijarah period or at any point of time during the period subject to the agreed terms and conditions between the contracting parties. Financing income is recognised on effective profit rate basis over the lease term.

(3) Bai' Inah

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

(4) Tawarruq

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

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

(5) Bai Al-Dayn

This contract involves the sale and purchase of securities or debt certificates which conforms with the Shariah ruling. Securities or debt certificates are issued by a debtor to a creditor as evidence of indebtedness. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

(6) Murabahah

This contract involves the sale of goods or assets by the Bank at a mark-up price to the customer, which includes a profit margin as agreed by both parties. The price, costs and profit margin in Murabahah shall be made transparent and agreeable by both parties. This contract applies to the Bank's financing and advances products whilst the Bank's Commodity Murabahah term deposit product is based on the contract of Murabahah and Tawarruq.

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

Profit attributable to depositors is recognised as an expense in statements of profit or loss, as it incurred. Profit to be distributed is based on the expected profit rate which is quoted to the customer on the placement date.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

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

(7) Istisna'

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

(8) Qard

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

(9) Musharakah Mutanaqisah

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

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

Profit attributable to depositors is recognised as an expense in the statements of profit or loss, as it incurred. Profit to be distributed is based on the expected profit rate, which is quoted to the customer on the placement date.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

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

(10) Rahnū

In Ar-Rahnū transaction, a valuable asset such as gold and jewellery is used as a collateral for a debt. The collateral will be used to settle the debt when a debtor is in default. Income is recognised when the Bank charges a safekeeping fee upon which are to be paid in full upon expiry of the contract, redemption or extension of period of Ar-Rahnū, whichever is applicable.

(ii) Fee and other income recognition

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

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

(q) Income and deferred taxes

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

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

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

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

(r) Zakat

Zakat represents business zakat payable by the Group and the Bank to comply with the principles of Shariah and as approved by the Shariah Advisory Council. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. Zakat provision is initially calculated based on 2.5% of the growth model method. However, it will be compared against 2.5% of the Bank's audited profit before tax ("PBT") for the year, and the higher of the two (2) will be the final zakat for the Bank.

(s) Fair value measurement

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

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(s) Fair value measurement (cont'd.)

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

The fair value of an asset or a liability is measured using the assumptions that market participants would be willing to use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement that is directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

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

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

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

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H) (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 2018, the Group and the Bank adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2018.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
MFRS 9: <i>Financial Instruments</i>	1 January 2018
MFRS 15: <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 4: <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 140: <i>Transfers of Investment Property</i>	1 January 2018
Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

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

MFRS 9: *Financial Instruments*

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard, while the hedge accounting policies are not impacted. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained profits, fair value through other comprehensive income reserve and regulatory reserve as at 1 April 2018.

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Notes to the financial statements - 31 March 2019 (24 Rejab 1440H)

2. Significant accounting policies (cont'd.)

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

MFRS 9: Financial Instruments (cont'd.)

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statement of financial position of the Group and the Bank.

Statement of Financial Position

Group

	1 April 2018 as previously stated RM'000	Classification and measurement RM'000	Expected Credit Losses RM'000	1 April 2018 restated RM'000
ASSETS				
Cash and short-term funds	1,579,923	-	-	1,579,923
Cash and placements with financial institutions	7,758	-	-	7,758
Investment accounts due from designated financial institution	146	-	-	146
Financial investments at fair value through profit or loss	161,274	129,159	-	290,433
Financial investments at fair value through other comprehensive income	-	6,306,754	-	6,306,754
Financial investments at amortised cost	-	144,966	(42,026)	102,940
Financial investments available-for-sale	6,319,413	(6,319,413)	-	-
Financial investments held-to-maturity	143,730	(143,730)	-	-
Islamic derivative financial assets	72,770	-	-	72,770
Financing of customers	14,687,846	(119,133)	(153,997)	14,414,716
Other assets	91,978	-	-	91,978
Statutory deposits with BNM	674,500	-	-	674,500
Investment properties	41,781	-	-	41,781
Intangible assets	94,069	-	-	94,069
Property, plant and equipment	52,669	-	-	52,669
Prepaid land lease payment	227	-	-	227
Deferred tax assets (net)	15,607	-	49,940	65,547
Total assets	23,943,691	(1,397)	(146,083)	23,796,211
LIABILITIES				
Deposits from customers	20,172,527	-	-	20,172,527
Deposits and placements of banks and other financial institutions	8,854	-	-	8,854
Bills and acceptances payable	9,618	-	-	9,618
Islamic derivative financial liabilities	77,923	-	-	77,923
Other liabilities	117,339	-	11,747	129,086
Provision for zakat and taxation	7,914	-	-	7,914
Deferred tax liabilities (net)	587	-	-	587
Recourse obligation on financing sold to Cagamas	485,851	-	-	485,851
Subordinated sukuk	254,035	-	-	254,035
Senior sukuk	509,127	-	-	509,127
Total liabilities	21,643,775	-	11,747	21,655,522
SHAREHOLDERS' EQUITY				
Share capital	1,195,000	-	-	1,195,000
Retained profits	1,132,781	50,296	(247,147)	935,930
Regulatory reserves	1,530	-	39,064	40,594
Other reserves	(29,395)	(1,753)	313	(30,835)
Total shareholders' equity	2,299,916	48,543	(207,770)	2,140,689
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	23,943,691	48,543	(196,023)	23,796,211

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2. Significant accounting policies (cont'd.)

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

MFRS 9: *Financial Instruments* (cont'd.)

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statement of financial position of the Group and the Bank. (cont'd.)

Statement of Financial Position

Bank

	1 April 2018 as previously stated RM'000	Classification and measurement RM'000	Expected Credit Losses RM'000	1 April 2018 restated RM'000
ASSETS				
Cash and short-term funds	1,579,923	-	-	1,579,923
Cash and placements with financial institutions	7,758	-	-	7,758
Investment accounts due from designated financial institution	146	-	-	146
Financial investments at fair value through profit or loss	161,274	126,714	-	287,988
Financial investments at fair value through other comprehensive income	-	6,306,546	-	6,306,546
Financial investments at amortised cost	-	144,966	(42,026)	102,940
Financial investments available-for-sale	6,316,759	(6,316,759)	-	-
Financial investments held-to-maturity	143,730	(143,730)	-	-
Islamic derivative financial assets	72,770	-	-	72,770
Financing of customers	14,687,429	(120,924)	(153,997)	14,412,508
Other assets	89,543	-	-	89,543
Statutory deposits with BNM	674,500	-	-	674,500
Investment in subsidiaries	8,559	-	-	8,559
Investment properties	41,781	-	-	41,781
Intangible assets	93,894	-	-	93,894
Property, plant and equipment	52,661	-	-	52,661
Prepaid land lease payment	227	-	-	227
Deferred tax assets (net)	15,607	-	49,940	65,547
Total assets	23,946,561	(3,187)	(146,083)	23,797,291
LIABILITIES				
Deposits from customers	20,190,854	-	-	20,190,854
Deposits and placements of banks and other financial institutions	8,854	-	-	8,854
Bills and acceptances payable	9,618	-	-	9,618
Islamic derivative financial liabilities	77,923	-	-	77,923
Other liabilities	115,612	-	11,747	127,359
Provision for zakat and taxation	5,989	-	-	5,989
Recourse obligation on financing sold to Cagamas	485,851	-	-	485,851
Subordinated sukuk	254,035	-	-	254,035
Senior sukuk	509,127	-	-	509,127
Total liabilities	21,657,863	-	11,747	21,669,610
SHAREHOLDERS' EQUITY				
Share capital	1,195,000	-	-	1,195,000
Retained profits	1,123,420	46,648	(247,147)	922,921
Regulatory reserves	1,530	-	39,064	40,594
Other reserves	(31,252)	105	313	(30,834)
Total shareholders' equity	2,288,698	46,753	(207,770)	2,127,681
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	23,946,561	46,753	(196,023)	23,797,291

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2. Significant accounting policies (cont'd.)

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

MFRS 9: *Financial Instruments* (cont'd.)

- (ii) The following Table analyses the impact, net of tax, of transition to MFRS 9 and Revised Financial Reporting Policy document issued by BNM on the statement of financial position of the Group and the Bank:

	Group RM'000	Bank RM'000
Regulatory reserve		
At 1 April 2018, as previously stated	1,530	1,530
- Transfer from retained profits	39,064	39,064
At 1 April 2018, restated	<u>40,594</u>	<u>40,594</u>
Other reserves		
At 1 April 2018, as previously stated	(29,395)	(31,252)
- Classification and measurement	(1,753)	105
- Expected credit losses	313	313
At 1 April 2018, restated	<u>(30,835)</u>	<u>(30,834)</u>
Retained profits		
At 1 April 2018, as previously stated	1,132,781	1,123,420
- Classification and measurement	356	(3,292)
- Deferred tax in respect of ECL	49,940	49,940
- Transfer to regulatory reserve	(39,064)	(39,064)
- Expected credit losses	(208,083)	(208,083)
At 1 April 2018, restated	<u>935,930</u>	<u>922,921</u>

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2. Significant accounting policies (cont'd.)

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

MFRS 9: *Financial Instruments* (cont'd.)

- (iii) The following Table analyses the impact, net of tax, of transition to MFRS 9 and Revised Financial Reporting Policy document issued by BNM on the capital adequacy ratio of the Group and the Bank:

	1 April 2018 as previously stated RM'000	Effect of adopting MFRS 9 RM'000	1 April 2018 restated RM'000
Group			
CET1 Capital	2,182,830	(248,231)	1,934,599
Tier 1 Capital	2,182,830	(248,231)	1,934,599
Total Capital	2,502,320	(181,646)	2,320,674
 Risk Weighted Assets	 13,611,266	 (170,520)	 13,440,746
 CET1 Capital Ratio	 16.04%	 -1.65%	 14.39%
Tier 1 Capital Ratio	16.04%	-1.65%	14.39%
Total Capital Ratio	18.38%	-1.11%	17.27%
 Bank			
CET1 Capital	2,163,228	(250,021)	1,913,207
Tier 1 Capital	2,163,228	(250,021)	1,913,207
Total Capital	2,482,718	(183,436)	2,299,282
 Risk Weighted Assets	 13,586,800	 (173,206)	 13,413,594
 CET1 Capital Ratio	 15.92%	 -1.66%	 14.26%
Tier 1 Capital Ratio	15.92%	-1.66%	14.26%
Total Capital Ratio	18.27%	-1.13%	17.14%

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2. Significant accounting policies (cont'd.)

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach (i.e. five-step model) to measure and recognise revenue. The five-step model that applies to revenue recognition under MFRS 15 is as follows:

- (1) Identify the contract(s) with a customer;
- (2) Identify the performance obligations in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract; and
- (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The Standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 include disaggregated information about revenue and information about the performance obligations remaining at the reporting date.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for the Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue-Barter Transactions Involving Advertising Services*). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group and the Bank have adopted the Standard on its effective date, using the modified retrospective method of adoption. The Standard does not apply to income or revenue associated with financial instruments which have been scoped under MFRS 9 such as financing of customers and financial investment securities.

The adoption of this Standard has no material financial impact on the Group's and the Bank's financial statements.

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2. Significant accounting policies (cont'd.)

2.5 Significant changes in regulatory requirements

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

(a) Financial Reporting for Islamic Banking Institutions

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

The financial effects of the adoption of the revised policy document are presented in Note 2.4(ii).

(b) Capital Adequacy Framework for Islamic Banks

The Capital Adequacy Frameworks for Islamic Banks in relation to Risk-Weighted Assets and Capital Components were updated and reissued by Bank Negara Malaysia ("BNM") on 2 February 2018 for application with effect from 1 January 2018.

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

The updates focused mainly on the following changes:

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

The updates above mainly address clarification on capital recognition and regulatory adjustment requirements arising from the implementation of MFRS 9. The impact to the capital adequacy ratios of the Bank are presented in Note 2.4 (iii).

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2. Significant accounting policies (cont'd.)

2.6 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 16: <i>Leases</i>	1 January 2019
Amendments to MFRS 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 119: <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
IC Interpretation 23: <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
MFRS 17: <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB

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

MFRS 16: Leases

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

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

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2. Significant accounting policies (cont'd.)

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

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

Transition to MFRS 16

The Group and the Bank will adopt MFRS 16 on 1 April 2019, using the modified retrospective method and will not restate comparative information. Instead, the Group and the Bank will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained profits at the date of initial application.

The Group and the Bank will also elect to apply the Standard to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4. The Group and the Bank will therefore not apply the Standard to contracts that were not previously identified as containing a lease applying MFRS 117 and IFRIC 4.

The Group and the Bank will elect to use the exemptions proposed by the Standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

For leases where the Group and the Bank are lessees, the Group and the Bank will elect not to separate the non-lease components from lease components, and instead account for both components as a single lease component.

The Group and the Bank performed a preliminary assessment of the adoption of MFRS 16 as at 1 April 2019. The Group and the Bank identified the following effects to the statement of financial position, pertaining to the existing operating leases of the Group and the Bank. There will be an increase in property, plant and equipment arising from the recognition of rights-of-use assets, and an increase in lease liability pertaining to the related lease payments. The Group and the Bank expects the cumulative depreciation expense for the right-of-use assets and finance cost on the related lease liabilities as at 1 April 2019 to exceed the total operating lease expenses recognised under MFRS 117. Accordingly, this will result in a reduction to the opening balance of retained profits of the Group and the Bank.

As at the reporting date, the Group and the Bank is in the midst of completing the detailed assessment of MFRS 16 implementation.

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2. Significant accounting policies (cont'd.)

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

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and profit on the principal amount outstanding (the SPPP criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPP criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments are effective for annual periods beginning on or after 1 April 2019. The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Bank's financial statements.

3. Significant accounting judgments, estimates and assumptions

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

3.1 Going concern

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

3.2 Impairment of financial investments portfolio (Notes 5 and 31)

The Group and the Bank review their debt instruments at FVOCI, and financial investments at amortised cost under MFRS 9 which requires the recognition of ECL at each reporting date to reflect change in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

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

3.2 Impairment of financial investments portfolio (Notes 5 and 31) (cont'd.)

In carrying out the impairment review, the following Management's judgements are required:

- (i) Determination whether the investment is impaired based on certain indicators such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of ECL that reflect:
 - (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
 - (b) The time value of money; and
 - (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Under MFRS 139, the Group and the Bank review financial investments classified as AFS and HTM at each reporting date to assess whether these are impaired. This requires similar 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 judgement. In making this judgement, the Group and the Bank evaluate, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

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

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

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

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

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

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

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

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

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

3.5 Deferred tax (Note 16)

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

3.6 Taxation (Note 40)

Significant Management's judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation being assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

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4. (a) Cash and short-term funds

	Note	Group and Bank 2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions		221,739	319,025
Money at call and interbank placements maturing within one month		609,141	1,260,898
		830,880	1,579,923
Allowances for impairment loss	(i)	(309)	-
		830,571	1,579,923

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

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

(b) Cash and placements with financial institutions

	Group and Bank 2019 RM'000	2018 RM'000
Licensed Islamic banks	11,937	7,758

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 March 2019 for the Group and the Bank was 3.7% per annum and 59 days respectively (31 March 2018: 2.13% per annum and 84 days).

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5. Financial investments

		Group		Bank	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Financial investments at fair value through profit or loss	(i)	660,799	161,274	658,866	161,274
Financial investments at fair value through other comprehensive income	(ii)	4,936,032	-	4,933,767	-
Financial investments at amortised cost	(iii)	103,310	-	103,310	-
Financial investments available-for-sale	(iv)	-	6,319,413	-	6,316,759
Financial investments held-to-maturity	(v)	-	143,730	-	143,730
		5,700,141	6,624,417	5,695,943	6,621,763

		Group		Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
(i) Financial investments at fair value through profit or loss					
Quoted securities in Malaysia:					
Quoted shares		1,933	-	-	-
Unquoted securities in Malaysia:					
Private equity funds		188,478	161,274	188,478	161,274
Malaysian government investment certificates		101,542	-	101,542	-
Bank Negara Malaysia Bills and Notes		234,750	-	234,750	-
Islamic private debt securities in Malaysia		134,096	-	134,096	-
		660,799	161,274	658,866	161,274

		Group		Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
(ii) Financial investments at fair value through other comprehensive income					
Debt instruments:					
Government securities and treasury bills:					
Malaysian government investment certificates		2,912,118	-	2,912,118	-
Unquoted securities:					
Islamic private debt securities in Malaysia		1,835,869	-	1,835,869	-
Cagamas sukuk		55,948	-	55,948	-
Foreign Islamic private debt securities and sukuk		22,444	-	22,444	-
		1,914,261	-	1,914,261	-
Equity instruments:					
Quoted securities in Malaysia:					
Quoted shares		102,007	-	102,007	-
Unit trusts		2,265	-	-	-
		104,272	-	102,007	-
Unquoted securities:					
Shares in Malaysia		5,381	-	5,381	-
Total financial assets at fair value through other comprehensive income		4,936,032	-	4,933,767	-

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5. Financial investments (cont'd.)

(ii) Financial investments at fair value through other comprehensive income (cont'd.)

Movements in the allowances for impairment losses on debt instruments at fair value through other comprehensive income are as follows for the Group and the Bank:

	Stage 1	Stage 2	Stage 3	
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total ECL
	RM'000	RM'000	RM'000	RM'000
At 31 March 2019				
At 1 April 2018, as previously stated	-	-	-	-
Effect of adopting MFRS 9	313	-	81,210	81,523
At 1 April 2018, as restated	313	-	81,210	81,523
Allowance made	91	-	-	91
Amount written back in respect of recoveries	(285)	-	-	(285)
Amount written off	-	-	(48,107)	(48,107)
Exchange differences	3	-	763	766
At 31 March 2019	122	-	33,866	33,988

(iii) Financial investments at amortised cost

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Unquoted Islamic corporate sukuk in Malaysia	144,730	-	144,730	-
Accumulated impairment losses	(41,420)	-	(41,420)	-
Total financial investments at amortised cost	103,310	-	103,310	-

Movements in the allowances for impairment losses on financial investments at amortised cost are as follows for the Group and the Bank:

	Stage 1	Stage 2	Stage 3	
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total ECL
	RM'000	RM'000	RM'000	RM'000
At 31 March 2019				
At 1 April 2018, as previously stated	-	-	-	-
Effect of adopting MFRS 9	3	42,024	-	42,027
At 1 April 2018, as restated	3	42,024	-	42,027
Amount written back in respect of recoveries	(2)	(605)	-	(607)
At 31 March 2019	1	41,419	-	41,420

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5. Financial investments (cont'd.)

(iv) Financial investments available-for-sale

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>At fair value</u>				
Government securities and treasury bills:				
Malaysian government investment certificates	-	3,864,730	-	3,864,730
Quoted securities in Malaysia:				
Quoted shares	-	118,670	-	116,016
Unquoted securities:				
Islamic corporate sukuk in Malaysia	-	2,318,499	-	2,318,499
Cagamas bonds	-	60,530	-	60,530
Foreign Islamic corporate sukuk	-	32,813	-	32,813
Accumulated impairment loss	-	2,411,842	-	2,411,842
	-	(81,210)	-	(81,210)
	-	6,314,032	-	6,311,378
<u>At cost</u>				
Unquoted securities:				
Shares in Malaysia	-	5,381	-	5,381
Total financial investments available-for-sale	-	6,319,413	-	6,316,759

(v) Financial investments held-to-maturity

	Group and Bank	
	2019	2018
	RM'000	RM'000
At amortised cost		
Unquoted Islamic corporate sukuk in Malaysia	-	143,730

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6. Islamic derivative financial assets/(liabilities)

The table below shows the fair values of Islamic derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Group and Bank	2019			2018		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Foreign exchange contracts:						
- Currency forwards						
Less than one year	1,322,983	13,765	(7,963)	777,177	1,660	(71,428)
- Currency swaps						
Less than one year	1,858,525	8,835	(12,946)	841,470	70,995	(1,498)
- Currency spot						
Less than one year	363,985	2,253	(708)	88,744	115	(55)
	3,545,493	24,853	(21,617)	1,707,391	72,770	(72,981)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	950,000	-	(2,123)	325,000	-	(2,391)
Hedged IPRS	1,200,000	-	(24,422)	875,000	-	(2,551)
Total	5,695,493	24,853	(48,162)	2,907,391	72,770	(77,923)

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

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

	31 March 2019			31 March 2018		
	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Liabilities RM'000
IPRS	1,200,000	-	(24,422)	875,000	-	(2,551)

Fair Value hedges

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

For the year ended 31 March 2019, the Group and the Bank:

- (i) recognised a net loss of RM22,110,559 (31 March 2018: 3,778,471) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM33,297,224 (31 March 2018: net loss of RM5,157,995); and
- (ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM2,101,533 (31 March 2018: RM4,810,910) due to the derecognition of the hedged items.

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7. Financing of customers

(i) By type and Shariah concepts

Group	Bai' Bithaman Ajil RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Kafalah RM'000	Shirkah Mutanaqisah RM'000	Rahnu RM'000	Total financing RM'000
31 March 2019													
Cash line	-	-	-	4,665	342,103	-	-	-	-	-	-	-	346,768
Term financing:													
Home financing	1,815,631	-	-	-	2,718,034	-	-	10,149	-	-	-	-	4,543,814
Syndicated financing	-	-	10,303	-	643,264	-	-	-	-	-	-	-	653,567
Hire purchase receivables	85,059	-	496,573	-	-	-	-	-	-	-	-	-	581,632
Personal financing	67,928	-	-	282	3,299,171	-	-	-	-	-	-	-	3,367,381
Other term financing	212,416	-	-	19	3,032,451	-	-	73,068	362	434	51,054	-	3,369,804
Trust receipts	-	-	-	-	-	-	98,692	-	-	-	-	-	98,692
Claims on customers under acceptance credits	-	-	-	-	-	946,466	-	-	-	-	-	-	946,466
Staff financing	41,807	-	-	-	58,499	-	-	-	491	-	-	-	100,797
Revolving credit	-	-	-	-	1,329,468	-	-	-	-	-	-	-	1,329,468
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	-	126,747	126,747
Total gross financing	2,222,841	-	506,876	4,966	11,422,990	946,466	98,692	83,217	853	434	51,054	126,747	15,465,136
Fair value changes arising from fair value hedge	-	-	-	-	23,045	-	-	-	-	-	-	-	23,045
	2,222,841	-	506,876	4,966	11,446,035	946,466	98,692	83,217	853	434	51,054	126,747	15,488,181
Less : Allowance for impaired financing													
At amortised cost													
-Stage 1 - 12 Months ECL	(1,195)	-	(960)	(75)	(50,035)	(661)	(133)	(199)	(11)	-	-	(2,617)	(55,886)
-Stage 2 - Lifetime ECL not credit impaired	(3,115)	-	(128)	(136)	(3,858)	(209)	-	(2)	-	-	-	-	(7,448)
-Stage 3 - Lifetime ECL credit impaired	(17,474)	-	(2,873)	(305)	(64,254)	-	(5,956)	(66)	-	(220)	-	(2,804)	(93,952)
Total net financing	2,201,057	-	502,915	4,450	11,327,888	945,596	92,603	82,950	842	214	51,054	121,326	15,330,895

* Included in financing of customers are financing at fair value through profit or loss amounting to RM723,407,089.

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7. Financing of customers (cont'd.)

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

Group	Bai' Bithaman Ajil RM'000	Ijarah Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Shirkah Mutanaqisah RM'000	Rahnu RM'000	Total financing RM'000
31 March 2018												
Cash line	-	-	-	5,586	338,899	-	-	-	-	-	-	344,485
Term financing:												
Home financing	1,999,243	-	-	-	2,602,669	-	-	11,981	-	-	-	4,613,893
Syndicated financing	-	-	-	-	686,022	-	-	-	-	-	-	686,022
Hire purchase receivables	42,305	-	580,913	-	-	-	-	-	-	-	-	623,218
Leasing receivables	-	1,277	-	-	-	-	-	-	-	-	-	1,277
Personal financing	74,474	-	-	358	3,486,773	-	-	-	-	-	-	3,561,605
Other term financing	272,279	-	-	521,640	1,546,953	-	-	88,605	511	37,639	-	2,467,627
Trust receipts	-	-	-	-	-	-	143,981	-	-	-	-	143,981
Claims on customers under acceptance credits	-	-	-	-	-	849,045	-	-	-	-	-	849,045
Staff financing	47,656	-	-	-	53,554	-	-	272	412	-	-	101,894
Revolving credit	-	-	-	-	1,268,018	-	-	-	-	-	-	1,268,018
Sukuk	-	-	-	-	-	-	116,586	-	-	-	-	116,586
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	109,245	109,245
Total gross financing	2,435,957	1,277	580,913	527,584	9,982,888	849,045	260,567	100,858	923	37,639	109,245	14,886,896
Fair value changes arising from fair value hedge	-	-	-	(1,473)	(3,723)	-	-	-	-	-	-	(5,196)
	2,435,957	1,277	580,913	526,111	9,979,165	849,045	260,567	100,858	923	37,639	109,245	14,881,700
Less : Allowance for impaired financing												
- Collective assessment	(19,762)	-	(8,431)	(541)	(144,160)	(594)	(854)	(79)	(22)	-	(2,479)	(176,922)
- Individual assessment	(717)	-	(4,155)	-	(10,367)	(1,621)	(49)	(23)	-	-	-	(16,932)
Total net financing	2,415,478	1,277	568,327	525,570	9,824,638	846,830	259,664	100,756	901	37,639	106,766	14,687,846

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7. Financing of customers (cont'd.)

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

Bank	Bai'	Ijarah	Ijarah	Inah	Tawarruq	Bai'	Murabahah	Istisna'	Qard	Kafalah	Rahnu	Total
31 March 2019	Bithaman Ajil	Ijarah	Thumma			Al-Dayn						financing
	RM'000	RM'000	Al-Bai	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line	-	-	-	4,665	342,103	-	-	-	-	-	-	346,768
Term financing:												
Home financing	1,815,631	-	-	-	2,718,034	-	-	10,149	-	-	-	4,543,814
Syndicated financing	-	-	10,303	-	643,264	-	-	-	-	-	-	653,567
Hire purchase receivables	85,059	-	496,573	-	-	-	-	-	-	-	-	581,632
Personal financing	67,928	-	-	282	3,299,171	-	-	-	-	-	-	3,367,381
Other term financing	212,416	-	-	19	3,032,451	-	-	73,068	53,802	434	-	3,372,190
Trust receipts	-	-	-	-	-	-	98,692	-	-	-	-	98,692
Claims on customers												
under acceptance												
credits	-	-	-	-	-	946,466	-	-	-	-	-	946,466
Staff financing	41,807	-	-	-	58,499	-	-	-	491	-	-	100,797
Revolving credit	-	-	-	-	1,329,468	-	-	-	-	-	-	1,329,468
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	126,747	126,747
Total gross financing	2,222,841	-	506,876	4,966	11,422,990	946,466	98,692	83,217	54,293	434	126,747	15,467,522
Fair value changes arising												
from fair value hedge	-	-	-	-	23,045	-	-	-	-	-	-	23,045
	2,222,841	-	506,876	4,966	11,446,035	946,466	98,692	83,217	54,293	434	126,747	15,490,567
Less : Allowance for impaired financing												
At amortised cost												
-Stage 1 - 12 Months ECL	(1,195)	-	(960)	(75)	(50,035)	(661)	(133)	(199)	(11)	-	(2,617)	(55,886)
-Stage 2 - Lifetime ECL not credit impaired	(3,115)	-	(128)	(136)	(3,858)	(209)	-	(2)	-	-	-	(7,448)
-Stage 3 - Lifetime ECL credit impaired	(17,474)	-	(2,873)	(305)	(64,254)	-	(5,956)	(66)	-	(220)	(2,804)	(93,952)
Total net financing	2,201,057	-	502,915	4,450	11,327,888	945,596	92,603	82,950	54,282	214	121,326	15,333,281

* Included in financing of customers are financing at fair value through profit or loss amounting to RM776,847,089.

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7. Financing of customers (cont'd.)

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

Bank	Bai'	Ijarah	Ijarah	Inah	Tawarruq	Bai'	Murabahah	Istisna'	Qard	Rahnu	Total
31 March 2018	Bithaman Ajil	Ijarah	Thumma	RM'000	RM'000	Al-Dayn	RM'000	RM'000	RM'000	RM'000	financing
	RM'000	RM'000	Al-Bai			RM'000					RM'000
			RM'000	RM'000	RM'000						
Cash line	-	-	-	5,586	338,899	-	-	-	-	-	344,485
Term financing:											
Home financing	1,999,243	-	-	-	2,602,669	-	-	11,981	-	-	4,613,893
Syndicated financing	-	-	-	-	686,022	-	-	-	-	-	686,022
Hire purchase											
receivables	42,305	-	580,913	-	-	-	-	-	-	-	623,218
Leasing receivables	-	1,277	-	-	-	-	-	-	-	-	1,277
Personal financing	74,474	-	-	358	3,486,773	-	-	-	-	-	3,561,605
Other term financing	272,279	-	-	521,640	1,546,955	-	-	88,605	42,664	-	2,472,143
Trust receipts	-	-	-	-	-	-	143,981	-	-	-	143,981
Claims on customers											
under acceptance											
credits	-	-	-	-	-	849,045	-	-	-	-	849,045
Staff financing	47,656	-	-	-	53,554	-	-	272	412	-	101,894
Revolving credit	-	-	-	-	1,268,018	-	-	-	-	-	1,268,018
Sukuk	-	-	-	-	-	-	116,586	-	-	-	116,586
Ar-Rahnu	-	-	-	-	-	-	-	-	-	109,245	109,245
Total gross financing	2,435,957	1,277	580,913	527,584	9,982,890	849,045	260,567	100,858	43,076	109,245	14,891,412
Fair value changes arising											
from fair value hedge	-	-	-	(1,473)	(3,723)	-	-	-	-	-	(5,196)
	2,435,957	1,277	580,913	526,111	9,979,167	849,045	260,567	100,858	43,076	109,245	14,886,216
Less : Allowance for impaired financing											
Collective assessment	(19,762)	-	(8,431)	(541)	(144,160)	(594)	(855)	(79)	(22)	(2,478)	(176,922)
Individual assessment	(717)	-	(4,155)	-	(10,367)	(1,621)	(49)	(23)	(4,933)	-	(21,865)
Total net financing	2,415,478	1,277	568,327	525,570	9,824,640	846,830	259,663	100,756	38,121	106,767	14,687,429

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7. Financing of customers (cont'd.)

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

	Group	
	2019	2018
	RM'000	RM'000
Uses of Qard fund:		
Staff financing	491	412
Other term financing	362	511
	853	923
	Bank	
	2019	2018
	RM'000	RM'000
Staff financing	491	412
Other term financing	53,802	42,664
	54,293	43,076

(ii) By type of customer

	Group	
	2019	2018
	RM'000	RM'000
Domestic non-banking institutions	641,457	625,823
Domestic business enterprises		
- Small business enterprises	46,070	80,535
- Others	3,830,580	3,985,017
Government and statutory bodies	931,692	755,713
Individuals	9,991,495	9,423,561
Other domestic entities	5,228	6,505
Foreign entities	18,614	9,742
Gross financing	15,465,136	14,886,896

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7. Financing of customers (cont'd.)

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

	Bank	
	2019	2018
	RM'000	RM'000
Domestic non-banking institutions	641,457	625,823
Domestic business enterprises		
- Small business enterprises	46,070	80,535
- Others	3,832,966	3,989,533
Government and statutory bodies	931,692	755,713
Individuals	9,991,495	9,423,561
Other domestic entities	5,228	6,505
Foreign entities	18,614	9,742
Gross financing	15,467,522	14,891,412

(iii) By profit rate sensitivity

	Group	
	2019	2018
	RM'000	RM'000
Fixed rate:		
Home financing	294,984	342,502
Hire purchase receivables	581,632	623,219
Others	3,305,713	2,824,512
Variable rate:		
Home financing	4,290,170	4,271,390
Others	6,992,637	6,825,273
Gross financing	15,465,136	14,886,896

	Bank	
	2019	2018
	RM'000	RM'000
Fixed rate:		
Home financing	294,984	342,502
Hire purchase receivables	581,632	623,219
Others	3,308,099	2,829,028
Variable rate:		
Home financing	4,290,170	4,271,390
Others	6,992,637	6,825,273
Gross financing	15,467,522	14,891,412

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7. Financing of customers (cont'd.)

(iv) By sector

	Group	
	2019	2018
	RM'000	RM'000
Agriculture	22,348	18,110
Mining and quarrying	4,954	3,189
Manufacturing	683,164	737,768
Electricity, gas and water	139,810	155,999
Construction	363,630	412,378
Household	10,000,044	9,426,731
Real estate	1,319,460	1,228,141
Wholesale, retail and restaurant	842,281	862,522
Transport, storage and communication	78,100	194,726
Finance, takaful and business services	752,865	740,018
Community, social and personal service	303,743	353,074
Government and statutory bodies	954,737	754,240
Gross financing	15,465,136	14,886,896

	Bank	
	2019	2018
	RM'000	RM'000
Agriculture	22,348	18,110
Mining and quarrying	4,954	8,122
Manufacturing	684,847	737,768
Electricity, gas and water	139,810	155,999
Construction	363,630	412,378
Household	10,000,044	9,426,731
Real estate	1,319,460	1,228,141
Wholesale, retail and restaurant	842,281	862,522
Transport, storage and communication	78,099	194,726
Finance, takaful and business services	752,865	740,018
Community, social and personal service	304,447	352,657
Government and statutory bodies	954,737	754,240
Gross financing	15,467,522	14,891,412

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7. Financing of customers (cont'd.)

(v) By residual contractual maturity

	Group	
	2019	2018
	RM'000	RM'000
Maturity		
- within one year	4,076,604	4,479,979
- more than one to five years	4,999,965	4,716,748
- more than five years	6,388,567	5,690,169
Gross financing	15,465,136	14,886,896

	Bank	
	2019	2018
	RM'000	RM'000
Maturity		
- within one year	4,076,604	4,479,979
- more than one to five years	5,002,351	4,716,748
- more than five years	6,388,567	5,694,685
Gross financing	15,467,522	14,891,412

(vi) By geographical area

	Group	
	2019	2018
	RM'000	RM'000
Domestic	15,465,136	14,886,896
Gross financing	15,465,136	14,886,896

	Bank	
	2019	2018
	RM'000	RM'000
Domestic	15,467,522	14,891,412
Gross financing	15,467,522	14,891,412

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7. Financing of customers (cont'd.)

(vii) By economic purpose

	Group	
	2019	2018
	RM'000	RM'000
Purchase of securities	823,486	58,905
Purchase of transport vehicles	578,611	612,964
Purchase of landed properties of which:		
– residential	4,535,553	4,642,424
– non-residential	390,897	459,399
Purchase of fixed assets (excluding landed properties)	76,104	98,455
Personal use	3,789,338	3,840,151
Construction	932,843	791,432
Working capital	4,010,057	3,425,991
Other purposes	328,247	957,175
Gross financing	15,465,136	14,886,896

	Bank	
	2019	2018
	RM'000	RM'000
Purchase of securities	823,486	58,905
Purchase of transport vehicles	578,611	612,964
Purchase of landed properties of which:		
– residential	4,535,553	4,642,424
– non-residential	390,897	459,399
Purchase of fixed assets (excluding landed properties)	76,104	98,455
Personal use	3,789,338	3,840,151
Construction	932,843	791,432
Working capital	4,012,443	3,430,507
Other purposes	328,247	957,175
Gross financing	15,467,522	14,891,412

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

The maximum credit exposure of the financing of customers amount to RM700 million (2018: RM875 million). The cumulative change in fair value of the financings attributable to changes in profit rate risks amount to a gain of RM23,045,089 (2018: loss of RM5,195,727) and the change for the current year is a gain of RM26,767,470 (2018: loss of RM5,157,995). The changes in fair value of the designated financing attributable to changes in profit risk have been calculated by determining the changes in profit spread implicit in the fair value of securities issued by entities with similar credit characteristics.

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7. Financing of customers (cont'd.)

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

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 March 2019				
At 1 April 2018, as previously stated	-	-	-	-
Effect of adopting MFRS 9	64,460	17,354	270,971	352,785
At 1 April 2018, as restated	64,460	17,354	270,971	352,785
Transfer to Stage 1	101,019	(7,444)	(93,575)	-
Transfer to Stage 2	(2,300)	98,819	(96,519)	-
Transfer to Stage 3	(2,036)	(5,797)	7,833	-
Allowance (writeback)/made	(50,497)	(90,261)	177,608	36,850
New financing originated	29,381	3,001	8,264	40,646
Financing derecognised	(22,011)	(3,930)	(39,646)	(65,587)
Amount written-off/realised	(62,134)	(4,294)	(140,984)	(207,412)
Other movements	4	-	-	4
At 31 March 2019	55,886	7,448	93,952	157,286

8. Impaired financing

(i) Movements in the impaired financing

As at 31 March 2019

	Group RM'000	Bank RM'000
At 1 April 2018, as previously stated	285,416	290,349
Effect of adopting MFRS 9	108,084	103,151
At 1 April 2018, as restated	393,500	393,500
Classified as impaired during the year	476,380	476,380
Reclassified as performing during the year	(285,459)	(285,459)
Recovered during the year	(149,878)	(149,878)
Written off during the year	(213,327)	(213,327)
Gross impaired financing	221,216	221,216
Less: Stage 3 - Lifetime ECL credit impaired	(93,952)	(93,952)
Net impaired financing	127,264	127,264

Calculation ratio of impaired financing:

Gross financing of customers	15,465,136	15,467,522
Less: Stage 3 - Lifetime ECL credit impaired	(93,952)	(93,952)
Net financing of customers	15,371,184	15,373,570
Ratio of gross impaired financing to total financing	1.43%	1.43%
Net impaired financing ratio	0.83%	0.83%

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8. Impaired financing (cont'd.)

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

As at 31 March 2018

	Group RM'000	Bank RM'000
At beginning of period	351,920	356,853
Classified as impaired during the year	431,092	431,092
Reclassified as performing during the year	(337,245)	(337,245)
Recovered during the year	(82,895)	(82,895)
Written off during the year	(77,456)	(77,456)
Gross impaired financing	285,416	290,349
Less: Individual and collective allowance	(132,575)	(137,508)
Net impaired financing	152,841	152,841

Calculation ratio of impaired financing:

Gross financing of customers	14,886,896	14,891,412
Less: Individual and collective allowance	(132,575)	(137,508)
Net financing of customers	14,754,321	14,753,904
Ratio of gross impaired financing to total financing	1.92%	1.95%
Net impaired financing ratio	1.04%	1.04%

(ii) Movements in the allowance for impaired financing

Collective assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2019		
At 1 April 2018, as previously stated	176,922	176,922
Effect of adopting MFRS 9	(176,922)	(176,922)
At 1 April 2018, as restated	-	-
As at 31 March 2018		
At beginning of period	236,159	236,159
Allowance made during the period	293,271	293,271
Amount written-back	(328,924)	(328,924)
Amount written-off	(23,584)	(23,584)
At end of period	176,922	176,922
As % of gross financing, less individual assessment allowance (including regulatory reserve)	1.20%	1.20%

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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
At 1 April 2018, as previously stated	16,932	21,865
Effect of adopting MFRS 9	(16,932)	(21,865)
At 1 April 2018, restated	-	-
	Group RM'000	Bank RM'000
As at 31 March 2018		
At beginning of period,	76,865	81,798
Allowance made during the period	12,849	12,849
Amount written-back	(25,011)	(25,011)
Amount written-off	(47,771)	(47,771)
At end of period	16,932	21,865

(iii) Impaired financing by geographical area

	Group 2019 RM'000	2018 RM'000
Domestic	221,216	285,416
	Bank 2019 RM'000	2018 RM'000
Domestic	221,216	290,349

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8. Impaired financing (cont'd.)

(iv) Impaired financing by sector

	Group	
	2019	2018
	RM'000	RM'000
Agriculture	-	6
Manufacturing	362	783
Construction	6,820	5,698
Household	171,310	241,803
Real estate	19,186	363
Wholesale and retail and restaurant	11,754	8,215
Transport, storage and communication	7,915	22,292
Finance, takaful and business services	3,165	4,650
Purchase of transport vehicles	-	250
Community, social and personal service	704	1,356
	221,216	285,416

	Bank	
	2019	2018
	RM'000	RM'000
Agriculture	-	6
Manufacturing	362	783
Construction	6,820	5,698
Household	171,310	241,803
Real estate	19,186	363
Wholesale and retail and restaurant	11,754	8,215
Mining and quarrying	-	4,933
Transport, storage and communication	7,915	22,292
Finance, takaful and business services	3,165	4,650
Purchase of transport vehicles	-	250
Community, social and personal service	704	1,356
	221,216	290,349

(v) Impaired financing by economic purpose

	Group	
	2019	2018
	RM'000	RM'000
Purchase of securities	-	60
Purchase of transport vehicles	4,232	17,856
Purchase of landed properties of which:		
- Residential	104,733	94,017
- Non-residential	30,037	10,884
Purchase of fixed assets (excluding landed properties)	-	1,403
Personal use	50,088	125,378
Construction	-	23
Working capital	31,154	33,553
Other purposes	972	2,242
	221,216	285,416

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8. Impaired financing (cont'd.)

(v) Impaired financing by economic purpose (cont'd.)

	Bank	
	2019	2018
	RM'000	RM'000
Purchase of securities	-	60
Purchase of transport vehicles	4,232	17,856
Purchase of landed properties of which:		
- Residential	104,733	94,017
- Non-residential	30,037	10,884
Purchase of fixed assets (excluding landed properties)	-	1,403
Personal use	50,088	125,378
Construction	-	23
Working capital	31,154	38,486
Other purposes	972	2,242
	221,216	290,349

9. Other assets

	Group	
	2019	2018
	RM'000	RM'000
Deposits	7,504	7,188
Prepayments	8,999	8,142
Tax prepayment	48,956	49,327
Golf club membership	600	600
Other receivables	7,581	12,319
Other debtors	12,506	14,402
	86,146	91,978
Less: Accumulated impairment losses (Note 9(a))	(4,521)	-
	81,625	91,978

	Bank	
	2019	2018
	RM'000	RM'000
Deposits	7,404	7,090
Prepayments	8,814	7,944
Tax prepayment	48,810	49,327
Golf club membership	600	600
Other receivables	7,581	12,319
Other debtors	14,843	12,263
	88,052	89,543
Less: Accumulated impairment losses (Note 9(a))	(4,521)	-
	83,531	89,543

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
At 1 April 2018	-	-
Allowance made	(4,521)	-
At 31 March 2019	(4,521)	-

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10. Statutory deposits with Bank Negara Malaysia

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

11. Investment in subsidiaries

	Bank	
	2019	2018
	RM'000	RM'000
Unquoted shares at cost - in Malaysia	13,823	10,823
Less: Accumulated impairment losses (Note 11(a))	(1,264)	(2,264)
	12,559	8,559

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

	Bank	
	2019	2018
	RM'000	RM'000
At 1 April 2018	2,264	2,768
Impairment writeback	(1,000)	(504)
At 31 March 2019	1,264	2,264

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

Name	Principal activities	Percentage of equity held		Paid up capital	
		2019	2018	2019	2018
		%	%	RM	RM
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	100	100	13,000,000	10,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	100	100	100,002	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100	2,500	2,500
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	100	100	2,500	2,500

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12. Investment properties

Group and Bank

	Freehold land RM'000	Buildings on freehold land RM'000	Investment properties under construction RM'000	Total RM'000
As at 31 March 2019				
As at 1 April 2018	13,481	28,300	-	41,781
Additions	-	-	1,942	1,942
Change in fair value recognised in income statement (Note 29)	520	1,060	-	1,580
As at 31 March 2019	14,001	29,360	1,942	45,303
As at 31 March 2018				
As at 1 April 2017	13,481	21,154	4,143	38,778
Additions	-	-	588	588
Change in fair value recognised in income statement (Note 29)	-	2,415	-	2,415
Reclassification	-	4,731	(4,731)	-
As at 31 March 2018	13,481	28,300	-	41,781

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

As at 31 March 2019, the fair values of the properties are based on valuations performed by Proharta Consultancy Sdn. Bhd., an accredited independent valuer. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. Fair value hierarchy disclosures for investment properties have been further disclosed in Note 47.

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12. Investment properties (cont'd.)

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

Types of investment properties	Valuation Technique	Significant unobservable inputs
- Buildings on freehold land - Freehold Land	Direct comparison method ("DCM")	Selling price per square foot ("psf") of comparable properties sold adjusted for location, size and shape of land, planning provisions, land tenure, title restrictions and any other characteristics.

13. Intangible assets

Group	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2019			
Cost			
As at 1 April 2018	221,818	3,949	225,767
Additions	5,216	15,698	20,914
Write off	(164)	-	(164)
Reclassification	18,955	(18,955)	-
As at 31 March 2019	<u>245,825</u>	<u>692</u>	<u>246,517</u>
Accumulated amortisation			
As at 1 April 2018	131,698	-	131,698
Charge for the year (Note 37)	30,299	-	30,299
Write off	(164)	-	(164)
As at 31 March 2019	<u>161,833</u>	<u>-</u>	<u>161,833</u>
Carrying amount as at 31 March 2019	<u>83,992</u>	<u>692</u>	<u>84,684</u>
As at 31 March 2018			
Cost			
As at 1 April 2017	210,069	3,406	213,475
Additions	6,250	6,659	12,909
Write off	(10)	(368)	(378)
Reclassification	5,509	(5,748)	(239)
As at 31 March 2018	<u>221,818</u>	<u>3,949</u>	<u>225,767</u>
Accumulated amortisation			
As at 1 April 2017	103,965	-	103,965
Charge for the year (Note 37)	27,743	-	27,743
Write off	(10)	-	(10)
As at 31 March 2018	<u>131,698</u>	<u>-</u>	<u>131,698</u>
Carrying amount as at 31 March 2018	<u>90,120</u>	<u>3,949</u>	<u>94,069</u>

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13. Intangible assets (cont'd.)

Bank	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2019			
Cost			
As at 1 April 2018	220,813	3,949	224,762
Additions	5,216	15,588	20,804
Write off	(164)	-	(164)
Reclassification	18,955	(18,955)	-
As at 31 March 2019	<u>244,820</u>	<u>582</u>	<u>245,402</u>
Accumulated amortisation			
As at 1 April 2018	130,868	-	130,868
Charge for the year (Note 37)	30,138	-	30,138
Write off	(164)	-	(164)
As at 31 March 2019	<u>160,842</u>	<u>-</u>	<u>160,842</u>
Carrying amount as at 31 March 2019	<u>83,978</u>	<u>582</u>	<u>84,560</u>
As at 31 March 2018			
Cost			
As at 1 April 2017	209,064	3,406	212,470
Additions	6,250	6,659	12,909
Write off	(10)	(368)	(378)
Reclassification	5,509	(5,748)	(239)
As at 31 March 2018	<u>220,813</u>	<u>3,949</u>	<u>224,762</u>
Accumulated amortisation			
As at 1 April 2017	103,350	-	103,350
Charge for the year (Note 37)	27,528	-	27,528
Write off	(10)	-	(10)
As at 31 March 2018	<u>130,868</u>	<u>-</u>	<u>130,868</u>
Carrying amount as at 31 March 2018	<u>89,945</u>	<u>3,949</u>	<u>93,894</u>

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14. Property, plant and equipment

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 March 2019					
Cost					
As at 1 April 2018	10,294	17,189	251,461	2,116	281,060
Additions	25	-	7,036	14,312	21,373
Write off	-	-	(1,842)	-	(1,842)
Disposals	-	-	(2,031)	-	(2,031)
Reclassification	8,890	2,200	4,778	(15,868)	-
As at 31 March 2019	19,209	19,389	259,402	560	298,560
Accumulated depreciation					
As at 1 April 2018	799	6,562	221,030	-	228,391
Charge for the year (Note 37)	333	443	14,788	-	15,564
Write off	-	-	(1,789)	-	(1,789)
Disposals	-	-	(1,967)	-	(1,967)
As at 31 March 2019	1,132	7,005	232,062	-	240,199
Carrying amount as at 31 March 2019	18,077	12,384	27,340	560	58,361

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

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 March 2018					
Cost					
As at 1 April 2017	2,909	17,189	241,151	3,405	264,654
Additions	5,488	-	4,968	6,912	17,368
Write off	-	-	(984)	-	(984)
Disposals	-	-	(217)	-	(217)
Reclassification	1,897	-	6,543	(8,201)	239
As at 31 March 2018	10,294	17,189	251,461	2,116	281,060
Accumulated depreciation					
As at 1 April 2017	674	6,132	205,539	-	212,345
Charge for the year (Note 37)	125	430	16,669	-	17,224
Write off	-	-	(972)	-	(972)
Disposals	-	-	(206)	-	(206)
As at 31 March 2018	799	6,562	221,030	-	228,391
Carrying amount as at 31 March 2018	9,495	10,627	30,431	2,116	52,669

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

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 March 2019					
Cost					
As at 1 April 2018	10,294	17,189	251,151	2,116	280,750
Additions	25	-	7,036	14,312	21,373
Write off	-	-	(1,842)	-	(1,842)
Disposals	-	-	(2,031)	-	(2,031)
Reclassification	8,890	2,200	4,778	(15,868)	-
As at 31 March 2019	<u>19,209</u>	<u>19,389</u>	<u>259,092</u>	<u>560</u>	<u>298,250</u>
Accumulated depreciation					
As at 1 April 2018	799	6,562	220,728	-	228,089
Charge for the year (Note 37)	333	443	14,781	-	15,557
Write off	-	-	(1,789)	-	(1,789)
Disposals	-	-	(1,967)	-	(1,967)
As at 31 March 2019	<u>1,132</u>	<u>7,005</u>	<u>231,753</u>	<u>-</u>	<u>239,890</u>
Carrying amount as at 31 March 2019	<u>18,077</u>	<u>12,384</u>	<u>27,339</u>	<u>560</u>	<u>58,360</u>

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

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 March 2018					
Cost					
As at 1 April 2017	2,909	17,189	240,844	3,405	264,347
Additions	5,488	-	4,965	6,912	17,365
Write off	-	-	(984)	-	(984)
Disposals	-	-	(217)	-	(217)
Reclassification	1,897	-	6,543	(8,201)	239
As at 31 March 2018	10,294	17,189	251,151	2,116	280,750
Accumulated depreciation					
As at 1 April 2017	674	6,132	205,271	-	212,077
Charge for the year (Note 37)	125	430	16,635	-	17,190
Write off	-	-	(972)	-	(972)
Disposals	-	-	(206)	-	(206)
As at 31 March 2018	799	6,562	220,728	-	228,089
Carrying amount as at 31 March 2018	9,495	10,627	30,423	2,116	52,661

15. Prepaid land lease payments

	Group and Bank	
	2019	2018
	RM'000	RM'000
At beginning of the year	227	231
Amortisation (Note 37)	(4)	(4)
At end of the year	223	227
Analysed as:		
Long term leasehold land	223	227

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16. Deferred tax assets/(liabilities)

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At beginning of the year, as previously stated	15,020	2,566	15,607	9,652
Effect of adopting MFRS 9	49,940	-	49,940	-
At beginning of the year, as restated	64,960	2,566	65,547	9,652
Recognised in the income statement (Note 40)	(38,525)	7,347	(39,047)	7,347
Recognised in other comprehensive income	(8,758)	5,107	(8,758)	(1,392)
At end of the year	17,677	15,020	17,742	15,607

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	17,742	15,607	17,742	15,607
Deferred tax liabilities, net	(65)	(587)	-	-
	17,677	15,020	17,742	15,607

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	26,607	24,235	26,607	24,235
Deferred tax liabilities	(8,930)	(9,215)	(8,865)	(8,628)
	17,677	15,020	17,742	15,607

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

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

Deferred tax assets of the Group:

	ECL	Financial	Available-	Property,	Provision	Other	Total
	RM'000	assets	for-sale	plant and	for	temporary	RM'000
		at FVOCI	reserve	equipment	liabilities	differences	
		reserve	RM'000	& intangible	RM'000	RM'000	
				asset			
		RM'000		RM'000			
At 1 April 2018, as previously stated	-	-	9,266	4,153	10,568	248	24,235
Effect of adopting MFRS 9	49,940	9,266	(9,266)	-	-	-	49,940
At 1 April 2018, restated	49,940	9,266	-	4,153	10,568	248	74,175
Recognised in income statements	(38,819)	-	-	1,150	(1,215)	74	(38,810)
Recognised in other comprehensive income	-	(8,758)	-	-	-	-	(8,758)
As at 31 March 2019	11,121	508	-	5,303	9,353	322	26,607

	Available-	Property,	Provision	Other	Total
	for-sale	plant and	for	temporary	RM'000
	reserve	equipment	liabilities	differences	
	RM'000	& intangible	RM'000	RM'000	
		asset			
		RM'000			
As at 1 April 2017	10,753	2,376	6,291	265	19,685
Recognised in income statements	-	1,777	4,277	(17)	6,037
Recognised in other comprehensive income	(1,487)	-	-	-	(1,487)
As at 31 March 2018	9,266	4,153	10,568	248	24,235

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

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:
(cont'd.)

Deferred tax liabilities of the Group :

	Financial assets at FVTPL RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2018	(587)	(8,628)	(9,215)
Recognised in income statement	523	(237)	286
As at 31 March 2019	(65)	(8,865)	(8,930)

	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
As at 1 April 2017	(7,181)	(9,938)	(17,119)
Recognised in income statement	-	1,310	1,310
Recognised in other comprehensive income	6,594	-	6,594
As at 31 March 2018	(587)	(8,628)	(9,215)

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

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:
(cont'd.)

Deferred tax assets of the Bank:

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Available- for-sale reserve RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2018, as previously stated	-	-	9,266	4,153	10,568	248	24,235
Effect of adopting MFRS 9	49,940	9,266	(9,266)	-	-	-	49,940
At 1 April 2018, as restated	49,940	9,266	-	4,153	10,568	248	74,175
Recognised in income statements	(38,819)	-	-	1,150	(1,215)	74	(38,810)
Recognised in other comprehensive income	-	(8,758)	-	-	-	-	(8,758)
As at 31 March 2019	11,121	508	-	5,303	9,353	322	26,607

	Available- for-sale reserve RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 1 April 2017	10,753	2,376	6,291	265	19,685
Recognised in income statements	-	1,777	4,277	(17)	6,037
Recognised in other comprehensive income	(1,487)	-	-	-	(1,487)
As at 31 March 2018	9,266	4,153	10,568	248	24,235

Deferred tax liabilities of the Bank:

	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2018	(8,628)	(8,628)
Recognised in income statement	(237)	(237)
As at 31 March 2019	(8,865)	(8,865)

	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
As at 1 April 2017	(95)	(9,938)	(10,033)
Recognised in income statement	-	1,310	1,310
Recognised in other comprehensive income	95	-	95
As at 31 March 2018	-	(8,628)	(8,628)

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17. Deposits from customers

(i) By types of deposits

	Group 2019 RM'000	2018 RM'000
Savings deposits		
Qard	1,039,081	947,906
Tawarruq	354,575	267,224
	1,393,656	1,215,130
Demand deposits		
Qard	3,104,620	3,391,839
Tawarruq	844,916	399,182
	3,949,536	3,791,021
Term deposits		
Negotiable Islamic debt certificate	908,842	1,156,951
General investment deposits	94,877	119,429
Short term accounts	2,199,402	3,052,657
Fixed term accounts tawarruq	10,564,188	10,803,931
	13,767,309	15,132,968
Other deposits	33,617	33,408
	19,144,118	20,172,527
	Bank 2019 RM'000	2018 RM'000
Savings deposits		
Qard	1,039,081	947,906
Tawarruq	354,575	267,224
	1,393,656	1,215,130
Demand deposits		
Qard	3,111,107	3,397,366
Tawarruq	844,916	399,182
	3,956,023	3,796,548
Term deposits		
Negotiable Islamic debt certificate	908,842	1,156,951
General investment deposits	94,877	119,429
Short term accounts	2,199,402	3,052,657
Fixed term accounts tawarruq	10,581,488	10,816,731
	13,784,609	15,145,768
Other deposits	33,617	33,408
	19,167,905	20,190,854

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17. Deposits from customers (cont'd.)

(ii) By types of customer

	Group 2019 RM'000	2018 RM'000
Government and statutory bodies	4,712,851	5,181,925
Business enterprises	7,330,308	7,107,471
Individuals	2,040,314	2,277,087
Domestic non-bank financial institutions	3,342,090	4,176,090
Domestic banking financial institutions	404,126	649,377
Others	1,314,429	780,577
	19,144,118	20,172,527

	Bank 2019 RM'000	2018 RM'000
Government and statutory bodies	4,712,851	5,181,925
Business enterprises	7,354,095	7,125,798
Individuals	2,040,314	2,277,087
Domestic non-bank financial institutions	3,342,090	4,176,090
Domestic banking financial institutions	404,126	649,377
Others	1,314,429	780,577
	19,167,905	20,190,854

The maturity structure of term deposits are as follows:

	Group 2019 RM'000	2018 RM'000
Due within six months	11,150,968	13,052,870
More than six months to one year	2,337,193	1,496,642
More than one year to three years	278,727	532,636
More than three year to five years	421	50,820
	13,767,309	15,132,968

	Bank 2019 RM'000	2018 RM'000
Due within six months	11,168,268	13,065,670
More than six months to one year	2,337,193	1,496,642
More than one year to three years	278,727	532,636
More than three year to five years	421	50,820
	13,784,609	15,145,768

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18. Investment accounts

(a) Investment accounts due from designated financial institution

	Group and Bank	
	2019	2018
	RM'000	RM'000
Licensed Islamic bank	-	146

(b) Investment account of customers

Restricted investment account ("RIA") is an arrangement between the Bank and investment account holders ("IAH") where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets. RIA amounting to RM20,944,000 (31 March 2018: RM44,493,000) is accounted for as off balance sheet as the Bank has passed its rights and obligations in respect of the assets related to the RIA or the residual cash flows from those assets to the IAH except for the Wakalah performance incentive fee income generated by the Bank for managing the RIA.

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Wakalah				
Maturity				
- within one year	20,444	40,000	20,944	40,000
- more than one to five years	-	2,090	-	4,493
	20,444	42,090	20,944	44,493

(ii) By types of customer are as follows:

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Business enterprise	-	21,911	500	24,314
Individuals	18,043	16,442	18,043	16,442
Others	2,401	3,737	2,401	3,737
	20,444	42,090	20,944	44,493

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18. Investment accounts (cont'd.)

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

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Restricted investment accounts				
Term financing	444	2,090	944	4,493
Ar-Rahnu	20,000	40,000	20,000	40,000
Total investment	20,444	42,090	20,944	44,493

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

	Group and Bank		Group and Bank	
	2019		2018	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Investment account of customers	91.0%	6.8%	89.5%	7.0%

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2019	2018
	RM'000	RM'000
Non-Mudharabah		
Bank Negara Malaysia	6,747	8,854
	6,747	8,854

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20. Bills and acceptances payable

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

21. Other liabilities

	Group 2019 RM'000	2018 RM'000
Sundry creditors	5,062	2,829
Allowances for impairment losses on loan commitments and financial guarantee contracts (Note 21(a))	6,898	-
Accrual for bonus	23,211	28,421
Accrued expenses	14,905	56,683
Accrual for directors' fees	60	840
Accrual for audit fees	1,096	1,279
Other liabilities	27,218	27,287
	78,450	117,339

	Bank 31 March 2019 RM'000	31 March 2018 RM'000
Sundry creditors	1,134	831
Allowances for impairment losses on loan commitments and financial guarantee contracts (Note 21(a))	6,898	-
Accrual for bonus	22,789	28,124
Accrued expenses	15,061	57,513
Accrual for directors' fees	60	840
Accrual for audit fees	1,075	1,254
Other liabilities	27,139	27,050
	74,156	115,612

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

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 March 2019				
At 1 April 2018, as previously stated	-	-	-	-
Effect of adopting MFRS 9	4,172	2,815	4,760	11,747
At 1 April 2018, as restated	4,172	2,815	4,760	11,747
Transfer to Stage 1	1,569	(1,089)	(480)	-
Transfer to Stage 2	(102)	812	(710)	-
Transfer to Stage 3	(6)	(111)	117	-
Allowance made	1,106	539	2,575	4,220
New financing originated	122	-	-	122
Financing derecognised	(2,573)	(2,845)	(1,676)	(7,094)
Amount written-off/realised	(896)	-	(1,216)	(2,112)
Other movements	14	-	1	15
At 31 March 2019	3,406	121	3,371	6,898

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22. Provision for zakat and taxation

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Zakat	6,661	6,540	6,597	5,989
Taxation	9	1,374	-	-
	6,670	7,914	6,597	5,989

23. Recourse obligation on financing sold to Cagamas

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

24. Sukuk

(a) Subordinated sukuk

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

The subordinated sukuk bears profit/dividend at 5.8% per annum, up to the date of early redemption in full of such sukuk or maturity date, whichever is earlier. The dividend is payable semi-annually in June and December.

(b) Senior sukuk

On 25 November 2016, the Bank has issued RM500.0 million (5 years maturity) of senior sukuk respectively through a RM2.0 billion Senior Sukuk Programme.

The Senior Sukuk bears profit/dividend at 5.5% per annum, up to the date of early redemption in full of such sukuk or maturity date, whichever is earlier. The dividend is payable semi-annually in May and November each year.

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25. Share capital

	Number of shares		Amount	
	2019	2018	2019	2018
	'000	'000	RM'000	RM'000
Ordinary shares				
As at 1 April/31 March	1,195,000	1,195,000	1,195,000	1,195,000

26. Reserves

		Group	
		2019	2018
	Note	RM'000	RM'000
Regulatory reserve	(a)	63,585	1,530
Retained profits	(b)	1,094,765	1,132,781
Exchange fluctuation reserve	(c)	(417)	(1,779)
Fair value through other comprehensive income	(d)	(1,514)	-
Available-for-sale reserve	(e)	-	(27,616)
		1,156,419	1,104,916

		Bank	
		2019	2018
	Note	RM'000	RM'000
Regulatory reserve	(a)	63,585	1,530
Retained profits	(b)	1,087,937	1,123,420
Exchange fluctuation reserve	(c)	(417)	(1,779)
Fair value through other comprehensive income	(d)	(1,513)	-
Available-for-sale reserve	(e)	-	(29,473)
		1,149,592	1,093,698

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26. Reserves (cont'd.)

(a) Regulatory reserve

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

(b) Retained profits

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

(c) Exchange fluctuation reserve

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

(d) Fair value through other comprehensive income

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

(e) Available-for-sale reserve

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

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Fixed term deposits	686,214	634,903	686,214	634,903
(ii) Other deposits	562,564	557,446	562,564	557,446
	1,248,778	1,192,349	1,248,778	1,192,349

(i) Income derived from investment of fixed term deposits

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah:				
Income from financing	496,668	471,921	496,668	471,921
Financial investments designated at FVTPL	4,566	1	4,566	1
Financial investments held-for-maturity	-	491	-	491
Financial investments available-for-sale	-	118,756	-	118,756
Financial assets at fair value through other comprehensive income	128,127	-	128,127	-
Financial assets at amortised cost	1,556	-	1,556	-
Money at call and deposit with financial institutions	17,650	13,124	17,650	13,124
	648,567	604,293	648,567	604,293
Amortisation of premium, net	(1,896)	(607)	(1,896)	(607)
Total finance income and hibah	646,671	603,686	646,671	603,686

Other operating income

Net gain from sale of:				
- financial investments designated at FVTPL	480	281	480	281
- financial investments available-for-sale	-	6,388	-	6,388
- debt instruments at fair value through other comprehensive income	9,379	-	9,379	-
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	423	(1)	423	(1)
	10,282	6,668	10,282	6,668

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

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fees and commission				
Guarantee fees	738	752	738	752
Safekeeping fees	7,704	7,245	7,704	7,245
Processing fees	1,885	647	1,885	647
Service charges and fees	6,233	5,538	6,233	5,538
Commission	12,701	10,367	12,701	10,367
	29,261	24,549	29,261	24,549
Total	686,214	634,903	686,214	634,903

(ii) Income derived from investment of other deposits

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Income from financing	407,172	414,348	407,172	414,348
Financial investments designated at FVTPL	3,743	1	3,743	1
Financial investments held-for-maturity	-	431	-	431
Financial investments available-for-sale	-	104,268	-	104,268
Financial assets at fair value through other comprehensive income	105,040	-	105,040	-
Financial assets at amortised cost	1,275	-	1,275	-
Money at call and deposit with financial institutions	14,470	11,522	14,470	11,522
	531,700	530,570	531,700	530,570
Amortisation of premium, net	(1,555)	(533)	(1,555)	(533)
Total finance income and hibah	530,145	530,037	530,145	530,037

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

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other operating income				
Net gain from sale of:				
- financial investments designated at FVTPL	394	247	394	247
- financial investments available-for-sale	-	5,609	-	5,609
- debt instruments at fair value through other comprehensive income	7,689	-	7,689	-
Unrealised gain on revaluation from financial investments designated at FVTPL	347	-	347	-
	8,430	5,856	8,430	5,856
Fees and commission				
Guarantee fees	605	661	605	661
Safekeeping fees	6,316	6,361	6,316	6,361
Processing fees	1,545	568	1,545	568
Service charges and fees	5,110	4,862	5,110	4,862
Commission	10,413	9,101	10,413	9,101
	23,989	21,553	23,989	21,553
Total	562,564	557,446	562,564	557,446

28. Income derived from investment of account funds

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Investment of account funds	2	16	2	16
	2	16	2	16
Fees and commission				
Service charges and fees	509	31	509	31
Total	511	47	511	47

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29. Income derived from investment of shareholders' funds

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financial investments available-for-sale	-	15,673	-	15,673
Financial assets at fair value through other comprehensive income	13,311	-	13,311	-
Money at call and deposit with financial institutions	1,676	1,448	1,676	1,448
Accretion of discounts, net	2,222	3,170	2,222	3,170
Total finance income and hibah	<u>17,209</u>	<u>20,291</u>	<u>17,209</u>	<u>20,291</u>
Other operating income				
Net gain/(loss) on revaluation of foreign exchange transaction	8,322	(22,607)	8,322	(22,607)
Net gain/(loss) from foreign exchange derivatives	3,448	(1,562)	3,448	(1,562)
Net gain from sale of financial investment available-for-sale	-	22,272	-	6,854
Net gain from sale of financial investment designated at FVTPL	79	800	-	-
Unrealised gain/ (loss) on revaluation from financial investments designated at FVTPL	36,535	(12,203)	37,788	(12,203)
Net gain from sale of debt instruments at fair value through other comprehensive income	385	-	385	-
Gross dividend income				
- unquoted shares in Malaysia	53	502	-	-
- subsidiary	-	-	-	14,315
Net dividend paid for Islamic profit rate swap	(7,146)	(7,434)	(7,146)	(7,434)
Unrealised (loss)/gain on revaluation of Islamic profit rate swap	(21,604)	3,549	(21,604)	3,549
Unrealised gain/(loss) on revaluation of hedged items	33,297	(5,158)	33,297	(5,158)
Gain from derecognition of fair value of hedged items	2,102	4,811	2,102	4,811
	<u>55,471</u>	<u>(17,030)</u>	<u>56,592</u>	<u>(19,435)</u>

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fees and commission				
Corporate advisory fees	4,576	4,787	3,018	3,245
Service charges and fees	1,881	6,521	231	381
Commission	2,412	9,220	2,412	9,220
	8,869	20,528	5,661	12,846
Other income				
Rental income	1,103	1,160	1,223	1,280
Gain from sale of property, plant and equipment	70	45	70	45
Fair value adjustments of investment properties (Note 12)	1,580	2,415	1,580	2,415
	2,753	3,620	2,873	3,740
Total	84,302	27,409	82,335	17,442

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Allowance for/(writeback of) impairment losses on financing of customer:				
- individual allowance made	26,610	12,849	26,610	12,849
- individual allowance written back	(24,925)	(25,011)	(24,925)	(25,011)
- collective allowance made	234,040	293,271	234,040	293,271
- collective allowance written back	(226,549)	(328,924)	(226,549)	(328,924)
Impaired financing written off	2,592	6,684	2,592	6,684
Impaired financing recovered	(18,123)	(8,995)	(23,045)	(8,995)
	(6,355)	(50,126)	(11,277)	(50,126)

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31. Writeback of impairment losses on financial investments, net

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Impairment writeback on financial investments available-for-sale	-	(3,343)	-	(3,343)
Impairment writeback on investment in subsidiary	-	-	(1,000)	(504)
Writeback of impairment losses on debt instruments at FVOCI	(194)	-	(194)	-
Writeback of impairment losses on debt instruments at amortised cost	(607)	-	(607)	-
	(801)	(3,343)	(1,801)	(3,847)

32. Allowances for impairment losses on other financial assets, net

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds				
- ECL , net	309	-	309	-
Other assets	4,521	-	4,521	-
	4,830	-	4,830	-

33. Income attributable to depositors

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah funds	1,578	1,904	1,578	1,904
- Non-Mudharabah funds	604,250	570,686	604,698	571,152
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah funds	7,408	4,910	7,408	4,910
	613,236	577,500	613,684	577,966

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34. Personnel expenses

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salary and wages	137,364	130,118	136,071	128,658
Contribution to defined contribution plan	26,313	26,949	26,118	26,736
Social security contributions	1,552	1,380	1,538	1,366
Allowances and bonuses	21,551	30,985	21,162	30,515
Mutual Separation Scheme	475	3,683	475	3,683
Others	27,321	19,900	27,250	19,816
	214,576	213,015	212,614	210,774

35. Directors and Shariah Committee members' remuneration

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(a) Executive Director/ Chief Executive Officer				
Salaries and wages	2,277	2,030	1,701	1,575
Bonus	1,364	686	1,313	619
Other emoluments	634	479	543	395
Benefits-in-kind	64	88	64	81
	4,339	3,283	3,621	2,670
(b) Non-Executive Directors				
Fees	1,175	1,102	1,135	1,062
Benefits-in-kind	49	23	49	23
Other emoluments	724	590	714	586
	1,948	1,715	1,898	1,671
(c) Shariah Committee members				
Allowance	316	263	316	263
Total	6,603	5,261	5,835	4,604
Total (excluding benefits-in-kind)	6,490	5,150	5,722	4,500

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

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

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

Group 2019	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 35(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,701	-	1,313	543	64	3,621
Executive Director of the subsidiaries:						
Norahmadi Sulong	377	-	-	64	-	441
Mohd Faruk bin Abdul Karim	199	-	51	27	-	277
	2,277	-	1,364	634	64	4,339
Note 35(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	234	-	38	49	321
Tengku Dato' Seri Hasmuddin Tengku Othman	-	6	-	2	-	8
Dato' Haji Mohd Izani Ghani *	-	120	-	66	-	186
Dato' Azmi Abdullah	-	55	-	36	-	91
Dato' Haji Kamil Khalid Ariff	-	120	-	108	-	228
Dato' Sri Che Khalib Mohamad Noh	-	120	-	50	-	170
Dr Azura Othman	-	120	-	123	-	243
Ghazali Hj Darman	-	120	-	125	-	245
Dato' Hj Che Pee Samsudin	-	120	-	76	-	196
Dato' Ibrahim Taib	-	120	-	90	-	210
Director - subsidiaries:						
Fakihah Azahari	-	20	-	5	-	25
Dato' Adnan Alias	-	20	-	5	-	25
	-	1,175	-	724	49	1,948
Total Directors' remuneration	2,277	1,175	1,364	1,358	113	6,287

* Director's fees payable to Khazanah Nasional Berhad.

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

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

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

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

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

Group 2018	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 35(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,575	-	619	395	81	2,670
Executive Director of the subsidiaries:						
Norahmadi Sulong	455	-	67	84	7	613
	2,030	-	686	479	88	3,283

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

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

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

Group 2018	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 35(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	29	23	274
Tengku Dato' Seri Hasmuddin Tengku Othman	-	120	-	102	-	222
Dato' Haji Mohd Izani Ghani *	-	120	-	54	-	174
Dato' Azmi Abdullah	-	120	-	104	-	224
Dato' Haji Kamil Khalid Ariff	-	120	-	95	-	215
Dato' Sri Che Khalib Mohamad Noh	-	120	-	61	-	181
Dr Azura Othman	-	120	-	68	-	188
Ghazali Hj Darman	-	120	-	73	-	193
Director - subsidiaries:						
Fakihah Azahari	-	20	-	2	-	22
Dato' Adnan Alias	-	20	-	2	-	22
	-	1,102	-	590	23	1,715
Total Directors' remuneration	2,030	1,102	686	1,069	111	4,998

* Director's fees payable to Khazanah Nasional Berhad.

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

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

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

Group 2018	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 35(c) :						
Shariah Committee:						
En Azizi Che						
Seman	-	48	-	11	1	60
Dr Mohamad Sabri						
Haron	-	42	-	9	1	52
Engku Ahmad Fadzil						
Engku Ali	-	42	-	9	1	52
Dr Ab Halim						
Muhammad	-	42	-	4	1	47
Dr Wan Marhaini						
Wan Ahmad	-	42	-	9	1	52
	-	216	-	42	5	263

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

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

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

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

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

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

* Director's fees payable to Khazanah Nasional Berhad.

Note 35(c):

Shariah Committee:

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

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

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

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

Bank 2018	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 35(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,575	-	619	395	81	2,670
	<u>1,575</u>	<u>-</u>	<u>619</u>	<u>395</u>	<u>81</u>	<u>2,670</u>
Note 35(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	29	23	274
Tengku Dato' Seri Hasmuddin Tengku Othman	-	120	-	102	-	222
Dato' Haji Mohd Izani Ghani *	-	120	-	54	-	174
Dato' Azmi Abdullah	-	120	-	104	-	224
Dato' Hj Kamil Khalid Ariff	-	120	-	95	-	215
Dato' Sri Che Khalib Mohamad Noh	-	120	-	61	-	181
Dr Azura Othman	-	120	-	68	-	188
Ghazali Hj Darman	-	120	-	73	-	193
	<u>-</u>	<u>1,062</u>	<u>-</u>	<u>586</u>	<u>23</u>	<u>1,671</u>
Total Directors' remuneration	<u>1,575</u>	<u>1,062</u>	<u>619</u>	<u>981</u>	<u>104</u>	<u>4,341</u>

* Director's fees payable to Khazanah Nasional Berhad.

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

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

Bank 2018	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 35(c):						
Shariah Committee:						
En Azizi Che Seman	-	48	-	11	1	60
Dr Mohamad Sabri Haron	-	42	-	9	1	52
Engku Ahmad Fadzil Engku Ali	-	42	-	9	1	52
Dr Ab Halim Muhammad	-	42	-	4	1	47
Dr Wan Marhaini Wan Ahmad	-	42	-	9	1	52
	-	216	-	42	5	263

36. Key management personnel remuneration

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

	Group	
	2019 RM'000	2018 RM'000
Short-term employees benefits	11,426	9,250
Included in the total key management personnel are:		
Executive Director's remuneration (Note 35(a))	4,339	3,283

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36. Key management personnel remuneration (cont'd.)

The remuneration of directors and other key members of management during the financial year was as follows: (cont'd.)

	Bank	
	2019	2018
	RM'000	RM'000
Short-term employees benefits (salary, bonus, allowances)	10,708	8,637
Included in the total key management personnel are:		
Executive Director's remuneration (Note 35(a))	3,621	2,670

37. Other overheads and expenditures

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Marketing				
Advertisement and publicity	9,724	12,090	9,724	12,090
Donation and sponsorship	4,454	4,796	4,454	4,796
Others	1,969	2,039	1,955	2,021
	16,147	18,925	16,133	18,907
Establishment				
Rental	13,136	13,047	12,530	12,443
Depreciation of property, plant and equipment (Note 14)	15,564	17,224	15,557	17,190
Amortisation of intangible assets (Note 13)	30,299	27,743	30,138	27,528
Amortisation of prepaid land lease payments (Note 15)	4	4	4	4
Information technology expenses	50,521	42,105	50,521	42,104
Repair and maintenance	3,409	2,734	3,045	2,263
Hire of equipment	3,857	5,008	3,487	4,622
Takaful	8,584	7,708	8,584	7,707
Utilities expenses	5,112	5,062	5,087	5,039
Security expenses	9,884	9,301	9,884	9,301
Others	4,723	3,876	4,723	3,876
	145,093	133,812	143,560	132,077

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
General expenses				
Auditors' fees				
- statutory audit				
- current year	437	417	414	394
- underprovision in prior year	-	6	-	-
- regulatory related services	278	293	260	275
- others	768	1,070	757	1,065
Professional fees	3,412	1,534	3,187	1,192
Legal expenses	2,675	2,290	2,675	2,290
Telephone	2,244	1,845	2,239	1,841
Stationery and printing	2,068	1,750	2,050	1,732
Postage and courier	1,578	1,474	1,578	1,474
Travelling	2,099	1,930	2,092	1,924
Directors remuneration and Shariah Committee allowance (Note 35)	6,603	5,261	5,835	4,604
Intangible assets written off (Note 13)	-	368	-	368
Property, plant and equipment written off (Note 14)	53	12	53	12
Others	8,576	10,248	10,732	12,454
	30,791	28,498	31,872	29,625
	192,031	181,235	191,565	180,609

38. Finance costs

	Group and Bank	
	2019	2018
	RM'000	RM'000
Dividend paid on subordinated sukuk	14,420	14,500
Dividend paid on senior sukuk	27,417	27,498
Financing sold to Cagamas	22,326	21,239
	64,163	63,237

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39. Zakat

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Provision of zakat for the year	6,255	6,138	6,195	5,587
	6,255	6,138	6,195	5,587

40. Taxation

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current income tax	16,716	51,280	16,250	47,388
Under/(over) provision in prior years	198	(1,148)	(44)	(805)
	16,914	50,132	16,206	46,583
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	38,297	(7,347)	38,819	(7,347)
Under provision in prior years	228	-	228	-
	38,525	(7,347)	39,047	(7,347)
	55,439	42,785	55,253	39,236

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	241,188	230,548	247,123	223,486
Taxation at Malaysian statutory tax rate 24% (2018: 24%)	57,885	55,332	59,310	53,637
Income not subject to tax	(11,979)	(18,614)	(8,344)	(21,664)
Expenses not deductible for tax purposes	9,107	7,215	4,103	8,068
Under/(over) provision of income tax in prior years	198	(1,148)	(44)	(805)
Under provision of deferred tax in prior years	228	-	228	-
Income tax expense for the year	55,439	42,785	55,253	39,236

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40. Taxation (cont'd.)

The Group has not recognised the following unused tax losses of a subsidiary for the Group:

	Group	
	2019	2018
	RM'000	RM'000
Unutilised tax losses	-	2,153

Under the Income Tax Act, 1967 and guidelines issued by the tax authority, the unutilised tax losses can be utilised for offsetting against future taxable profits for a maximum period of seven (7) years of assessment. The unutilised tax losses of the Group amounting to RM2,153,095 have been accumulated since year of assessment 2012. Since the unutilised tax losses of the Group have exceeded the maximum period of seven (7) years of assessment, the unutilised tax losses of the Group is "nil" as at 31 March 2019 (2018: RM2,153,095).

41. Earnings per share

	Group	
Basic and diluted	2019	2018
	RM'000	RM'000
Profit attributable to ordinary equity holders of the Bank (RM'000)	179,494	181,625
Weighted average number of ordinary shares in issue ('000)	1,195,000	1,195,000
Basic and diluted earnings per share (sen)	15.02	15.20

42. Dividends

The directors did not declare any final dividend for the financial year ended 31 March 2019.

43. Significant related party transactions

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

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

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Holding company				
Expenditure				
- hibah on deposit	6,931	8,818	6,931	8,818
- others	-	2	-	2
Amounts due to				
- deposits	147,624	338,066	147,624	338,066
- accrued expenses	-	43,680	-	43,680
Subsidiaries				
Income				
- dividend received	-	-	-	14,315
- rental income	-	-	272	311
- management fee	-	-	612	600
- arrangement fee	-	-	260	100
Expenditure				
- fund management fee	-	-	2,176	2,256
- profit sharing incentive	-	-	107	559
- hibah on deposit	-	-	448	466
Amounts due from				
- financing	-	-	58,373	42,153
Amounts due to				
- management fee/profit sharing	-	-	365	559
- deposits	-	-	23,787	18,327
Key Management personnel				
Amounts due from				
- financing	2,010	496	1,713	441

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Related companies*				
Income				
- profit on financing	9,848	11,385	9,848	11,385
Expenditure				
- hibah on deposit	10,151	8,244	10,151	8,244
- seconded staff salary and related expenses	1,361	841	1,361	841
- mailing and courier service	430	428	430	428
- rental (offsite ATM and branch)	235	231	235	231
- purchase of fixed assets	224	-	224	-
- sponsorship	48	253	48	253
- others	522	485	522	485
Amounts due to				
- deposits	334,347	469,832	334,347	469,832
Amounts due from				
- financing	119,163	259,093	119,163	259,093
Other related companies**				
Expenditure				
- security services and equipment	-	247	-	247
- takaful expenses	1,771	3,436	1,771	3,436
- staff travelling expenses	517	498	517	498
- corporate attire expenses	-	1	-	1
- rental (offsite ATM and branch)	769	795	769	795
- sponsorship	-	130	-	130
- others	163	5	163	5
Amounts due to				
- deposits	405,673	623,943	405,673	623,943
Amounts due from				
- financing	1,101,828	1,111,438	1,101,828	1,111,438

* Related companies are companies within DRB-HICOM Berhad Group and Khazanah Nasional Berhad Group.

** Other related companies are companies related to a substantial shareholder of DRB-HICOM Berhad Group.

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44. Credit exposures arising from credit transactions with connected parties

	Group	
	2019	2018
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>1,463,503</u>	<u>1,374,346</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>5.9%</u>	<u>5.3%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>-</u>	<u>-</u>
	Bank	
	2019	2018
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>1,514,141</u>	<u>1,416,499</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>6.1%</u>	<u>5.5%</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 corporate sukuk issued by the connected parties.

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

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45. Commitments and contingencies

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

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

	Group and Bank					
	2019			2018		
The commitments and contingencies constitute the following:	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000
Contingent liabilities						
Direct credit substitutes	203,424	203,424	169,198	237,010	237,010	208,603
Trade-related contingencies	83,279	16,656	7,763	25,603	5,121	528
Transaction related contingencies	425,159	212,580	199,194	342,229	171,114	166,532
Commitments						
Credit extension commitment:						
- Maturity within one (1) year	624,707	124,941	123,594	927,991	185,598	170,493
- Maturity exceeding one (1) year	2,232,408	1,116,204	350,760	2,336,704	1,168,352	371,012
Islamic derivative financial instruments						
Foreign exchange related contracts	3,545,493	63,942	39,235	1,707,391	98,531	30,839
Profit rate related contract	2,150,000	85,938	17,188	1,200,000	10,875	2,175
	9,264,470	1,823,685	906,932	6,776,928	1,876,601	950,182

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

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

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

Risk governance

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

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

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

Risk governance (cont'd.)

The execution of the Board's risk strategies and policies is the responsibility of the Group's and the Bank's Management and the conduct of these functions are being exercised under a management committee structure, namely, the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The Committee focuses on the overall business strategies and day-to-day business operations of the Group and the Bank in respect of risk management.

In addition, as an Islamic Bank, a Shariah Committee ("SC") is set up as an independent external body to decide on Shariah issues and simultaneously to assist towards risk mitigation and compliance with the Shariah principles.

There are other risk committees set up at the Management level to oversee specific risk areas and control function of which the following are the details:

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

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

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

(a) Credit risk

Credit risk is defined as the potential loss to the Group and the Bank as a result of defaults in payment by counter parties via financing and investment activities. The Group and the Bank comprehend that credit risk is inherent in its credit products activities such as credit financing facility activities (funded/non-funded facilities); treasury activities (including inter-bank money market, money and capital trading, foreign exchange); and investment banking activities (including underwriting of corporate sukuk issuance).

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

Credit exposures are controlled via a thorough credit assessment process which includes, among others, assessing the adequacy of the identified source of payments and/or income generation from the customer, as well as determining the appropriate structure for financing.

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

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

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

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

(a) Credit risk (cont'd.)

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

(i) Maximum credit risk exposures and credit risk concentration

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

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

By sector analysis

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

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

(a) Credit risk (cont'd.)

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

By sector analysis (cont'd.)

Group 2019	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	830,571	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	11,937	-	-	-	-	-	11,937
Financial investments at fair value through profit and loss	336,292	188,478	1,231	-	702	-	134,096	660,799
Financial investments at fair value through other comprehensive income	3,219,953	253,493	465,447	117,246	-	-	879,893	4,936,032
Financial assets at amortised cost	-	-	103,310	-	-	-	-	103,310
Islamic derivative financial assets	-	24,853	-	-	-	-	-	24,853
Financing of customers	977,260	157,529	2,409,672	1,400,791	-	9,872,140	513,503	15,330,895
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	699,275
Other assets	-	-	-	-	-	-	81,625	81,625
	5,232,780	1,466,861	2,979,660	1,518,037	702	9,872,140	1,609,117	22,679,297
Commitments and contingencies								
Contingent liabilities	44,441	93,147	132,596	341,636	23,453	6,541	70,048	711,862
Commitments	1,453,422	445,509	463,118	212,101	3,529	50,203	229,233	2,857,115
Islamic derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	1,497,863	6,234,149	595,714	553,737	26,982	56,744	299,281	9,264,470
Total credit exposures	6,730,643	7,701,010	3,575,374	2,071,774	27,684	9,928,884	1,908,398	31,943,767

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

(a) Credit risk (cont'd.)

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

By sector analysis (cont'd.)

Group 2018	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,579,923	-	-	-	-	-	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	7,758
Investment accounts due from designated financial institution	-	146	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	161,274
Financial investments available-for-sale	4,232,765	302,598	686,821	126,720	-	-	970,509	6,319,413
Financial investments held-to-maturity	143,730	-	-	-	-	-	-	143,730
Islamic derivative financial assets	-	72,770	-	-	-	-	-	72,770
Financing of customers	752,535	666,164	1,688,051	1,619,699	14,233	9,259,428	687,736	14,687,846
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	674,500
Other assets	-	-	-	-	-	-	91,978	91,978
	5,803,530	2,790,633	2,374,872	1,746,419	14,233	9,259,428	1,750,223	23,739,338
Commitments and contingencies								
Contingent liabilities	21,907	50,016	142,830	343,163	6,257	3,836	36,833	604,842
Commitments	1,478,093	234,876	538,018	827,977	3,181	54,620	127,930	3,264,695
Islamic derivative financial instruments	-	2,907,391	-	-	-	-	-	2,907,391
	1,500,000	3,192,283	680,848	1,171,140	9,438	58,456	164,763	6,776,928
Total credit exposures	7,303,530	5,982,916	3,055,720	2,917,559	23,671	9,317,884	1,914,986	30,516,266

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

(a) Credit risk (cont'd.)

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

By sector analysis (cont'd.)

Bank 2019	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	830,571	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	11,937	-	-	-	-	-	11,937
Financial investments at fair value through profit and loss	336,292	188,478	-	-	-	-	134,096	658,866
Financial investments at fair value through other comprehensive income	3,219,953	253,493	465,447	117,246	-	-	877,628	4,933,767
Financial assets at amortised cost	-	-	103,310	-	-	-	-	103,310
Islamic derivative financial assets	-	24,853	-	-	-	-	-	24,853
Financing of customers	977,260	157,529	2,411,355	1,400,791	-	9,872,140	514,206	15,333,281
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	699,275
Other assets	-	-	-	-	-	-	83,531	83,531
	5,232,780	1,466,861	2,980,112	1,518,037	-	9,872,140	1,609,461	22,679,391
Commitments and contingencies								
Contingent liabilities	44,441	93,147	132,596	341,636	23,453	6,541	70,048	711,862
Commitments	1,453,422	445,509	463,118	212,101	3,529	50,203	229,233	2,857,115
Derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	1,497,863	6,234,149	595,714	553,737	26,982	56,744	299,281	9,264,470
Total credit exposures	6,730,643	7,701,010	3,575,826	2,071,774	26,982	9,928,884	1,908,742	31,943,861

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

(a) Credit risk (cont'd.)

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

By sector analysis (cont'd.)

Bank 2018	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,579,923	-	-	-	-	-	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	7,758
Investment accounts due from designated financial institution	-	146	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	161,274
Financial investments available-for-sale	4,232,765	302,598	686,821	126,720	-	-	967,855	6,316,759
Financial investments held-to-maturity	143,730	-	-	-	-	-	-	143,730
Islamic derivative financial assets	-	72,770	-	-	-	-	-	72,770
Financing of customers	752,535	666,164	1,688,051	1,619,699	14,234	9,259,428	687,318	14,687,429
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	674,500
Other assets	-	-	-	-	-	-	89,543	89,543
	5,803,530	2,790,633	2,374,872	1,746,419	14,234	9,259,428	1,744,716	23,733,832
Commitments and contingencies								
Contingent liabilities	21,907	50,016	142,830	343,163	6,257	3,836	36,833	604,842
Commitments	1,478,093	234,876	538,018	827,977	3,181	54,620	127,930	3,264,695
Derivative financial instruments	-	2,907,391	-	-	-	-	-	2,907,391
	1,500,000	3,192,283	680,848	1,171,140	9,438	58,456	164,763	6,776,928
Total credit exposures	7,303,530	5,982,916	3,055,720	2,917,559	23,672	9,317,884	1,909,479	30,510,760

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

(a) Credit risk (cont'd.)

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

By geographical analysis

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

	Group		Bank	
	Domestic	Labuan	Domestic	Labuan
	RM'000	RM'000	RM'000	RM'000
2019				
On Balance Sheet				
Exposures				
Cash and short-term funds	795,794	34,777	795,794	34,777
Cash and placements with financial institutions	11,937	-	11,937	-
Financial investments designated at fair value through profit and loss	472,321	188,478	470,388	188,478
Financial investments at fair value through other comprehensive income	4,927,888	8,144	4,925,623	8,144
Financial investments amortised cost	103,310	-	103,310	-
Islamic derivative financial assets	24,853	-	24,853	-
Financing of customers	15,330,895	-	15,333,281	-
Statutory deposits with Bank Negara Malaysia	699,275	-	699,275	-
Other assets	81,622	3	83,528	3
	22,447,895	231,402	22,447,989	231,402
Commitments and contingencies				
Contingent liabilities	711,862	-	711,862	-
Commitments	2,857,115	-	2,857,115	-
Islamic derivative financial instruments	5,695,493	-	5,695,493	-
	9,264,470	-	9,264,470	-
Total credit exposures	31,712,365	231,402	31,712,459	231,402

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

(a) Credit risk (cont'd.)

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

By geographical analysis (cont'd.)

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2018				
On Balance Sheet				
Exposures				
Cash and short-term funds	1,490,563	89,360	1,490,563	89,360
Cash and placements with financial institutions	7,758	-	7,758	-
Investment accounts due from designated financial institution	146	-	146	-
Financial investments designated at fair value through profit and loss	-	161,274	-	161,274
Financial investments available-for-sale	6,300,136	19,277	6,297,482	19,277
Financial investments held-to-maturity	143,730	-	143,730	-
Islamic derivative financial assets	72,770	-	72,770	-
Financing of customers	14,687,846	-	14,687,429	-
Statutory deposits with Bank Negara Malaysia	674,500	-	674,500	-
Other assets	91,975	3	89,540	3
	<u>23,469,424</u>	<u>269,914</u>	<u>23,463,918</u>	<u>269,914</u>
Commitments and contingencies				
Contingent liabilities	604,842	-	604,842	-
Commitments	3,264,695	-	3,264,695	-
Islamic derivative financial instruments	2,907,391	-	2,907,391	-
	<u>6,776,928</u>	<u>-</u>	<u>6,776,928</u>	<u>-</u>
Total credit exposures	<u>30,246,352</u>	<u>269,914</u>	<u>30,240,846</u>	<u>269,914</u>

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

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers

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

Financing of customers are analysed as follows:

Group	Neither past due nor impaired		Past due	Impaired	Total
2019	Good	Satisfactory	but not	financing	
	RM'000	RM'000	impaired	RM'000	RM'000
Term financing					
- Home financing	4,055,671	241,430	140,918	105,797	4,543,816
- Syndicated financing	653,567	-	-	-	653,567
- Hire purchase receivables	552,016	13,805	11,580	4,232	581,633
- Leasing receivables	-	-	-	-	-
- Other term financing	6,601,041	51,929	37,655	69,655	6,760,280
Other financing	2,889,737	14,060	3,556	41,532	2,948,885
	14,752,032	321,224	193,709	221,216	15,488,181
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(55,886)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(7,448)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(93,952)	(93,952)
Total net financing	14,752,032	321,224	193,709	127,264	15,330,895

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

(a) Credit risk (cont'd.)

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

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

Group 2018	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,063,791	265,306	189,049	95,747	4,613,893
- Syndicated financing	686,022	-	-	-	686,022
- Hire purchase receivables	564,463	24,235	16,540	17,981	623,219
- Leasing receivables	-	-	-	1,277	1,277
- Other term financing	5,636,624	186,346	55,208	145,843	6,024,021
Other financing	2,753,659	134,149	20,892	24,568	2,933,268
	<u>13,704,559</u>	<u>610,036</u>	<u>281,689</u>	<u>285,416</u>	<u>14,881,700</u>
Less:					
- Collective assessment allowance	-	-	-	-	(176,922)
- Individual assessment allowance	-	-	-	(16,932)	(16,932)
Total net financing	<u>13,704,559</u>	<u>610,036</u>	<u>281,689</u>	<u>268,484</u>	<u>14,687,846</u>

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

(a) Credit risk (cont'd.)

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

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

Bank 2019	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,055,671	241,430	140,918	105,797	4,543,816
- Syndicated financing	653,567	-	-	-	653,567
- Hire purchase receivables	552,016	13,805	11,580	4,232	581,633
- Leasing receivables	-	-	-	-	-
- Other term financing	6,603,427	51,929	37,655	69,655	6,762,666
Other financing	2,889,737	14,060	3,556	41,532	2,948,885
	14,754,418	321,224	193,709	221,216	15,490,567
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(55,886)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(7,448)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(93,952)	(93,952)
Total net financing	14,754,418	321,224	193,709	127,264	15,333,281

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

(a) Credit risk (cont'd.)

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

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

Bank 2018	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,063,791	265,306	189,049	95,747	4,613,893
- Syndicated financing	686,022	-	-	-	686,022
- Hire purchase receivables	564,463	24,235	16,540	17,981	623,219
- Leasing receivables	-	-	-	1,277	1,277
- Other term financing	5,636,207	186,346	55,208	150,776	6,028,537
Other financing	2,753,659	134,149	20,892	24,568	2,933,268
	<u>13,704,142</u>	<u>610,036</u>	<u>281,689</u>	<u>290,349</u>	<u>14,886,216</u>
Less:					
- Collective assessment allowance	-	-	-	-	(176,922)
- Individual assessment allowance	-	-	-	(21,865)	(21,865)
Total net financing	<u>13,704,142</u>	<u>610,036</u>	<u>281,689</u>	<u>268,484</u>	<u>14,687,429</u>

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

(a) Credit risk (cont'd.)

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

Neither past due nor impaired

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

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

Past due but not impaired

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

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

Group and Bank	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
2019				
Term financing				
- Home financing	-	95,261	45,657	140,918
- Hire purchase receivables	-	7,612	3,968	11,580
- Other term financing	-	23,089	14,566	37,655
Other financing	-	2,696	860	3,556
Total	-	128,658	65,051	193,709
2018				
Term financing				
- Home financing	-	126,747	62,302	189,049
- Hire purchase receivables	-	11,281	5,259	16,540
- Other term financing	-	34,409	20,799	55,208
Other financing	824	14,863	5,205	20,892
Total	824	187,300	93,565	281,689

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

(a) Credit risk (cont'd.)

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

Past due but not impaired (cont'd.)

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

Group and Bank

	2019	2018
	RM'000	RM'000
Purchase of transport vehicles	11,580	16,481
Purchase of landed properties of which:		
– residential	141,093	186,463
– non-residential	12,882	21,893
Purchase of fixed assets (excluding landed properties)	-	19
Personal use	25,350	51,320
Working capital	2,515	3,887
Other purpose	289	1,626
	193,709	281,689

Collateral and other credit enhancements

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

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

(a) Credit risk (cont'd.)

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

Collateral and other credit enhancements (cont'd.)

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

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

The financial effect of collateral (i.e. quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at 96.6% and 96.6%, respectively, as at 31 March 2019 (the Group and the Bank are at 90.1% and 90.0% as at 31 March 2018). Meanwhile, the financial effect of collateral held for other financial assets is not significant.

As at 31 March 2019, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM50,738,280 as compared against 31 March 2018 total amount of RM60,009,987. The collateral consists of cash, securities, letters of guarantee, and properties.

Reposessed collateral

It is the Group's and the Bank's policy that dictates disposal of reposessed collateral to be carried out in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral reposessed are subject to disposal as soon as it is practical to do so. Foreclosed properties are recognised in other assets on the statement of financial position. At present, the Group and the Bank do not occupy reposessed properties for its own business use.

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

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets:

Group	Financing of customers RM'000	Financial investments at FVOCI RM'000	Total RM'000
2018			
<u>Individual assessment allowance</u>			
At 1 April 2017	76,865	86,578	163,443
Allowance made during the year	12,849	-	12,849
Amount written back	(25,011)	(3,343)	(28,354)
Amount written off	(47,771)	-	(47,771)
Foreign exchange differences	-	(2,025)	(2,025)
As at 31 March 2018	<u>16,932</u>	<u>81,210</u>	<u>98,142</u>

Bank	Financing of customers RM'000	Financial investments at FVOCI RM'000	Total RM'000
2018			
<u>Individual assessment allowance</u>			
As at 1 April 2017	81,798	86,578	168,376
Allowance made during the year	12,849	-	12,849
Amount written back	(25,011)	(3,343)	(28,354)
Amount written off	(47,771)	-	(47,771)
Foreign exchange differences	-	(2,025)	(2,025)
As at 31 March 2018	<u>21,865</u>	<u>81,210</u>	<u>103,075</u>

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

(a) Credit risk (cont'd.)

(i) Analysis of inputs to the ECL model under multiple economic scenarios (Policy applicable from 1 April 2018)

An overview of the approach to estimating ECLs is set out in Note 2.3 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions.

The probability weights for each scenarios are determined using the probability density approach. GDP is used as an anchor as GDP reflects the overall condition of the economy. To estimate the probability of each scenario, the Bank's GDP forecasts are compared against the forecasts by the various research houses. It is then estimated by obtaining the area under the probability density curve based on the Bank's forecasts.

The following Table shows the forecast of the key forward-looking economic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 March 2019.

31 March 2019

Key Variable	ECL Scenario	Assigned Probabilities (%)	2018	2019	2020
Current Account Balance (% of GDP)	Base case	52.63%	2.80	2.30	3.80
	Upside	23.62%	3.60	3.40	4.00
	Downside	23.75%	2.10	2.00	2.00
Economy's money supply- M3 (YOY%)	Base case	52.63%	6.10	3.30	9.00
	Upside	23.62%	7.80	4.20	11.50
	Downside	23.75%	4.10	2.20	6.00
Consumer Price Index (YOY%)	Base case	52.63%	2.90	2.50	3.00
	Upside	23.62%	1.80	2.20	2.80
	Downside	23.75%	3.30	3.50	3.80
Unemployment Rate (%)	Base case	52.63%	3.40	3.10	3.00
	Upside	23.62%	3.30	4.10	3.90
	Downside	23.75%	3.60	4.50	4.00
Exchange Rate (USD MYR)	Base case	52.63%	4.11	4.19	4.34
	Upside	23.62%	3.84	3.85	3.99
	Downside	23.75%	4.35	4.52	4.68
Overnight Policy Rate (%)	Base case	52.63%	3.25	3.13	3.00
	Upside	23.62%	2.99	2.87	2.76
	Downside	23.75%	3.25	3.13	3.00
Kuala Lumpur Composite Index (KLCI)	Base case	52.63%	1,724.42	1,659.18	1,746.20
	Upside	23.62%	1,844.68	1,791.72	1,868.22
	Downside	23.75%	1,612.00	1,540.00	1,623.78
House Price Index (YOY%)	Base case	52.63%	5.80	5.50	5.50
	Upside	23.62%	5.96	5.65	5.65
	Downside	23.75%	5.64	5.35	5.35

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

(a) Credit risk (cont'd.)

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

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

Group	Financial investments at amortised cost Non-Money Market Instruments - Debt			Financial investments at FVOCI Non-Money Market Instruments - Debt			Other assets
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	
2019							
AAA+ to AA-	-	-	-	-	888,661	888,661	-
A+ to A-	-	-	-	8,144	-	8,144	-
BBB+ to BB-	-	102,597	102,597	-	-	-	-
Unrated	-	713	713	-	106,123	106,123	81,625
Defaulted	-	-	-	-	3,343	3,343	-
Sovereign	-	-	-	-	3,820,108	3,820,108	-
Total	-	103,310	103,310	8,144	4,818,235	4,826,379	81,625
2018							
AAA+ to AA-	-	-	-	-	1,019,619	1,019,619	-
A+ to A-	-	-	-	19,277	25,015	44,292	-
BBB+ to BB-	-	143,730	143,730	-	-	-	-
Unrated	-	-	-	-	138,821	138,821	91,978
Defaulted	-	-	-	-	3,343	3,343	-
Sovereign	-	-	-	-	5,028,189	5,028,189	-
Total	-	143,730	143,730	19,277	6,214,987	6,234,264	91,978

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

(a) Credit risk (cont'd.)

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

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

Bank	Financial investments at amortised cost Non-Money Market Instruments - Debt			Financial investments at FVOCI Non-Money Market Instruments - Debt			Other assets RM'000
	International	Domestic	Total	International	Domestic	Total	
	Ratings RM'000	Ratings RM'000	Total RM'000	Ratings RM'000	Ratings RM'000	Total RM'000	
2019							
AAA+ to AA-	-	-	-	-	888,661	888,661	-
A+ to A-	-	-	-	8,144	-	8,144	-
BBB+ to BB-	-	102,597	102,597	-	-	-	-
Unrated	-	713	713	-	106,123	106,123	83,531
Defaulted	-	-	-	-	3,343	3,343	-
Sovereign	-	-	-	-	3,820,108	3,820,108	-
Total	-	103,310	103,310	8,144	4,818,235	4,826,379	83,531
2018							
AAA+ to AA-	-	-	-	-	1,019,619	1,019,619	-
A+ to A-	-	-	-	19,277	25,015	44,292	-
BBB+ to BB-	-	143,730	143,730	-	-	-	-
Unrated	-	-	-	-	138,821	138,821	89,543
Defaulted	-	-	-	-	3,343	3,343	-
Sovereign	-	-	-	-	5,028,189	5,028,189	-
Total	-	143,730	143,730	19,277	6,214,987	6,234,264	89,543

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

(a) Credit risk (cont'd.)

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

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date and prior year, none of the financial investments mentioned above are past due, except for defaulted corporate sukuk of the Group and the Bank held under financial investments at fair value through other comprehensive income with gross outstanding amount of RM34,285,600 (2018: RM81,629,437), which have been classified as impaired and fully provided for.

(b) Market risk

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

Types of market risk

(i) Traded market risk

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

Risk measurement approach

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk

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

Rate of return risk

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

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

Risk measurement approach

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

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

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Group	Up to	>1-3	>3-12					Over	Non-profit	Trading		Effective
2019	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
ASSETS												
Cash and short-term funds	608,889	-	-	-	-	-	-	-	221,682	-	830,571	3.2%
Cash and placements with financial institutions	-	11,916	-	-	-	-	-	-	21	-	11,937	3.2%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	188,477	472,322	660,799	-
Financial assets at fair value through other comprehensive income	13,532	82,776	204,193	712,856	355,935	592,413	1,259,216	1,715,111	-	-	4,936,032	3.8%
Financial assets at amortised cost	-	273	441	-	-	-	-	102,596	-	-	103,310	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	24,853	24,853	-
Financing of customers:												
- non-impaired	10,147,771	825,748	431,461	69,027	96,119	219,542	968,977	2,437,430	70,890	-	15,266,965	6.0%
- impaired*	-	-	-	-	-	-	-	-	127,264	-	127,264	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(63,334)	-	(63,334)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	987,213	-	987,213	-
TOTAL ASSETS	10,770,192	920,713	636,095	781,883	452,054	811,955	2,228,193	4,255,137	1,532,213	497,175	22,885,610	
LIABILITIES AND EQUITY												
Deposits from customers	12,127,717	2,358,531	4,204,340	225,793	50,012	246	171	-	177,308	-	19,144,118	2.5%
Deposits and placements of banks and other financial institutions	-	35	402	1,424	1,611	1,225	2,050	-	-	-	6,747	3.7%
Bills and acceptances payable	-	-	-	-	-	-	-	-	15,678	-	15,678	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	48,162	48,162	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	470,867	-	-	235	-	471,102	5.0%
Subordinated sukuk	-	-	-	-	250,000	-	-	-	4,025	-	254,025	5.5%
Senior Sukuk	-	-	-	-	500,000	-	-	-	9,174	-	509,174	5.8%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	85,185	-	85,185	-
Total Liabilities	12,127,717	2,358,566	4,204,742	227,217	801,623	472,338	2,221	-	291,605	48,162	20,534,191	
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,351,419	-	2,351,419	-
TOTAL LIABILITIES AND EQUITY	12,127,717	2,358,566	4,204,742	227,217	801,623	472,338	2,221	-	2,643,024	48,162	22,885,610	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Group 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	(1,357,525)	(1,437,853)	(3,568,647)	554,666	(349,569)	339,617	2,225,972	4,255,137	(1,110,811)	449,013	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	2,150,000	2,150,000	-
TOTAL PROFIT SENSITIVITY GAP	(1,357,525)	(1,437,853)	(3,568,647)	554,666	(349,569)	339,617	2,225,972	4,255,137	(1,110,811)	2,599,013	2,150,000	

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Group 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	1,251,598	8,774	-	-	-	-	-	-	319,551	-	1,579,923	2.6%
Cash and placements with financial institutions	-	7,727	-	-	-	-	-	-	31	-	7,758	2.6%
Investment accounts due from designated financial institution	-	-	-	145	-	-	-	-	1	-	146	-
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	161,274	-	161,274	-
Financial investments available-for-sale	26,148	91,360	659,693	412,545	654,723	350,149	1,065,366	2,932,220	127,209	-	6,319,413	3.9%
Financial investments held-to-maturity	-	-	-	-	-	-	-	143,730	-	-	143,730	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	72,770	72,770	-
Financing of customers:												
- non-impaired	10,250,310	1,084,845	417,085	209,096	94,317	141,923	278,740	2,081,957	38,011	-	14,596,284	6.0%
- impaired*	-	-	-	-	-	-	-	-	268,484	-	268,484	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(176,922)	-	(176,922)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	970,831	-	970,831	-
TOTAL ASSETS	11,528,056	1,192,706	1,076,778	621,786	749,040	492,072	1,344,106	5,157,907	1,708,470	72,770	23,943,691	
LIABILITIES AND EQUITY												
Deposits from customers	12,250,408	4,215,250	2,924,646	300,937	225,449	50,018	206	-	205,613	-	20,172,527	2.4%
Deposits and placements of banks and other financial institutions	230	305	979	1,473	2,228	2,258	1,381	-	-	-	8,854	3.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	9,618	-	9,618	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,923	77,923	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	-	485,665	-	186	-	485,851	4.7%
Subordinated sukuk	-	-	-	-	-	250,000	-	-	4,035	-	254,035	5.8%
Senior Sukuk	-	-	-	-	-	500,000	-	-	9,127	-	509,127	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	125,840	-	125,840	-
Total Liabilities	12,250,638	4,215,555	2,925,625	302,410	227,677	802,276	487,252	-	354,419	77,923	21,643,775	
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,299,916	-	2,299,916	-
TOTAL LIABILITIES AND EQUITY	12,250,638	4,215,555	2,925,625	302,410	227,677	802,276	487,252	-	2,654,335	77,923	23,943,691	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Group 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	(722,582)	(3,022,849)	(1,848,847)	319,376	521,363	(310,204)	856,854	5,157,907	(945,865)	(5,153)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	(722,582)	(3,022,849)	(1,848,847)	319,376	521,363	(310,204)	856,854	5,157,907	(945,865)	1,194,847	1,200,000	

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Bank 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	608,889	-	-	-	-	-	-	-	221,682	-	830,571	3.2%
Cash and placements with financial institutions	-	11,916	-	-	-	-	-	-	21	-	11,937	3.2%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	188,478	470,388	658,866	-
Financial assets at fair value through other comprehensive income	13,532	82,776	204,193	712,856	355,935	592,413	1,256,951	1,715,111	-	-	4,933,767	3.8%
Financial assets at amortised cost	-	273	441	-	-	-	-	102,596	-	-	103,310	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	24,853	24,853	-
Financing of customers:												
- non-impaired	10,147,771	825,748	431,461	69,027	96,119	219,542	968,977	2,437,430	73,276	-	15,269,351	6.0%
- impaired*	-	-	-	-	-	-	-	-	127,264	-	127,264	-
-12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(63,334)	-	(63,334)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,001,553	-	1,001,553	-
TOTAL ASSETS	10,770,192	920,713	636,095	781,883	452,054	811,955	2,225,928	4,255,137	1,548,940	495,241	22,898,138	
LIABILITIES AND EQUITY												
Deposits from customers	12,149,004	2,361,031	4,204,340	225,793	50,012	246	171	-	177,308	-	19,167,905	2.5%
Deposits and placements of banks and other financial institutions	-	35	402	1,424	1,611	1,225	2,050	-	-	-	6,747	3.7%
Bills and acceptances payable	-	-	-	-	-	-	-	-	15,678	-	15,678	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	48,162	48,162	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	470,867	-	-	235	-	471,102	5.0%
Subordinated sukuk	-	-	-	-	250,000	-	-	-	4,025	-	254,025	5.8%
Senior Sukuk	-	-	-	-	500,000	-	-	-	9,174	-	509,174	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	80,753	-	80,753	-
Total Liabilities	12,149,004	2,361,066	4,204,742	227,217	801,623	472,338	2,221	-	287,173	48,162	20,553,546	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,344,592	-	2,344,592	-
TOTAL LIABILITIES AND EQUITY	12,149,004	2,361,066	4,204,742	227,217	801,623	472,338	2,221	-	2,631,765	48,162	22,898,138	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Bank 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	(1,378,812)	(1,440,353)	(3,568,647)	554,666	(349,569)	339,617	2,223,707	4,255,137	(1,082,825)	447,079	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROFIT SENSITIVITY GAP	(1,378,812)	(1,440,353)	(3,568,647)	554,666	(349,569)	339,617	2,223,707	4,255,137	(1,082,825)	447,079	-	

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

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46. Financial risk management objectives and policies (cont'd.)
(b) Market risk (cont'd.)
Types of market risk (cont'd.)
(ii) Non-traded market risk (cont'd.)
Rate of return risk (cont'd.)

Bank 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	1,251,598	8,774	-	-	-	-	-	-	319,551	-	1,579,923	2.6%
Cash and placements with financial institutions	-	7,727	-	-	-	-	-	-	31	-	7,758	2.6%
Investment accounts due from designated financial institution	-	-	-	145	-	-	-	-	1	-	146	-
Financial investment designated at held for trading	-	-	-	-	-	-	-	-	-	-	-	-
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	161,274	-	161,274	-
Financial investments available-for-sale	26,148	91,360	659,693	412,545	654,723	350,149	1,065,366	2,932,220	124,555	-	6,316,759	3.9%
Financial investments held-to-maturity	-	-	-	-	-	-	-	143,730	-	-	143,730	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	72,770	72,770	-
Financing of customers:												
- non-impaired	10,250,310	1,084,845	417,085	209,096	94,317	141,923	278,740	2,081,957	37,594	-	14,595,867	6.0%
- impaired*	-	-	-	-	-	-	-	-	268,484	-	268,484	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(176,922)	-	(176,922)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	976,772	-	976,772	-
TOTAL ASSETS	11,528,056	1,192,706	1,076,778	621,786	749,040	492,072	1,344,106	5,157,907	1,711,340	72,770	23,946,561	
LIABILITIES AND EQUITY												
Deposits from customers	12,263,208	4,215,250	2,924,646	300,937	225,449	50,018	206	-	211,140	-	20,190,854	2.4%
Deposits and placements of banks and other financial institutions	230	305	979	1,475	2,228	2,257	1,380	-	-	-	8,854	3.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	9,618	-	9,618	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,923	77,923	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	-	485,665	-	186	-	485,851	4.7%
Subordinated sukuk	-	-	-	-	-	250,000	-	-	4,035	-	254,035	5.8%
Senior Sukuk	-	-	-	-	-	500,000	-	-	9,127	-	509,127	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	121,601	-	121,601	-
Total Liabilities	12,263,438	4,215,555	2,925,625	302,412	227,677	802,275	487,251	-	355,707	77,923	21,657,863	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,288,698	-	2,288,698	-
TOTAL LIABILITIES AND EQUITY	12,263,438	4,215,555	2,925,625	302,412	227,677	802,275	487,251	-	2,644,405	77,923	23,946,561	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Bank 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	(735,382)	(3,022,849)	(1,848,847)	319,374	521,363	(310,203)	856,855	5,157,907	(933,065)	(5,153)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	(735,382)	(3,022,849)	(1,848,847)	319,374	521,363	(310,203)	856,855	5,157,907	(933,065)	1,194,847	1,200,000	

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Effects of rate of return risk

- Earnings at Risk ("EAR")

The focus of analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Group and the Bank by undermining its capital adequacy and reducing market confidence.

- Economic Value of Equity ("EVE")

Economic value of an instrument represents an assessment of present value of its expected net cash flows, discounted to reflect market rates. Economic value of the Group and the Bank can be viewed as the present value of the Group's and the Bank's expected net cash flows, which can be defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance sheet position. The sensitivity of the Group's and the Bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and Management.

- Value at Risk ("VaR")

VaR approach is used to estimate the maximum potential loss of the investment portfolio over a specified time.

Rate of return risk measurement

- Gap analysis

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Rate of return risk measurement (cont'd.)

- Gap analysis (cont'd.)

A rate sensitive gap greater than one (>1) implies that the rate of return in sensitive assets is greater than the rate of return in sensitive liabilities. As rate of return rises, the income on assets will increase faster than the funding costs, resulting in higher spread income.

A rate sensitive gap less than one (<1) suggests a higher ratio of rate of return in sensitive liabilities than in sensitive assets. If rate of returns rises, funding costs will grow at a faster rate than the income on assets, resulting in a fall in spread income (net rate of return income).

- Simulation analysis

Detail assessments on the potential effects of changes in rate of return on the Group's and the Bank's earnings are carried out by simulating future path of rate of returns and also their impact on cash flows.

Simulation analysis will also be used to evaluate the impact of possible decisions on the following:

- Product pricing changes;
- New product introduction;
- Derivatives and hedging strategies; and
- Changes in the asset-liability mix.

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Sensitivity analysis for rate of return risk

The analysis measures the increase or decline in earnings and economic value for upward and downward rate shocks, which are consistent with shocks applied in the stress test for measuring:

		Group		Bank	
	Tax rate	-50 Basis Points	+50 Basis Points	-50 Basis Points	+50 Basis Points
	%	RM'000	RM'000	RM'000	RM'000
2019					
Effect on profit after tax	24%	(4,046)	4,046	(4,046)	4,046
Effect on other comprehensive income, net of tax	24%	79,816	(79,816)	78,392	(78,392)
Effect on equity		93,409	(93,409)	91,435	(91,435)
2018					
Effect on profit after tax	24%	(2,179)	2,179	(2,125)	2,125
Effect on other comprehensive income, net of tax	24%	109,102	(109,102)	107,682	(107,682)
Effect on equity		126,988	(126,988)	125,144	(125,144)

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk

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

Generally, the Group is exposed to three (3) types of foreign exchange risk, namely, translation risk, transactional risk and economic risk, which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Group controls its FX exposures by transacting in permissible currencies. It has an internal Foreign Exchange Net Open Position ("FX NOP") to measure, control and monitor its FX risk, and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

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

Group 2019	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	658,195	144,508	57	286	2,665	2,886	13,760	8,214	830,571
Cash and placements with financial institutions	11,937	-	-	-	-	-	-	-	11,937
Investment accounts due from designated financial institution	-	-	-	-	-	-	-	-	-
Financial investments designated at fair value through profit and loss	472,321	188,478	-	-	-	-	-	-	660,799
Financial assets at fair value through other comprehensive income	4,927,888	8,144	-	-	-	-	-	-	4,936,032
Financial assets at amortised cost	103,310	-	-	-	-	-	-	-	103,310
Islamic derivative financial assets	24,853	-	-	-	-	-	-	-	24,853
Financing of customers	15,327,960	2,482	-	-	453	-	-	-	15,330,895
Other assets	81,417	(85)	-	-	-	293	-	-	81,625
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	-	699,275
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Investment properties	45,303	-	-	-	-	-	-	-	45,303
Intangible assets	84,684	-	-	-	-	-	-	-	84,684
Property, plant and equipment	58,361	-	-	-	-	-	-	-	58,361
Prepaid land lease payments	223	-	-	-	-	-	-	-	223
Deferred tax assets	17,742	-	-	-	-	-	-	-	17,742
Total assets	22,513,469	343,527	57	286	3,118	3,179	13,760	8,214	22,885,610

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

Group 2018	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	1,097,041	430,170	(4)	357	514	5,452	38,780	7,613	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	-	7,758
Investment accounts due from designated financial institution	146	-	-	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	-	161,274
Financial investments available-for-sale	6,298,300	21,113	-	-	-	-	-	-	6,319,413
Financial investments held-to-maturity	143,730	-	-	-	-	-	-	-	143,730
Islamic derivative financial assets	72,770	-	-	-	-	-	-	-	72,770
Financing of customers	14,662,244	25,602	-	-	-	-	-	-	14,687,846
Other assets	91,978	-	-	-	-	-	-	-	91,978
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	-	674,500
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Investment properties	41,781	-	-	-	-	-	-	-	41,781
Intangible assets	94,069	-	-	-	-	-	-	-	94,069
Property, plant and equipment	52,669	-	-	-	-	-	-	-	52,669
Prepaid land lease payments	227	-	-	-	-	-	-	-	227
Deferred tax assets	15,607	-	-	-	-	-	-	-	15,607
Total assets	23,245,062	645,917	(4)	357	514	5,452	38,780	7,613	23,943,691

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

Group 2018 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	19,727,330	438,204	7	-	1,589	2,798	-	2,599	20,172,527
Deposits and placements of banks and other financial institutions	8,854	-	-	-	-	-	-	-	8,854
Bills and acceptances payable	9,612	1	-	-	-	-	-	5	9,618
Islamic derivative financial liabilities	77,923	-	-	-	-	-	-	-	77,923
Other liabilities	71,622	-	(10)	357	(1,075)	2,655	38,780	5,010	117,339
Provision for taxation and zakat	7,914	-	-	-	-	-	-	-	7,914
Recourse obligation on financing sold to Cagamas	485,851	-	-	-	-	-	-	-	485,851
Deferred tax liabilities	587	-	-	-	-	-	-	-	587
Subordinated sukuk	254,035	-	-	-	-	-	-	-	254,035
Senior sukuk	509,127	-	-	-	-	-	-	-	509,127
Total liabilities	21,152,855	438,205	(3)	357	514	5,453	38,780	7,614	21,643,775
On-balance sheet open position	2,092,207	207,712	(1)	-	-	(1)	-	(1)	2,299,916
Less: Islamic derivative financial assets	(72,770)	-	-	-	-	-	-	-	(72,770)
Add: Islamic derivative financial liabilities	77,923	-	-	-	-	-	-	-	77,923
Net open position	2,097,360	207,712	(1)	-	-	(1)	-	(1)	2,305,069

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

Bank 2019	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	658,195	144,508	57	286	2,665	2,886	13,760	8,214	830,571
Cash and placements with financial institutions	11,937	-	-	-	-	-	-	-	11,937
Investment accounts due from designated financial institution	-	-	-	-	-	-	-	-	-
Financial investments designated at fair value through profit and loss	470,388	188,478	-	-	-	-	-	-	658,866
Financial assets at fair value through other comprehensive income	4,925,623	8,144	-	-	-	-	-	-	4,933,767
Financial assets at amortised cost	103,310	-	-	-	-	-	-	-	103,310
Islamic derivative financial assets	24,853	-	-	-	-	-	-	-	24,853
Financing of customers	15,330,346	2,482	-	-	453	-	-	-	15,333,281
Other assets	83,323	(85)	-	-	-	293	-	-	83,531
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	-	699,275
Investment in subsidiaries	12,559	-	-	-	-	-	-	-	12,559
Investment properties	45,303	-	-	-	-	-	-	-	45,303
Intangible assets	84,560	-	-	-	-	-	-	-	84,560
Property, plant and equipment	58,360	-	-	-	-	-	-	-	58,360
Prepaid land lease payments	223	-	-	-	-	-	-	-	223
Deferred tax assets	17,742	-	-	-	-	-	-	-	17,742
Total assets	22,525,997	343,527	57	286	3,118	3,179	13,760	8,214	22,898,138

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

Bank 2019 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	18,559,639	597,380	55	-	5,010	2,181	-	3,640	19,167,905
Deposits and placements of banks and other financial institutions	6,747	-	-	-	-	-	-	-	6,747
Bills and acceptances payable	15,661	1	9	-	-	-	-	7	15,678
Islamic derivative financial liabilities	48,162	-	-	-	-	-	-	-	48,162
Other liabilities	83,046	(8,884)	-	-	66	(72)	-	-	74,156
Provision for taxation and zakat	6,577	20	-	-	-	-	-	-	6,597
Recourse obligation on financing sold to Cagamas	471,102	-	-	-	-	-	-	-	471,102
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Subordinated sukuk	254,025	-	-	-	-	-	-	-	254,025
Senior sukuk	509,174	-	-	-	-	-	-	-	509,174
Total liabilities	19,954,133	588,517	64	-	5,076	2,109	-	3,647	20,553,546
On-balance sheet open position	2,571,864	(244,990)	(7)	286	(1,958)	1,070	13,760	4,567	2,344,592
Less: Islamic derivative financial assets	(24,853)	-	-	-	-	-	-	-	(24,853)
Add: Islamic derivative financial liabilities	48,162	-	-	-	-	-	-	-	48,162
Net open position	2,595,173	(244,990)	(7)	286	(1,958)	1,070	13,760	4,567	2,367,901

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

Bank 2018	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	1,097,041	430,170	(4)	357	514	5,452	38,780	7,613	1,579,923
Cash and placements with financial institutions	-	7,758	-	-	-	-	-	-	7,758
Investment accounts due from designated financial institution	146	-	-	-	-	-	-	-	146
Financial investments designated at fair value through profit and loss	-	161,274	-	-	-	-	-	-	161,274
Financial investments available-for-sale	6,295,646	21,113	-	-	-	-	-	-	6,316,759
Financial investments held-to-maturity	143,730	-	-	-	-	-	-	-	143,730
Islamic derivative financial assets	72,770	-	-	-	-	-	-	-	72,770
Financing of customers	14,661,827	25,602	-	-	-	-	-	-	14,687,429
Other assets	89,543	-	-	-	-	-	-	-	89,543
Statutory deposits with Bank Negara Malaysia	674,500	-	-	-	-	-	-	-	674,500
Investment in subsidiaries	8,559	-	-	-	-	-	-	-	8,559
Investment properties	41,781	-	-	-	-	-	-	-	41,781
Intangible assets	93,894	-	-	-	-	-	-	-	93,894
Property, plant and equipment	52,661	-	-	-	-	-	-	-	52,661
Prepaid land lease payments	227	-	-	-	-	-	-	-	227
Deferred tax assets	15,607	-	-	-	-	-	-	-	15,607
Total assets	23,247,932	645,917	(4)	357	514	5,452	38,780	7,613	23,946,561

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

Bank 2018 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	19,745,657	438,204	7	-	1,589	2,798	-	2,599	20,190,854
Deposits and placements of banks and other financial institutions	8,854	-	-	-	-	-	-	-	8,854
Bills and acceptances payable	9,612	1	-	-	-	-	-	5	9,618
Islamic derivative financial liabilities	77,923	-	-	-	-	-	-	-	77,923
Other liabilities	69,895	-	(10)	357	(1,075)	2,655	38,780	5,010	115,612
Provision for taxation and zakat	5,989	-	-	-	-	-	-	-	5,989
Recourse obligation on financing sold to Cagamas	485,851	-	-	-	-	-	-	-	485,851
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Subordinated sukuk	254,035	-	-	-	-	-	-	-	254,035
Senior sukuk	509,127	-	-	-	-	-	-	-	509,127
Total liabilities	21,166,943	438,205	(3)	357	514	5,453	38,780	7,614	21,657,863
On-balance sheet open position	2,080,989	207,712	(1)	-	-	(1)	-	(1)	2,288,698
Less: Islamic derivative financial assets	(72,770)	-	-	-	-	-	-	-	(72,770)
Add: Islamic derivative financial liabilities	77,923	-	-	-	-	-	-	-	77,923
Net open position	2,086,142	207,712	(1)	-	-	(1)	-	(1)	2,293,851

Foreign currency risk

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

Group and Bank			
2019	2018		
RM'000	RM'000	RM'000	RM'000
1%	1%	1%	1%
appreciation	depreciation	appreciation	depreciation
2,273	(2,273)	(2,077)	2,077

Impact to profit after tax and reserves

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

Interpretation of impact

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

(c) Liquidity and funding risk

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

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

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

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

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

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

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

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

Group 2019	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	772,807	57,764	-	-	-	-	830,571
Cash and placements with financial institution	-	-	11,937	-	-	-	11,937
Financial investments designated at fair value through profit and loss	39,985	196,694	182,161	31,847	53,657	156,455	660,799
Financial assets at fair value through other comprehensive income	3,343	10,188	82,776	110,726	93,468	4,635,531	4,936,032
Financial assets at amortised cost	-	-	273	-	441	102,596	103,310
Islamic derivative financial assets	4,020	10,293	8,480	2,060	-	-	24,853
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	11,269,467	15,330,895
Other assets	-	1,922	-	-	79,102	906,189	987,213
Total assets	893,108	852,872	1,228,011	1,166,213	1,675,168	17,070,238	22,885,610
Liabilities							
Deposits from customers	7,563,601	4,626,866	2,385,657	1,931,167	2,323,382	313,445	19,144,118
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,310	6,747
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Islamic derivative financial liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Other liabilities	-	27,552	-	-	57,568	65	85,185
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	471,102	471,102
Subordinated sukuk	-	-	-	4,183	-	249,842	254,025
Senior sukuk	-	-	-	9,519	-	499,655	509,174
Total liabilities	7,565,902	4,664,210	2,409,045	1,947,278	2,382,915	1,564,841	20,534,191
Net maturity mismatch	(6,672,794)	(3,811,338)	(1,181,034)	(781,065)	(707,747)	15,505,397	2,351,419
Commitments and contingencies							
Contingent liabilities	12,249	55,909	15,210	29,644	130,694	468,156	711,862
Commitments	63,430	113,633	181,356	54,568	484,306	1,959,821	2,857,114
Islamic derivative financial instruments	833,563	1,015,362	798,705	1,397,864	375,000	1,275,000	5,695,494
Total commitments and contingencies	909,242	1,184,904	995,271	1,482,076	990,000	3,702,977	9,264,470

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

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

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

Group 2018	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	1,515,035	56,114	8,774	-	-	-	1,579,923
Cash and placements with financial institution	-	-	7,758	-	-	-	7,758
Investment accounts due from designated financial institution	-	-	-	-	-	146	146
Financial investments designated at fair value through profit and loss	-	-	-	-	-	161,274	161,274
Financial investments available-for-sale	-	18,934	91,360	60,521	601,802	5,546,796	6,319,413
Financial investments held-to-maturity	-	-	-	-	-	143,730	143,730
Islamic derivative financial assets	100	28,088	21,013	13,895	9,674	-	72,770
Financing of customers	223,985	1,283,979	1,437,751	722,867	792,454	10,226,810	14,687,846
Other assets	-	7,038	-	-	84,341	879,452	970,831
Total assets	1,739,120	1,394,153	1,566,656	797,283	1,488,271	16,958,208	23,943,691
Liabilities							
Deposits from customers	7,241,751	5,039,176	4,307,053	1,466,052	1,501,273	617,222	20,172,527
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,340	8,854
Bills and acceptances payable	-	9,618	-	-	-	-	9,618
Islamic derivative financial liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Other liabilities	-	61,151	-	-	64,102	587	125,840
Recourse obligation on financing sold to Cagamas Berhad	-	-	186	-	-	485,665	485,851
Subordinated sukuk	-	4,262	-	-	-	249,773	254,035
Senior sukuk	-	9,601	-	-	-	499,526	509,127
Total liabilities	7,241,869	5,152,851	4,328,379	1,480,274	1,575,879	1,864,523	21,643,775
Net maturity mismatch	(5,502,749)	(3,758,698)	(2,761,723)	(682,991)	(87,608)	15,093,685	2,299,916
Commitments and contingencies							
Contingent liabilities	2,833	21,551	13,487	22,604	123,450	420,917	604,842
Commitments	45,959	79,120	152,564	78,402	60,866	2,847,784	3,264,695
Islamic derivative financial instruments	127,470	483,609	422,090	365,143	559,080	949,999	2,907,391
Total commitments and contingencies	176,262	584,280	588,141	466,149	743,396	4,218,700	6,776,928

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

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

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

Bank 2019	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	772,807	57,764	-	-	-	-	830,571
Cash and placements with financial institution	-	-	11,937	-	-	-	11,937
Financial investments designated at fair value through profit and loss	39,985	196,694	182,161	31,847	53,657	154,522	658,866
Financial assets at fair value through other comprehensive income	3,343	10,188	82,776	110,726	93,468	4,633,266	4,933,767
Financial assets at amortised cost	-	-	273	-	441	102,596	103,310
Islamic derivative financial assets	4,020	10,293	8,480	2,060	-	-	24,853
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	11,271,853	15,333,281
Other assets	(27)	6,855	-	-	76,101	918,624	1,001,553
Total assets	893,081	857,805	1,228,011	1,166,213	1,672,167	17,080,861	22,898,138
Liabilities							
Deposits from customers	7,574,122	4,637,723	2,388,144	1,931,131	2,323,342	313,443	19,167,905
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,310	6,747
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Islamic derivative financial liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Other liabilities	-	23,779	-	-	56,974	-	80,753
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	471,102	471,102
Subordinated sukuk	-	-	-	4,183	-	249,842	254,025
Senior sukuk	-	-	-	9,519	-	499,655	509,174
Total liabilities	7,576,423	4,671,294	2,411,532	1,947,242	2,382,281	1,564,774	20,553,546
Net maturity mismatch	(6,683,342)	(3,813,489)	(1,183,521)	(781,029)	(710,114)	15,516,087	2,344,592
Commitments and contingencies							
Contingent liabilities	12,249	55,909	15,210	29,644	130,694	468,156	711,862
Commitments	63,430	113,633	181,356	54,568	484,306	1,959,821	2,857,114
Islamic derivative financial instruments	833,563	1,015,362	798,705	1,397,864	375,000	1,275,000	5,695,494
Total commitments and contingencies	909,242	1,184,904	995,271	1,482,076	990,000	3,702,977	9,264,470

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

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

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

Bank 2018	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	1,515,035	56,114	8,774	-	-	-	1,579,923
Cash and placements with financial institution	-	-	7,758	-	-	-	7,758
Investment accounts due from designated financial institution	-	-	-	-	-	146	146
Financial investments designated at fair value through profit and loss	-	-	-	-	-	161,274	161,274
Financial investments available-for-sale	-	18,725	91,360	60,521	599,357	5,546,796	6,316,759
Financial investments held-to-maturity	-	-	-	-	-	143,730	143,730
Islamic derivative financial assets	100	28,088	21,013	13,895	9,674	-	72,770
Financing of customers	223,985	1,283,979	1,437,751	722,867	792,454	10,226,393	14,687,429
Other assets	9	7,038	-	-	81,896	887,829	976,772
Total assets	1,739,129	1,393,944	1,566,656	797,283	1,483,381	16,966,168	23,946,561
Liabilities							
Deposits from customers	7,247,277	5,049,476	4,309,554	1,466,052	1,501,273	617,222	20,190,854
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,340	8,854
Bills and acceptances payable	-	9,618	-	-	-	-	9,618
Islamic derivative financial liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Other liabilities	-	59,984	-	-	61,617	-	121,601
Recourse obligation on financing sold to Cagamas Berhad	-	-	186	-	-	485,665	485,851
Subordinated sukuk	-	4,262	-	-	-	249,773	254,035
Senior sukuk	-	9,601	-	-	-	499,526	509,127
Total liabilities	7,247,395	5,161,984	4,330,880	1,480,274	1,573,394	1,863,936	21,657,863
Net maturity mismatch	(5,508,266)	(3,768,040)	(2,764,224)	(682,991)	(90,013)	15,102,232	2,288,698
Commitments and contingencies							
Contingent liabilities	2,833	21,551	13,487	22,604	123,450	420,917	604,842
Commitments	45,959	79,120	152,564	78,402	60,866	2,847,784	3,264,695
Islamic derivative financial instruments	127,470	483,609	422,090	365,143	559,080	949,999	2,907,391
Total commitments and contingencies	176,262	584,280	588,141	466,149	743,396	4,218,700	6,776,928

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

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

(ii) Behavioural maturity of deposits from customers

In practice, deposits from customers behave differently from their contractual terms and typically, short-term customer accounts and non-maturing savings and current deposits extend to a longer period than their contractual maturity. The Group's and the Bank's behavioural maturity for deposits from customers are as follows:

Group	Deposits from customers						Total RM'000
	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	
2019							
By contractual maturity	7,563,601	4,626,866	2,385,657	1,931,167	2,323,382	313,445	19,144,118
By behavioural maturity	2,250,953	1,638,380	1,272,610	662,915	556,931	12,762,329	19,144,118
Difference	<u>5,312,648</u>	<u>2,988,486</u>	<u>1,113,047</u>	<u>1,268,252</u>	<u>1,766,451</u>	<u>(12,448,884)</u>	<u>-</u>
2018							
By contractual maturity	7,241,751	5,039,176	4,307,053	1,466,052	1,501,273	617,222	20,172,527
By behavioural maturity	2,799,139	1,858,592	1,453,811	932,894	1,507,358	11,620,733	20,172,527
Difference	<u>4,442,612</u>	<u>3,180,584</u>	<u>2,853,242</u>	<u>533,158</u>	<u>(6,085)</u>	<u>(11,003,511)</u>	<u>-</u>
Bank							
2019							
By contractual maturity	7,574,122	4,637,723	2,388,144	1,931,131	2,323,342	313,443	19,167,905
By behavioural maturity	2,252,673	1,639,986	1,273,919	663,703	557,494	12,780,130	19,167,905
Difference	<u>5,321,449</u>	<u>2,997,737</u>	<u>1,114,225</u>	<u>1,267,428</u>	<u>1,765,848</u>	<u>(12,466,687)</u>	<u>-</u>
2018							
By contractual maturity	7,247,277	5,049,476	4,309,554	1,466,052	1,501,273	617,222	20,190,854
By behavioural maturity	2,800,654	1,859,745	1,455,004	933,814	1,508,848	11,632,789	20,190,854
Difference	<u>4,446,623</u>	<u>3,189,731</u>	<u>2,854,550</u>	<u>532,238</u>	<u>(7,575)</u>	<u>(11,015,567)</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 depicted in the following pages will not agree to the balances reported in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

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

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

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

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

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2019							
Non-derivative liabilities							
Deposits from customers	7,565,166	4,638,056	2,399,406	1,957,731	2,390,741	664,392	19,615,492
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,653	7,090
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Other liabilities	-	27,552	-	-	50,898	-	78,450
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	534,982	534,982
Subordinated sukuk	-	-	7,250	4,183	7,250	271,592	290,275
Senior sukuk	-	-	13,750	9,519	13,750	554,655	591,674
Derivative liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Total financial liabilities	7,567,467	4,675,400	2,443,794	1,973,842	2,464,604	2,056,696	21,181,803
2018							
Non-derivative liabilities							
Deposits from customers	7,241,751	5,039,176	4,307,053	1,466,052	1,501,273	657,727	20,213,032
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,722	9,236
Bills and acceptances payable	-	9,618	-	-	-	-	9,618
Other liabilities	-	61,151	-	-	64,102	587	125,840
Recourse obligation on financing sold to Cagamas Berhad	-	-	186	-	-	572,057	572,243
Subordinated sukuk	-	4,262	-	-	-	250,822	255,084
Senior sukuk	-	9,601	-	-	-	509,571	519,172
Derivative liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Total financial liabilities	7,241,869	5,152,851	4,328,379	1,480,274	1,575,879	2,002,896	21,782,148

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

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

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

Bank	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2019							
Non-derivative liabilities							
Deposits from customers	7,575,687	4,648,938	2,401,910	1,957,695	2,390,701	664,392	19,639,323
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,653	7,090
Bills and acceptances payable	-	-	15,678	-	-	-	15,678
Other liabilities	-	23,779	-	-	50,377	-	74,156
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	534,982	534,982
Subordinated sukuk	-	-	7,250	4,183	7,250	271,592	290,275
Senior sukuk	-	-	13,750	9,519	13,750	554,655	591,674
Derivative liabilities	2,301	9,792	7,675	2,393	1,579	24,422	48,162
Total financial liabilities	7,577,988	4,682,509	2,446,298	1,973,806	2,464,043	2,056,696	21,201,340

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

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

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

Bank	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2018							
Non-derivative liabilities							
Deposits from customers	7,247,277	5,049,476	4,309,554	1,466,052	1,501,273	657,727	20,231,359
Deposits and placements of banks and other financial institutions	69	161	305	735	244	7,722	9,236
Bills and acceptances payable	-	9,618	-	-	-	-	9,618
Other liabilities	-	59,984	-	-	61,617	-	121,601
Recourse obligation on financing sold to Cagamas Berhad	-	-	186	-	-	572,057	572,243
Subordinated sukuk	-	4,262	-	-	-	250,822	255,084
Senior sukuk	-	9,601	-	-	-	509,571	519,172
Derivative liabilities	49	28,882	20,835	13,487	10,260	4,410	77,923
Total financial liabilities	7,247,395	5,161,984	4,330,880	1,480,274	1,573,394	2,002,309	21,796,236

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

(d) Operational risk

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

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

47. Fair value measurements

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

Determination of fair value and the fair value hierarchy

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

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

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47. Fair value measurements (cont'd.)

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

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

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

Group	Quoted Market Price Level 1 RM'000	<u>Valuation technique using:</u>		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
2019				
Non-financial assets				
Investment properties	-	-	45,303	45,303
Financial assets				
Financial investments designated at fair value through profit or loss	1,933	346,541	312,325	660,799
Financial investments at FVOCI	104,272	4,823,035	8,725	4,936,032
Derivative financial assets	-	24,853	-	24,853
Total financial assets measured at fair value	106,205	5,194,429	321,050	5,621,684
Financial liabilities				
Derivative financial liabilities	-	48,162	-	48,162
Total financial liabilities measured at fair value	-	48,162	-	48,162

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47. Fair value measurements (cont'd.)

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

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

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	
2018				
Non-financial assets				
Investment properties	-	-	41,781	41,781
Financial assets				
Financial investments designated at fair value through profit or loss	-	-	161,274	161,274
Financial investments available-for-sale	118,670	6,192,018	8,725	6,319,413
Derivative financial assets	-	72,770	-	72,770
Total financial assets measured at fair value	118,670	6,264,788	169,999	6,553,457
Financial liabilities				
Derivative financial liabilities	-	77,923	-	77,923
Total financial liabilities measured at fair value	-	77,923	-	77,923
Bank				
2019				
Non-financial assets				
Investment properties	-	-	45,303	45,303
Financial assets				
Financial investments designated at fair value through profit or loss	-	346,541	312,325	658,866
Financial investments at FVOCI	102,007	4,823,035	8,725	4,933,767
Derivative financial assets	-	24,853	-	24,853
Total financial assets measured at fair value	102,007	5,194,429	321,050	5,617,486

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47. Fair value measurements (cont'd.)

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

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

Bank	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
2019				
Financial liabilities				
Derivative financial liabilities	-	48,162	-	48,162
Total financial liabilities measured at fair value	-	48,162	-	48,162
Bank				
2018				
Non-financial assets				
Investment properties	-	-	41,781	41,781
Financial assets				
Financial investments designated at fair value through profit or loss	-	-	161,274	161,274
Financial investments available-for-sale	116,016	6,192,018	8,725	6,316,759
Derivative financial assets	-	72,770	-	72,770
Total financial assets measured at fair value	116,016	6,264,788	169,999	6,550,803
Financial liabilities				
Derivative financial liabilities	-	77,923	-	77,923
Total financial liabilities measured at fair value	-	77,923	-	77,923

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47. Fair value measurements (cont'd.)

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

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

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At 1 April 2018	169,999	202,523	169,999	202,523
Gain/(loss) recognised in statements of profit or loss	35,688	(7,946)	35,688	(7,946)
Purchases	-	2,259	-	2,259
Sales	(17,588)	-	(17,588)	-
Reclassification	123,847	-	123,847	-
Foreign exchange translation difference	9,104	(26,837)	9,104	(26,837)
At 31 March 2019	321,050	169,999	321,050	169,999

Group and Bank

2019 **2018**
RM'000 **RM'000**

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

35,688 **(7,946)**

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47. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value

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

Group	Level 1	Level 2	Level 3	Total	Carrying
2019	RM'000	RM'000	RM'000	fair value	Amount
				RM'000	RM'000
Financial assets					
Financial investments at amortised cost	-	132,598	-	132,598	103,310
Financing of customers	-	9,097,526	3,941,698	13,039,224	15,330,895
Financial liabilities					
Deposits from customers	-	2,037,445	17,106,975	19,144,420	19,144,118
Deposits and placements of banks and other financial institutions	-	-	6,375	6,375	6,747
Bills and acceptances payable	-	-	15,678	15,678	15,678
Subordinated sukuk	-	255,935	-	255,935	254,025
Senior sukuk	-	515,009	-	515,009	509,174
2018					
Financial assets					
Financial investments held-to-maturity	-	159,357	-	159,357	143,730
Financing of customers	-	8,629,201	5,208,288	13,837,489	14,687,846

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47. Fair value measurements (cont'd.)

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

Group	Level 1	Level 2	Level 3	Total	Carrying
2018 (cont'd.)	RM'000	RM'000	RM'000	fair value	Amount
				RM'000	RM'000
Financial liabilities					
Deposits from customers	-	2,184,038	17,989,573	20,173,611	20,172,527
Deposits and placements of banks and other financial institutions	-	-	8,436	8,436	8,854
Bills and acceptances payable	-	-	9,618	9,618	9,618
Subordinated sukuk	-	254,795	-	254,795	254,035
Senior sukuk	-	513,812	-	513,812	509,127
<hr/>					
Bank	Level 1	Level 2	Level 3	Total	Carrying
2019	RM'000	RM'000	RM'000	fair value	Amount
				RM'000	RM'000
Financial assets					
Financial investments at amortised cost	-	132,598	-	132,598	103,310
Financing of customers	-	9,097,526	3,944,085	13,041,611	15,333,281
<hr/>					
Financial liabilities					
Deposits from customers	-	2,037,445	17,130,762	19,168,207	19,167,905
Deposits and placements of banks and other financial institutions	-	-	6,375	6,375	6,747
Bills and acceptances payable	-	-	15,678	15,678	15,678
Subordinated sukuk	-	255,935	-	255,935	254,025
Senior sukuk	-	515,009	-	515,009	509,174
<hr/>					
2018					
Financial assets					
Financial investments held-to-maturity	-	159,357	-	159,357	143,730
Financing of customers	-	8,629,201	5,207,871	13,837,072	14,687,429
<hr/>					

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47. Fair value measurements (cont'd.)

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

Bank				Total	Carrying
	Level 1	Level 2	Level 3	fair value	Amount
2018 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities					
Deposits from customers	-	2,183,078	18,008,859	20,191,937	20,190,854
Deposits and placements of banks and other financial institutions	-	-	8,436	8,436	8,854
Bills and acceptances payable	-	-	9,618	9,618	9,618
Subordinated sukuk		254,795	-	254,795	254,035
Senior sukuk	-	513,812	-	513,812	509,127

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two (2) parties under normal market conditions. However, for certain assets such as financing and deposits, the respective fair values are not readily available as there is no open market where these instruments are traded. The fair values for these instruments are estimated based on the assumptions depicted below. These methods are subjective in nature, therefore, the fair values presented may not be indicative of the actual realisable value.

Fair value information has been disclosed for the Group's and the Bank's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. The Group and the Bank do not intend to dispose off this investment in the foreseeable future.

Financing of customers

The fair values of financing of customers not designated as hedged item are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of individual assessment allowance for bad and doubtful financing.

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

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

Subordinated sukuk & Senior sukuk

The fair values of subordinated sukuk and senior sukuk are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for financing with similar risk profiles.

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48. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group and Bank	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount set off in the statement of financial position RM'000	Net amount presented in the statement of financial position RM'000	Amount not set off in the statement of financial position		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
2019						
Derivative assets	24,853	-	24,853	-	-	24,853
Derivative liabilities	48,162	-	48,162	-	-	48,162
2018						
Derivative assets	72,770	-	72,770	-	-	72,770
Derivative liabilities	77,923	-	77,923	-	-	77,923

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

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

- (i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set off only in the event of default, insolvency or bankruptcy; and
- (ii) cash or securities are received or cash pledged in respect of the transaction described above.

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49. Capital and other commitments

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

	Group	
	2019	2018
	RM'000	RM'000
Approved and contracted for	18,424	25,864
Approved but not contracted for	96,053	44,885
	114,477	70,749

	Bank	
	2019	2018
	RM'000	RM'000
Approved and contracted for	18,424	25,864
Approved but not contracted for	96,163	44,885
	114,587	70,749

50. Capital adequacy

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

	Group	
	2019	2018
	RM'000	RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	12,560,247	12,411,610
Total market RWA	31,021	38,159
Total operational RWA	1,190,113	1,161,497
Total RWA	13,781,381	13,611,266

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50. Capital adequacy (cont'd.)

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

	Group	
	2019	2018
	RM'000	RM'000
Computation of capital ratios		
<u>Tier-I capital</u>		
Share capital	1,195,000	1,195,000
Retained profits	1,094,765	1,132,781
Other Reserves		
Regulatory reserve	63,585	1,530
Unrealised losses on FVOCI financial instruments	(1,514)	-
Unrealised losses on available for-sale financial instruments	-	(27,616)
Foreign exchange translation reserve	(417)	(1,779)
Less: Regulatory Adjustment		
Deferred tax assets	(26,607)	(24,235)
Investment property gain	(7,460)	(5,880)
Regulatory reserve	(63,585)	(1,530)
Intangible asset (net of deferred tax liabilities)	(75,754)	(85,441)
Total Common Equity Tier-I Capital	<u>2,178,013</u>	<u>2,182,830</u>
Total Tier-I Capital	<u>2,178,013</u>	<u>2,182,830</u>
<u>Tier-II capital</u>		
Subordinated sukuk	254,025	254,035
Loss provision/loss provision and regulatory reserve*	126,918	62,809
Add: Investment property gain	3,357	2,646
Total Tier-II Capital	<u>384,300</u>	<u>319,490</u>
Total Capital Base	<u>2,562,313</u>	<u>2,502,320</u>
<u>Ratio (%)</u>		
CET 1 Capital	15.80%	16.04%
Tier 1 Capital	15.80%	16.04%
Total Capital	<u>18.59%</u>	<u>18.38%</u>

* Tier 2 Capital for 2018 comprise collective allowance on non-impaired financing customers and regulatory reserve.

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50. Capital adequacy (cont'd.)

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

	Bank	
	2019	2018
	RM'000	RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	12,560,708	12,404,662
Total market RWA	31,021	38,159
Total operational RWA	1,176,241	1,143,979
Total RWA	13,767,970	13,586,800
Computation of capital ratios		
<u>Tier-I capital</u>		
Share capital	1,195,000	1,195,000
Retained profits	1,087,937	1,123,420
Other Reserves		
Regulatory reserve	63,585	1,530
Unrealised losses on FVOCI financial instruments	(1,513)	-
Unrealised losses on available for-sale financial instruments	-	(29,473)
Foreign exchange translation reserve	(417)	(1,779)
Regulatory Adjustment		
Deferred tax assets	(26,607)	(24,235)
Investment property gain	(7,460)	(5,880)
Regulatory reserve	(63,585)	(1,530)
Investment in subsidiaries	(12,559)	(8,559)
Intangible asset (net of deferred tax liabilities)	(75,695)	(85,266)
Total Common Equity Tier- I Capital	2,158,686	2,163,228
Total Tier-I Capital	2,158,686	2,163,228
<u>Tier-II capital</u>		
Subordinated sukuk	254,025	254,035
Loss provision/loss provision and regulatory reserve*	126,918	62,809
Add: Investment property gain	3,357	2,646
Total Tier-II Capital	384,300	319,490
Total Capital Base	2,542,986	2,482,718

* Tier 2 Capital for 2018 comprise collective allowance on non-impaired financing customers and regulatory reserve.

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50. Capital adequacy (cont'd.)

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

	Bank	
	2019	2018
	RM'000	RM'000
Computation of capital ratios (cont'd.)		
<u>Ratio (%)</u>		
CET 1 Capital	15.68%	15.92%
Tier 1 Capital	15.68%	15.92%
Total Capital	18.47%	18.27%

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 4 August 2017 and 2 March 2017, respectively. The Group and the Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA, respectively, for the current period (2018: 4.5%, 6.0% and 8.0% of total RWA).

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

	Group			
	2019		2018	
	Total exposures after netting and credit risk mitigation	Total risk weighted assets	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000
			Restated	Restated
0%	7,029,256	-	7,610,997	-
20%	2,093,458	418,692	2,918,651	583,730
35%	2,932,351	1,026,323	3,136,586	1,097,805
50%	1,378,176	689,088	1,723,833	861,917
75%	2,954,416	2,215,812	1,711,429	1,283,572
100%	8,148,106	8,148,106	8,526,867	8,526,867
150%	41,484	62,226	38,480	57,719
Risk weighted assets for credit risk	24,577,247	12,560,247	25,666,843	12,411,610

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50. Capital adequacy (cont'd.)

- (b) Credit risk disclosure by risk weights of the Group as at 31 March, are as follows:
(cont'd.)

	Group			
	2019		2018	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000 Restated	Total risk weighted assets RM'000 Restated
Risk weighted assets for market risk		31,021		38,159
Risk weighted assets for operational risk		1,190,113		1,161,497
Total risk weighted assets		13,781,381		13,611,266

	Bank			
	2019		2018	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000 Restated	Total risk weighted assets RM'000 Restated
0%	7,029,256	-	7,610,997	-
20%	2,093,458	418,692	2,918,651	583,730
35%	2,932,351	1,026,323	3,136,586	1,097,805
50%	1,378,176	689,088	1,723,833	861,917
75%	2,954,416	2,215,812	1,711,429	1,283,572
100%	8,147,888	8,147,888	8,524,211	8,524,211
150%	41,936	62,905	35,618	53,427
Risk weighted assets for credit risk	24,577,481	12,560,708	25,661,325	12,404,662
Risk weighted assets for market risk		31,021		38,159
Risk weighted assets for operational risk		1,176,241		1,143,979
Total risk weighted assets		13,767,970		13,586,800

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50. Capital adequacy (cont'd.)

Capital management

The issuance of subordinated sukuk which qualifies for Tier 2 capital amounting to RM250 million (issued in June 2016), had ensured that the Group's and the Banks' RWCR remain competitive throughout the duration of the 5-year business plan.

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

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

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

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

51. Segment information

(a) Business segments

The Bank is organised into three (3) major business segments:

- (i) Business banking - this segment comprises the full range of products and services offered to business customers in the region, ranging from large corporates and the public sector and also commercial enterprises. The products and services offered include long-term financing such as project financing, short-term credit (e.g Muamalat Cashline and trade financing), and fee-based services (e.g cash management).
- (ii) Consumer banking - this segment comprises the full range of products and services offered to individual customers in Malaysia, including savings accounts, current accounts, fixed term accounts, remittance services, internet banking services, cash management services, consumer financing such as mortgage financing, personal financing, hire purchases financing, micro financing, wealth management and bancatakaful products.

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51. Segment information (cont'd.)

(a) Business segments (cont'd.)

- (iii) Treasury and investment banking - this segment comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market securities.

Investment banking focuses on business needs of mainly large corporate customers and financial institutions, which include corporate advisory services, bond issuances, Initial Public Offerings ("IPOs") and debt restructuring advisory services. It also explores investment opportunities via private equity investments for the Bank.

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

Group 2019	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	306,011	657,759	328,309	41,512	1,333,591
Total income	144,223	390,332	83,220	102,580	720,355
Writeback of/(allowance for) impairment on financing	17,680	(11,333)	8	-	6,355
Writeback of/(allowance for) impairment on investments	-	-	1,801	(1,000)	801
Allowance for impairment on other financial assets, net	-	-	(309)	(4,521)	(4,830)
Other expenses	-	-	-	(10,723)	(10,723)
Total net income	161,903	378,999	84,720	86,336	711,958
Total overhead expenses					(470,770)
Profit before zakat and taxation					241,188
Zakat					(6,255)
Taxation					(55,439)
Profit for the year					179,494

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51. Segment information (cont'd.)

(a) Business segments (cont'd.)

Group 2018	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	296,258	645,199	250,100	28,248	1,219,805
Total income	151,469	400,587	15,193	75,056	642,305
Writeback for impairment on financing	16,286	33,807	33	-	50,126
Writeback of impairment on investments	-	-	3,343	-	3,343
Other expenses	-	-	-	(7,739)	(7,739)
Total net income	167,755	434,394	18,569	67,317	688,035
Total overhead expenses					(457,487)
Profit before zakat and taxation					230,548
Zakat					(6,138)
Taxation					(42,785)
Profit for the year					181,625

Bank 2019	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	306,011	657,759	326,342	41,512	1,331,624
Total Income	144,223	390,332	80,805	102,580	717,940
Writeback for impairment on financing	17,680	(11,333)	4,930	-	11,277
Writeback of/(allowance for) impairment on financing	-	-	1,801	-	1,801
Allowance for impairment on other financial assets, net	-	-	(309)	(4,521)	(4,830)
Other expenses	-	-	-	(10,723)	(10,723)
Total net income	161,903	378,999	87,227	87,336	715,465
Total overhead expenses					(468,342)
Profit before zakat and taxation					247,123
Zakat					(6,195)
Taxation					(55,253)
Profit for the year					185,675

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51. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank 2018	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	296,258	645,199	240,133	28,248	1,209,838
Total Income	151,469	400,587	4,760	75,056	631,872
Writeback for impairment on financing	16,286	33,807	33	-	50,126
Writeback of impairment on investments	-	-	3,343	504	3,847
Other expenses	-	-	-	(7,739)	(7,739)
Total net income	167,755	434,394	8,136	67,821	678,106
Total overhead expenses					(454,620)
Profit before zakat and taxation					223,486
Zakat					(5,587)
Taxation					(39,236)
Profit for the year					178,663

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52. Shariah disclosures

(a) Shariah governance

Overview

The Group's and the Bank's shariah governance structure are governed by BNM's guidelines on Shariah Governance Framework for Islamic Financial Institutions ("IFIs"), and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

In this context, Shariah non-compliance risk defined as the risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee ("SC") of the Group and the Bank and relevant Shariah Authorities ("SA") committees.

This risk is managed through the Shariah Governance Framework ("the Framework"), which is endorsed by the SC and approved by the Board of Directors. The Framework is drawn up in accordance to the Shariah Governance Framework for Islamic Financial Institutions issued by BNM on 22 October 2010.

To ensure the operations and business activities of the Group and the Bank remain consistent with Shariah principles and its requirements, the Bank has established its own internal SC and internal Shariah organisation, which consists of the Shariah Department, Shariah Audit under the Internal Audit Department, Shariah Review and Compliance under the Compliance Department, and Shariah Risk under the Risk Management Department.

Rectification Process of Shariah Non-Compliance Income ("SNCI") and Unidentified Funds

Policy on Management of Shariah Non-Compliance Income was formulated pursuant to the BNM's Shariah Governance Framework for IFI, which defines the principles and practices to be applied by the Bank in managing its SNCI.

SNCI is an income generated from any transactions that breaches the governing Shariah principles and requirements as determined by the Group's and the Bank's SC and/or other Shariah Authorities ("SA").

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

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52. Shariah disclosures (cont'd.)

(a) Shariah governance (cont'd.)

(i) Shariah non-compliance income and events

2019	No. of event	RM
Monthly Nostro interest received	Nil	286
2018	No. of event	RM
Monthly Nostro interest received	Nil	573

Any reported SNCI will be utilised to fund charitable activities as guided by SC of the Bank.

(ii) Unidentified fund

During the Group's and the Bank's daily operations, there are certain funds received by the Group and the Bank where the source is not clear or uncertain. These funds are therefore not recognised as income and are retained in the Maslahah Ammah account. The utilisation of the funds follow the similar procedures set for the SNCI funds.

Example of unidentified funds are cash excess discovered at branch counter and ATMs, and unidentified credit balances.

	2019 RM'000	2018 RM'000
At 1 April 2018	92	80
Sources of charity funds		
Shariah non-compliance income during the year	55	80
Uses of charity funds		
Contribution to non-profit organisation	(146)	(68)
Undistributed charity funds as at 31 March 2019/2018	1	92

(b) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contract is dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.