



BANK MUAMALAT MALAYSIA BERHAD

Company No. 6175-W
(Incorporated in Malaysia)

**UNAUDITED CONDENSED
FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
31 DECEMBER 2013 (28 SAFAR 1435H)**

PUBLIC

Company No. 6175-W

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

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BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (28 SAFAR 1435H)

		Group		Bank	
	Note	As at 31.12.2013 RM'000	As at 31.03.2013 RM'000	As at 31.12.2013 RM'000	As at 31.03.2013 RM'000
ASSETS					
Cash and short-term funds		741,775	3,236,505	741,775	3,236,505
Cash and placements with financial institutions		47,499	105,189	47,499	105,189
Financial investments designated at fair value through profit or loss	4(a)	89,346	84,373	84,546	79,573
Financial investments available-for-sale	4(b)	6,196,339	6,466,991	6,196,339	6,466,991
Financial investments held-to-maturity	4(c)	575	575	575	575
Islamic derivative financial assets	5	17,215	4,488	17,215	4,488
Financing of customers	6	11,170,869	10,352,626	11,224,634	10,365,020
Other assets	7	225,963	90,024	174,643	80,493
Statutory deposits with Bank Negara Malaysia		636,721	612,721	636,721	612,721
Investment in subsidiaries		-	-	6,384	6,384
Investment in associate		-	580	-	1,000
Intangible assets		60,974	34,546	60,232	34,546
Property, plant and equipment		63,451	65,698	63,305	65,642
Prepaid land lease payment		243	247	243	247
Deferred tax assets	8	10,737	17,027	10,737	17,027
Total assets		19,261,707	21,071,590	19,264,848	21,076,401
LIABILITIES					
Deposits from customers	9	16,227,898	18,744,179	16,235,521	18,750,255
Deposits and placements of banks and other financial institutions	10	590,760	10,774	590,760	10,774
Bills and acceptances payable		204,620	132,750	204,620	132,750
Islamic derivative financial liabilities	5	1,786	8,905	1,786	8,905
Other liabilities	11	82,382	94,267	82,084	95,112
Provision for zakat and taxation	12	4,925	14,505	4,631	14,498
Recourse obligation on financing sold to Cagamas		59,554	61,679	59,554	61,679
Subordinated sukuk	13	400,962	406,055	400,962	406,055
Total liabilities		17,572,887	19,473,114	17,579,919	19,480,028
SHAREHOLDERS' EQUITY					
Share capital		1,195,000	1,000,000	1,195,000	1,000,000
Reserves		493,820	598,476	489,929	596,373
Total shareholders' equity		1,688,820	1,598,476	1,684,929	1,596,373
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		19,261,707	21,071,590	19,264,848	21,076,401
COMMITMENTS AND CONTINGENCIES					
	25	4,789,554	4,300,031	4,789,554	4,300,031
CAPITAL ADEQUACY *					
Core capital ratio	26	13.2%	14.7%	13.2%	14.6%
Risk-weighted capital ratio	26	17.1%	19.2%	17.1%	19.1%

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

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2013.

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2013 (28 SAFAR 1435H)

<u>Group</u>	<u>Note</u>	3 months ended		9 months ended	
		31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Income derived from investment of depositors' funds and others	15	222,379	232,332	682,825	690,113
Income derived from investment of shareholders' funds	16	40,195	18,998	77,637	54,437
Writeback of/(allowance for) impairment on financing of customers	17	24,791	(2,706)	10,875	11,972
Writeback of provision for commitments and contingencies		-	-	6,000	-
Impairment writeback/(loss) on investments	18	2,944	1,988	(3,878)	(4,791)
Share of loss of associate company		-	(144)	(580)	(165)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(2,314)	(155)	(9,153)	(4,825)
Total distributable income		287,994	250,313	763,726	746,741
Income attributable to depositors	19	(112,755)	(108,683)	(340,540)	(311,335)
Total net income		175,240	141,630	423,186	435,406
Personnel expenses	20	(51,035)	(43,782)	(154,436)	(145,154)
Other overheads and expenditures	21	(45,907)	(40,290)	(122,732)	(102,005)
Finance cost		(5,435)	(5,322)	(16,050)	(15,844)
Profit before zakat and taxation		72,862	52,237	129,968	172,403
Zakat	22	(1,802)	(1,589)	(4,356)	(4,572)
Taxation	23	(14,471)	(13,966)	(29,431)	(47,385)
Profit for the period		56,589	36,681	96,181	120,446
Earnings per share (sen):					
Basic		8.0	12.0		

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2013.

BANK MUAMALAT MALAYSIA BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2013 (28 SAFAR 1435H)

<u>Bank</u>	Note	3 months ended		9 months ended	
		31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Income derived from investment of depositors' funds and others	15	222,379	232,332	682,825	690,113
Income derived from investment of shareholders' funds	16	38,701	18,814	72,719	53,789
Writeback of/(allowance for) impairment on financing of customers	17	24,791	(2,706)	10,875	11,972
Writeback of provision for commitments and contingencies		-	-	6,000	-
Impairment writeback/(loss) on investments	18	2,944	1,988	(3,878)	(4,791)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(2,314)	(155)	(9,153)	(4,825)
Total distributable income		286,501	250,273	759,388	746,258
Income attributable to depositors	19	(112,793)	(108,725)	(340,661)	(311,462)
Total net income		173,708	141,548	418,727	434,796
Personnel expenses	20	(50,358)	(43,342)	(152,285)	(144,253)
Other overheads and expenditures	21	(46,091)	(40,426)	(123,231)	(103,164)
Finance cost		(5,183)	(5,183)	(15,507)	(15,483)
Profit before zakat and taxation		72,075	52,597	127,704	171,896
Zakat	22	(1,802)	(1,589)	(4,356)	(4,572)
Taxation	23	(14,268)	(13,959)	(28,955)	(47,345)
Profit for the period		56,005	37,049	94,393	119,979

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2013.

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 31 DECEMBER 2013 (28 SAFAR 1435H)

<u>Group</u>	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Profit for the period	56,589	36,681	96,181	120,446
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss				
Net unrealised gain on revaluation of financial investment available-for-sale	(29,975)	971	(7,194)	28,825
Income tax relating to components of other comprehensive income	7,399	(236)	1,400	(6,583)
Exchange fluctuation reserve	166	(22)	(43)	(662)
Other comprehensive (loss)/income for the period, net of tax	(22,410)	713	(5,837)	21,580
Total comprehensive income for the period	34,179	37,394	90,344	142,026

<u>Bank</u>	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Profit for the period	56,005	37,049	94,393	119,979
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss				
Net unrealised gain on revaluation of financial investment available-for-sale	(29,975)	971	(7,194)	28,825
Income tax relating to components of other comprehensive income	7,399	(236)	1,400	(6,583)
Exchange fluctuation reserve	166	(22)	(43)	(662)
Other comprehensive (loss)/income for the period, net of tax	(22,410)	713	(5,837)	21,580
Total comprehensive income for the period	33,596	37,762	88,555	141,559

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2013.

BANK MUAMALAT MALAYSIA BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2013 (28 SAFAR 1435H)

<u>Group</u>	<u>Note</u>	<u>Share Capital</u>	<u>Non-distributable</u>		<u>Distributable</u>	<u>Total Equity</u> <u>RM'000</u>
		<u>Ordinary shares</u> <u>RM'000</u>	<u>Statutory reserve*</u> <u>RM'000</u>	<u>Exchange fluctuation reserve</u> <u>RM'000</u>	<u>Available-for-sale reserve</u> <u>RM'000</u>	
At 1 April 2013		1,000,000	398,978	(610)	(25,940)	1,598,476
Profit for the period		-	-	-	96,181	96,181
Other comprehensive loss for the period		-	-	(43)	(5,794)	(5,837)
Total comprehensive income for the period		-	-	(43)	96,181	90,344
Transfer to statutory reserve		-	47,196	-	(47,196)	-
Dividend paid during the period	14	-	-	-	(195,000)	(195,000)
Issued during the period		195,000	-	-	-	195,000
At 31 December 2013		1,195,000	446,174	(653)	(31,734)	1,688,820
At 1 April 2012 as restated		1,000,000	315,385	83	(56,169)	1,400,546
Profit for the period		-	-	-	120,446	120,446
Other comprehensive income/(loss) for the period		-	-	(662)	22,242	21,580
Total comprehensive income for the period		-	-	(662)	120,446	142,026
Transfer to statutory reserve		-	59,989	-	(59,989)	-
At 31 December 2012		1,000,000	375,374	(579)	201,704	1,542,572

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

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2013.

BANK MUAMALAT MALAYSIA BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2013 (28 SAFAR 1435H)

	Note	Share Capital	Non-distributable			Distributable	Total Equity RM'000
		Ordinary shares RM'000	Statutory reserve* RM'000	Exchange fluctuation reserve RM'000	Available-for-sale reserve RM'000	Retained profits RM'000	
Bank							
At 1 April 2013		1,000,000	397,381	(610)	(25,940)	225,542	1,596,373
Profit for the period		-	-	-	-	94,393	94,393
Other comprehensive loss for the period		-	-	(43)	(5,794)	-	(5,837)
Total comprehensive income for the period		-	-	(43)	(5,794)	94,393	88,556
Transfer to statutory reserve		-	47,196	-	-	(47,196)	-
Dividend paid during the period	14	-	-	-	-	(195,000)	(195,000)
Issued during the period		195,000	-	-	-	-	195,000
At 31 December 2013		1,195,000	444,577	(653)	(31,734)	77,739	1,684,929
At 1 April 2012 as restated		1,000,000	313,788	83	(56,168)	141,948	1,399,651
Profit for the period		-	-	-	-	119,979	119,979
Other comprehensive income/(loss) for the period		-	-	(662)	22,242	-	21,580
Total comprehensive income for the period		-	-	(662)	22,242	119,979	141,559
Transfer to statutory reserve		-	59,989	-	-	(59,989)	-
At 31 December 2012		1,000,000	373,777	(579)	(33,926)	201,938	1,541,210

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

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2013.

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2013 (28 SAFAR 1435H)

	Group		Bank	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before zakat and taxation	129,968	172,403	127,704	171,896
Adjustment for				
Amortisation of prepaid land and lease payment	3	3	3	3
Amortisation of intangible asset	5,008	-	5,008	-
Depreciation of property, plant and equipment	12,194	15,987	12,172	15,985
(Gain)/loss on disposal of property, plant and equipment	(7,912)	55	(7,912)	55
Gain on disposal of foreclosed properties	(8,744)	-	(8,744)	-
Amortisation/(accretion) of premium less accretion of discount	1,299	(11)	1,299	(11)
Net gain from sale of financial held-to-maturity	-	(13,493)	-	(13,493)
Net gain from sale of financial investment available-for-sale	(9,074)	(8,307)	(9,074)	(8,307)
Net gain from sale of financial investment held-for-trading	(682)	(567)	(682)	(567)
Net gain from fair value through profit and loss	(6,545)	-	(6,545)	-
Net gain on revaluation of foreign exchange transaction	(17,400)	(13,373)	(17,400)	(13,373)
Net loss/(gain) from foreign exchange derivatives	2,095	(2,438)	2,095	(2,438)
Unrealised (gain)/loss on revaluation of islamic profit rate swap	(11,532)	811	(11,532)	811
Unrealised loss on revaluation of hedged assets	14,823	271	14,823	271
Impairment loss on investments	3,878	4,791	3,878	4,791
Writeback of provision for commitments and contingencies	(6,000)	-	(6,000)	-
Allowance for/(writeback of) impairment on financing	27,017	(2,214)	27,017	(2,214)
Financing written off	5,304	3,699	5,304	3,699
Share of loss of associates	580	165	-	-
Gain from disposal of investment in associate	(1,000)	-	-	-
Finance cost	16,050	15,844	15,507	15,483
Gross dividend income	(3,223)	(1,934)	(3,223)	(1,934)
Operating profit before working capital changes	146,107	171,692	143,698	170,657

Bank Muamalat Malaysia Berhad
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UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2013 (28 SAFAR 1435H)

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
(Increase)/decrease in operating assets:				
Financial investment portfolio	(6,567)	(11,524)	(6,567)	(11,524)
Islamic derivative financial assets	(14,822)	1,605	(14,822)	1,605
Financing of customers	(858,630)	(1,011,982)	(900,001)	(1,012,152)
Statutory deposits with Bank Negara Malaysia	(24,000)	(80,000)	(24,000)	(80,000)
Other assets	(100,604)	3,433	(58,887)	5,663
Increase/(decrease) in operating liabilities:				
Deposits from customers	(2,516,281)	(1,693,520)	(2,514,734)	(1,694,660)
Deposits and placements of banks and other financial institutions	579,987	(3,529)	579,987	(3,529)
Islamic derivative financial liabilities	4,412	(1,605)	4,412	(1,605)
Bills and acceptances payable	71,870	(78,262)	71,870	(78,262)
Other liabilities	(6,659)	(44,724)	(7,197)	(44,685)
Recourse obligation on financing sold to Cagamas	(2,125)	(2,494)	(2,125)	(2,494)
Cash used in operations	(2,727,309)	(2,750,910)	(2,728,364)	(2,750,986)
Zakat paid	(5,874)	(3,087)	(5,874)	(3,087)
Tax paid	(40,372)	(32,829)	(40,173)	(32,796)
Net cash used in operating activities	(2,773,558)	(2,786,826)	(2,774,413)	(2,786,869)
Cash flows from investing activities				
Proceeds from disposal of financial investment securities	6,090,878	4,764,006	6,090,878	4,764,006
Purchase of financial investment securities	(5,820,061)	(4,984,080)	(5,820,061)	(4,984,080)
Proceeds from disposal of property, plant and equipment	9,271	-	9,271	-
Purchase of property, plant and equipment	(11,306)	(27,327)	(11,194)	(27,286)
Purchase of intangible asset	(31,436)	-	(30,694)	-
Acquisition of investment in associates	-	(1,000)	-	(1,000)
Proceed from disposal of investment in associates	1,000	-	1,000	-
Dividend income	3,223	1,934	3,223	1,934
Net cash generated from/(used in) investing activities	241,569	(246,467)	242,423	(246,426)

Bank Muamalat Malaysia Berhad
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UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2013 (28 SAFAR 1435H)

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Cash flows from financing activities				
Dividend paid on subordinated sukuk	(20,431)	(20,487)	(20,431)	(20,487)
Dividend paid to shareholders	(195,000)	-	(195,000)	-
Proceed from shares issuance	195,000	-	195,000	-
Net cash used in financing activities	(20,431)	(20,487)	(20,431)	(20,487)
Net decrease in cash and cash equivalents	(2,552,420)	(3,053,781)	(2,552,420)	(3,053,782)
Cash and cash equivalents at beginning of the period	3,341,694	4,501,556	3,341,694	4,501,556
Cash and cash equivalents at end of the period	789,274	1,447,774	789,274	1,447,774
Cash and cash equivalents consist of:				
Cash and short term funds	741,775	1,421,781	741,775	1,421,781
Cash and placements with financial institutions	47,499	25,993	47,499	25,993
	789,274	1,447,774	789,274	1,447,774

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2013.

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2013 (28 SAFAR 1435H)

1. Basis of Preparation

The unaudited condensed financial statements for the nine months ended 31 December 2013 of Bank Muamalat Malaysia Berhad ("the Bank") and its subsidiaries (the "Group") have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 1965 in Malaysia.

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

The financial statements of the Group and of the Bank are prepared under the historical cost basis except for the following assets and liabilities that are stated at fair values: financial investment available-for sale, financial assets at fair value through profit or loss and islamic derivative financial instruments.

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

These condensed consolidated interim financial statements, for the period ended 31 December 2013 have been prepared in accordance with MFRS 134 Interim Financial Reporting. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board, Bank Negara Malaysia Guidelines (BNM/GP8-i) and the principles of Shariah.

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2013. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 March 2013.

The significant accounting policies and methods of computation applied by the Bank are consistent with those adopted in the most recent audited financial statements for the year ended 31 March 2013 except for adoption of the following MFRSs, amendments to MFRSs, Interpretations of the Issues Committee ("IC Interpretations") and Annual Improvements 2009-2011 Cycle with effective dates of 1 July 2012 and 1 January 2013:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards - Government Loans (Amendments to MFRS 1)*
- MFRS 3 *Business Combinations (IFRS Business Combinations issued by IASB March 2004)*
- MFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)*
- MFRS 10 *Consolidated Financial Statements*
- MFRS 11 *Joint Arrangements*
- MFRS 12 *Disclosure of Interests in Other Entities*
- MFRS 13 *Fair Value Measurement*
- MFRS 101 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)*
- MFRS 119 *Employee Benefits (IAS 19 as amended by IASB in June 2011)*
- MFRS 127 *Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2013)*
- MFRS 127 *Separate Financial Statements (IAS 27 as amended by IASB in May 2011)*
- MFRS 128 *Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)*
- IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

BANK MUAMALAT MALAYSIA BERHAD
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1. Basis of Preparation (cont'd.)

Annual Improvements 2009-2011 Cycle:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards - Repeated application of MFRS 1 and borrowing costs*
- MFRS 101 *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- MFRS 116 *Property, Plant and Equipment - Classification of servicing equipment*
- MFRS 132 *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- MFRS 134 *Interim Financial Reporting - Interim financial reporting and segment information for total assets*

The adoption of the above MFRSs, amendments to MFRSs, IC Interpretations and Annual Improvements 2009-2011 Cycle did not have any material impact on the financial statements of the Group and the Bank, except for the adoption of following MFRSs and amendments to MFRSs:

MFRS 101 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)*

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on financial investments available-for-sale) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans).

MFRS 10 *Consolidated Financial Statements ("MFRS 10")*

MFRS 10 replaces the requirements of MFRS 127 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements and IC Interpretation 112 Consolidation—Special Purpose Entities. Under MFRS10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group has applied MFRS 10 retrospectively in accordance with the transition provisions of MFRS 10.

Based on the preliminary assessment performed, the Group assessed that adoption of MFRS 10 did not result in any change in the consolidation status of its subsidiaries as at 31 December 2013.

MFRS 13 *Fair Value Measurement ("MFRS 13")*

MFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by MFRS. MFRS 13 also requires fair value disclosures for financial instruments to be included in the interim financial report.

The Group and the Bank have adopted the above standard and the fair value disclosures for financial instruments are included in Note 27.

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1. Basis of Preparation (cont'd.)

New Financial Reporting Guidelines issued by Bank Negara Malaysia ("BNM")

Pursuant to the Islamic Financial Services Act 2013 that came into force on 30 June 2013, BNM has issued a new Financial Reporting Guidelines which set out the financial reporting requirements for both banking institutions and insurers. A banking institution is required to comply with these new guidelines effective on 30 June 2013, while for insurer, its effective date is for financial years beginning on and after 30 June 2013.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2013 was not qualified.

3. Performance Review and Outlook

PERFORMANCE REVIEW

The Group posted an unaudited profit before zakat and taxation of RM130.0 million for the half year ended 31 December 2013, a decline of 24.6% from the previous corresponding period in 2012. The Group's lower financial result was mainly due to higher financing loss provision and higher overhead cost incurred during the period. In addition, the income attributable to depositors increased by RM29 million or 9.4% in line with increase in deposit base by RM823 million as compared with the previous corresponding period.

Total assets of the Group stood at RM19.2 billion, declined from RM21.1 billion registered in March 2013. The decline was partly contributed by a significant decrease in cash and short term funds by 76.4%, although net financing assets recorded a positive growth of 7.9% to RM11.2 billion from RM 10.4 billion as at 31 March 2013.

OUTLOOK

The global economic backdrop is turning more positive amidst concerns over China's vulnerable economic growth. Improvements evidenced by steady recovery in the US economy and rising economic condition in Europe and Japan will be the catalyst in supporting the global economic growth.

Meanwhile, Malaysian economy continued to grow at a moderate pace backed by growth in domestic economy and resilient expansion in private investment. Growth is expected to moderate further in 2014 due to numerous challenges including softer consumer spending in the wake of rising prices attributed by subsidies rationalization as well as tightened credit policies by financial institutions in supporting the responsible financing guidelines. We believe that the domestic economic growth will be supported by positive contribution from private investment driven by the project under the Economic Transformation Programme (ETP).

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

Looking ahead, the Group will further strengthen its efforts to increase its deposits based with current and savings account remain the priority. In enhancing the non-financing income contribution, the Group will also place greater initiatives focusing on the existing business opportunities, with Ar-Rahnu being among the initiative, besides wealth management and investment banking activities.

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3. Performance Review and Outlook (cont'd)

OUTLOOK (Cont'd)

In line with the government's aspirations to develop the Small and Medium Enterprises' sector, the Group has taken an initiative to introduce a special SME unit to cater to the needs of these SME entrepreneurs. Contributing more than 30% of Malaysia's GDP, the Group believes this segment will continue to be one of the major factors in driving the domestic economic growth.

The Group aspired to not only be the preferred Islamic financial institution but also to be the champion in ethical banking which balances between social, environmental and economic value.

4. Financial Investments

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
(a) Financial investments designated at fair value through profit or loss				
Unquoted securities in Malaysia:				
Private equity funds	89,346	84,373	84,546	79,573
(b) Available-for-sale				
At fair value, or at cost less impairment losses for certain financial investments:				
			Group and Bank	
			31 December	31 March
			2013	2013
			RM'000	RM'000
<u>At fair value</u>				
Government securities and treasury bills:				
Malaysian government investment certificates			3,895,950	3,383,061
Quoted securities in Malaysia:				
Quoted shares			140,698	44,182
Unquoted securities:				
Islamic private debt securities in Malaysia			2,088,518	2,942,983
Cagamas bonds			133,847	120,938
Foreign Islamic private debt securities and sukuk			28,028	62,460
			2,250,393	3,126,381
Accumulated impairment loss			(95,333)	(91,264)
			6,191,708	6,462,360
<u>At cost</u>				
Unquoted securities:				
Shares in Malaysia			4,631	4,631
Total available-for-sale securities			6,196,339	6,466,991

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4. Financial Investments (cont'd)

(c) Held-to-maturity

	Group and Bank	
	31 December	31 March
	2013	2013
	RM'000	RM'000
<u>At amortised cost</u>		
Unquoted Islamic private debt securities in Malaysia	575	575

(i) The reconciliation of movement of the unquoted held-to-maturity securities are as follows:

	Group and Bank	
	31 December	31 March
	2013	2013
	RM'000	RM'000
At beginning/end of period, as previously stated	575	28,522
Redeemed during the period	-	(27,947)
At beginning / end of period, restated	575	575

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5. Islamic Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, 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 period end and are indicative of neither the market risk nor the credit risk.

	Group and Bank					
	31 December 2013			31 March 2013		
	Contract/ notional amount RM'000	Fair value		Contract/ Notional Amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts						
- Currency forwards						
Less than one year	72,282	2,352	(297)	54,230	2,862	(24)
- Currency swaps						
Less than one year	136,271	596	(1,340)	213,422	1,500	(1,021)
- Currency spot						
Less than one year	80,249	51	(149)	127,472	126	(134)
	288,802	2,999	(1,786)	395,124	4,488	(1,179)
Hedging derivatives:						
Islamic profit rate swap (IPRS)						
More than one year	875,000	14,216	-	875,000	-	(7,726)
Total	1,163,802	17,215	(1,786)	1,270,124	4,488	(8,905)

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

	31 December 2013			31 March 2013		
	Contract/ notional amount RM'000	Fair value		Contract/ Notional Amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Islamic profit rate swap (IPRS)	800,000	12,310	-	575,000	-	(3,837)

Fair Value hedges

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

For the nine months period ended 31 December 2013, the Group and the Bank recognised a profit of RM11,531,829 (31 December 2012: loss of RM811,161) on the hedging instrument. The total net loss on the hedged item attributable to the hedged risk amounted to RM14,823,284 (31 December 2012: RM270,839).

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6. Financing of Customers

(a) By type

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Cash line	192,121	208,538	192,121	208,538
Term financing:				
Home financing	10,341,097	8,398,544	10,341,097	8,398,544
Syndicated financing	172,928	141,177	172,928	141,177
Hire purchase receivables	1,252,778	1,153,637	1,252,778	1,153,637
Leasing receivables	133,328	146,559	133,328	146,559
Other term financing	7,883,309	7,448,331	7,943,074	7,416,747
Trust receipts	69,935	107,256	69,935	107,256
Claims on customers under acceptance credits	638,554	742,214	638,554	742,214
Staff financing	128,317	120,362	128,317	120,362
Revolving credit	820,011	616,204	820,011	616,204
Sukuk	140,729	50,488	140,729	50,488
Ar-Rahnu	45,377	10,678	45,377	60,656
	21,818,484	19,143,988	21,878,249	19,162,382
Less : Unearned income	(10,366,784)	(8,520,066)	(10,366,784)	(8,520,066)
Gross financing	11,451,700	10,623,922	11,511,465	10,642,316
Less : Allowance for impaired financing				
Collective assessment	(217,914)	(242,843)	(217,914)	(242,843)
Individual assessment	(62,917)	(28,453)	(68,917)	(34,453)
Total net financing	11,170,869	10,352,626	11,224,634	10,365,020

(b) By contract

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil (deferred payment sale)	4,261,335	4,237,413	4,261,335	4,237,413
Ijarah (lease)	226,131	147,550	226,131	147,550
Ijarah Thumma Al-Bai (lease ended with purchase)	1,081,543	1,001,324	1,081,543	1,001,324
Inah (sale and buyback)	207,880	238,175	207,880	238,175
Tawarruq (commodity murabahah)	3,592,728	2,961,096	3,592,728	2,961,096
Bai' Al-Dayn (purchase of debt)	641,759	753,857	641,759	753,857
Murabahah (cost-plus)	1,123,434	922,188	1,123,434	922,188
Istisna' (sale order)	266,935	295,890	266,935	295,890
Qard (benevolent loan)	49,955	66,193	50,439	66,193
Shirkah Mutanaqisah (diminishing partnership)/ Musharakah (profit sharing)	-	236	59,281	18,630
	11,451,700	10,623,922	11,511,465	10,642,316

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6. Financing of Customers (cont'd.)

(c) By type of customer

	Group		Bank	
	31 December 2013 RM'000	31 March 2013 RM'000	31 December 2013 RM'000	31 March 2013 RM'000
Domestic non-banking institutions	601,695	438,890	601,695	438,890
Domestic business enterprises:				
-Small business enterprises	117,692	269,238	117,692	269,238
-Others	2,709,109	2,449,268	2,734,923	2,453,832
Government and statutory bodies	519,530	608,510	553,481	622,340
Individuals	7,490,180	6,841,465	7,490,180	6,841,465
Other domestic entities	1,827	2,885	1,827	2,885
Foreign entities	11,667	13,666	11,667	13,666
	11,451,700	10,623,922	11,511,465	10,642,316

(d) By profit rate sensitivity

	Group		Bank	
	31 December 2013 RM'000	31 March 2013 RM'000	31 December 2013 RM'000	31 March 2013 RM'000
Fixed rate:				
Home financing	548,006	999,855	548,006	999,855
Hire purchase receivables	1,084,680	1,003,454	1,084,680	1,003,454
Others	3,714,161	4,580,985	3,773,926	4,585,549
Variable rate:				
Home financing	2,757,373	1,810,632	2,757,373	1,810,632
Others	3,347,480	2,228,996	3,347,480	2,242,826
	11,451,700	10,623,922	11,511,465	10,642,316

(e) By residual contractual maturity

	Group		Bank	
	31 December 2013 RM'000	31 March 2013 RM'000	31 December 2013 RM'000	31 March 2013 RM'000
Maturity within one year	3,176,783	2,360,594	3,187,523	2,360,594
Maturity within one to five years	2,412,119	3,852,107	2,412,119	3,852,107
Maturity more than five years	5,862,798	4,411,221	5,911,823	4,429,615
	11,451,700	10,623,922	11,511,465	10,642,316

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6. Financing of Customers (cont'd.)

(f) By sector

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Agriculture	51,127	51,001	51,127	51,001
Mining & Quarrying	2,826	2,381	2,826	2,381
Manufacturing	666,596	707,878	666,596	712,442
Electricity, gas and water	119,103	134,743	119,103	134,743
Construction	412,295	488,928	412,295	494,928
Purchase of landed property:				
Residential	3,399,543	2,890,830	3,399,543	2,890,830
Non-residential	309,148	269,340	309,148	269,340
Real estate	302,586	129,267	302,586	129,267
Wholesale, retail and restaurant	432,319	475,284	443,059	475,284
Transport, storage and communication	233,587	336,166	233,587	336,166
Finance, takaful and business services	692,825	491,216	707,899	491,216
Purchase of securities	92	92	92	92
Purchase of transport vehicles	1,092,283	1,010,295	1,092,283	1,010,295
Consumption credit	3,002,547	2,909,624	3,002,547	2,909,624
Community, social and personal services	181,342	104,537	215,293	112,367
Government and statutory bodies	553,481	622,340	553,481	622,340
	11,451,700	10,623,922	11,511,465	10,642,316

(g) By geographical area

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Domestic	11,400,303	10,602,355	11,460,068	10,620,749
Labuan Offshore	51,397	21,567	51,397	21,567
	11,451,700	10,623,922	11,511,465	10,642,316

Included in financing of customers is a financing given to the government 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 amounts to RM500 million (31 March 2013: RM573.3 million). The cumulative change in fair value of the financing attributable to changes in profit rate risks amounts to a loss of RM9,855,700 (31 March 2013: profit of RM8,619,859) and the change in fair value of the hedging instruments for the current year is a loss of RM8,065,593 (31 December 2012: RM270,839). 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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6. Financing of Customers (cont'd.)

Impaired Financing

(a) Movements in the impaired financing

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
At beginning of period	265,368	446,344	271,368	452,344
Classified as impaired during the period	363,105	271,605	363,105	271,605
Reclassified as performing during the period	(163,011)	(143,533)	(163,011)	(143,533)
Recovered during the period	(146,007)	(155,741)	(146,007)	(155,741)
Written off during the period	(16,453)	(153,307)	(16,453)	(153,307)
At end of period	303,002	265,368	309,002	271,368
Ratio of gross impaired financing to total financing	2.6%	2.5%	2.7%	2.5%

(b) Movements in the allowance for impaired financing

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
<u>Collective assessment allowance</u>				
At beginning of period	242,843	268,297	242,843	268,297
Allowance made during the period	298,424	368,321	298,424	368,321
Amount written-back	(308,855)	(366,720)	(308,855)	(366,720)
Amount written-off	(14,498)	(27,055)	(14,498)	(27,055)
At end of period	217,914	242,843	217,914	242,843
As % of gross financing, less individual assessment allowance	1.9%	2.3%	1.9%	2.3%

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
<u>Individual assessment allowance</u>				
At beginning of period	28,453	161,904	34,453	167,904
Allowance made during the period	68,282	21,876	68,282	21,876
Amount recovered	(30,833)	(29,874)	(30,833)	(29,874)
Amount written-off	(2,985)	(125,453)	(2,985)	(125,453)
At end of period	62,917	28,453	68,917	34,453

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6. Financing of Customers (cont'd.)

Impaired Financing (cont'd.)

(c) Impaired financing by sector

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Agriculture	209	-	209	-
Manufacturing	52,451	10,220	52,451	10,220
Construction	87,619	63,083	87,619	63,083
Purchase of landed property:				
- Residential	68,676	84,590	68,676	84,590
- Non-residential	5,345	10,313	5,345	10,313
Wholesale, retail and restaurant	5,081	9,620	11,081	15,620
Transport, storage and communication	154	137	154	137
Finance, takaful and business services	15,693	31,020	15,693	31,020
Purchase of securities	15	18	15	18
Purchase of transport vehicles	32,893	29,306	32,893	29,306
Consumption credit	33,918	26,086	33,918	26,086
Community, social and personal service	948	975	948	975
	303,002	265,368	309,002	271,368

(d) Impaired financing by geographical area

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Domestic	295,959	243,801	301,959	249,801
Labuan Offshore	7,043	21,567	7,043	21,567
	303,002	265,368	309,002	271,368

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7. Other Assets

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Deposits	5,872	6,193	5,870	6,041
Prepayments	13,098	2,662	12,996	2,660
Tax prepayment	10,630	61	10,559	-
Amount due from subsidiaries	-	-	319	91
Foreclosed properties	7,244	14,000	7,244	14,000
Golf club membership	900	900	900	900
Clearing accounts	113,213	40,992	113,213	40,992
Other debtors	75,006	25,216	23,542	15,809
	225,963	90,024	174,643	80,493

8. Deferred Tax Assets

	Group and Bank	
	31 December	31 March
	2013	2013
	RM'000	RM'000
At beginning of the period	17,027	62,133
Recognised in the income statement	(7,690)	(35,859)
Recognised in the equity	1,400	(9,247)
At end of the period	10,737	17,027

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:

	Group and Bank	
	31 December	31 March
	2013	2013
	RM'000	RM'000
Deferred tax assets	15,520	23,608
Deferred tax liabilities	(4,783)	(6,581)
	10,737	17,027

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8. Deferred Tax Assets (cont'd.)

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

Deferred tax assets of the Group and the Bank:

	Allowance for impaired financing RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2012	39,436	12,314	18,546	70,296
Recognised in income statement	(39,436)	2,027	(32)	(37,441)
Recognised in equity	-	-	(9,247)	(9,247)
As at 31 March 2013	<u>-</u>	<u>14,341</u>	<u>9,267</u>	<u>23,608</u>
At 1 April 2013	-	14,341	9,267	23,608
Recognised in income statement	-	(9,613)	125	(9,488)
Recognised in equity	-	-	1,400	1,400
As at 31 December 2013	<u>-</u>	<u>4,728</u>	<u>10,792</u>	<u>15,520</u>

Deferred tax liabilities of the Group and the Bank:

	Property, plant and equipment RM'000	Total RM'000
At 1 April 2012	(8,163)	(8,163)
Recognised in income statement	1,582	1,582
As at 31 March 2013	<u>(6,581)</u>	<u>(6,581)</u>
At 1 April 2013	(6,581)	(6,581)
Recognised in income statement	1,798	1,798
As at 31 December 2013	<u>(4,783)</u>	<u>(4,783)</u>

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9. Deposits from Customers

(a) By type of deposits

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Non-Mudharabah Fund				
Demand deposits	2,302,716	2,576,108	2,305,039	2,576,587
Saving deposits	444,657	499,571	444,657	499,571
Negotiable Islamic debt certificate	1,273,588	856,478	1,273,588	856,478
Others	128,340	481,664	128,340	481,664
	4,149,301	4,413,821	4,151,624	4,414,300
Mudharabah Fund				
Demand deposits	847,478	325,814	847,478	325,814
Saving deposits	558,497	467,662	558,497	467,662
General investment deposits	9,903,308	12,299,161	9,908,608	12,304,758
Special general investment deposits	769,314	1,237,721	769,314	1,237,721
	12,078,597	14,330,358	12,083,897	14,335,955
	16,227,898	18,744,179	16,235,521	18,750,255

(b) By type of customer

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	3,890,419	3,102,500	3,890,419	3,102,500
Business enterprises	7,973,609	9,380,933	7,981,232	9,380,933
Individuals	1,347,948	1,318,928	1,347,948	1,318,928
Others	3,015,922	4,941,818	3,015,922	4,947,894
	16,227,898	18,744,179	16,235,521	18,750,255

The maturity structure of negotiable instruments debt certificate and mudharabah general and special investment deposits are as follows :

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Due within six months	10,684,536	11,706,967	10,689,836	11,712,564
More than six months to one year	1,257,203	2,671,003	1,257,203	2,671,003
More than one year	4,470	15,390	4,470	15,390
	11,946,210	14,393,360	11,951,510	14,398,957

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10. Deposit and Placements of Banks and Other Financial Institutions

	Group and Bank	
	31 December 2013 RM'000	31 March 2013 RM'000
Non Mudharabah		
Bank Negara Malaysia	9,381	10,774
Other financial institutions	581,379	-
	590,760	10,774

11. Other Liabilities

	Group		Bank	
	31 December 2013 RM'000	31 March 2013 RM'000	31 December 2013 RM'000	31 March 2013 RM'000
Sundry creditors	2,081	672	2,081	1,750
Provision for commitments and contingencies	7,412	25,428	7,412	25,428
Provision for bonus	11,739	32,102	11,504	31,937
Accrued expenses	14,361	15,560	14,308	15,505
Accrual for directors' fees	504	658	504	658
Accrual for audit fees	256	323	246	310
Others	46,029	19,525	46,029	19,525
	82,382	94,267	82,084	95,112

12. Provision for Zakat and Taxation

	Group		Bank	
	31 December 2013 RM'000	31 March 2013 RM'000	31 December 2013 RM'000	31 March 2013 RM'000
Zakat	4,631	6,149	4,631	6,149
Taxation	294	8,356	-	8,349
	4,925	14,505	4,631	14,498

13. Subordinated Sukuk

Subordinated sukuk as at 31 December 2013 relates to the Bank Tier-2 Capital Islamic Subordinated Sukuk of RM400 million issued on 15 June 2011. The sukuk carries a tenure of 10 years from the issue date on a 10 non-callable 5 basis feature with a profit rate of 5.15% per annum. Should the Bank decide not to exercise its option to redeem the sukuk, the sukuk holders will be entitled to a replacement of other capital instrument of the same or better quality and such replacement of capital shall be done prior to or concurrent with the redemption of the sukuk. The RM400 million sukuk qualifies as Tier-2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.

14. Dividend Paid

During the Annual General Meeting held on 12 July 2013, a final dividend in respect of the financial year ended 31 March 2013 of 26.0 sen per share, less taxation of 25% on 1,000,000,000 ordinary shares, amounting to RM195 million was approved by the shareholders.

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

The payment date for cash dividends and crediting of shares under the dividend reinvestment plan was completed on 25 July 2013.

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15. Income Derived from Investment of Depositors' Funds and Others

Group and Bank	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Income derived from investment of:				
(a) General investment deposits	117,395	146,003	448,477	442,538
(b) Other deposits	104,984	86,329	234,348	247,575
	222,379	232,332	682,825	690,113

(a) Income derived from investment of general investment deposits

	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Finance income and hibah				
Income from financing	81,676	99,895	306,888	295,855
Financial investment held-for-trading	-	8	11	8
Financial investments held-for-maturity	-	802	-	28
Financial investments available-for-sale	27,794	29,590	105,409	97,824
Money at call and deposit with financial institutions	4,182	8,080	21,740	25,222
	113,652	138,375	434,048	418,937
Amortisation of premium less accretion of discounts	(361)	674	(2,553)	(503)
Total finance income and hibah	113,292	139,049	431,495	418,434
Other operating income				
Net gain/(loss) from sale of:				
- financial investments held-for-trading	81	139	448	363
- financial investments available-for-sale	262	1,664	2,251	1,897
- financial investments held-to-maturity	-	(89)	-	8,652
- financing to customer	-	27	-	(1,965)
	343	1,741	2,699	8,947
Fees and commission				
Guarantee fees	478	351	1,614	1,704
Processing fees	1,201	1,389	4,559	2,279
Service charges and fees	1,294	1,409	4,903	4,487
Commission	788	2,064	3,207	6,687
	3,761	5,213	14,283	15,157
Total	117,395	146,003	448,477	442,538
Of which :				
Financing (loss)/income earned on impaired financing	213	265	(2,248)	1,579

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15. Income Derived from Investment of Depositors' Funds and Others (cont'd.)

(b) Income derived from investment of other deposits

	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Finance income and hibah				
Income from financing	72,364	58,957	160,362	165,513
Financial investment held-for-trading	1	5	6	5
Financial investments held-for-maturity	-	437	-	16
Financial investments available-for-sale	24,754	17,624	55,080	54,727
Money at call and deposit with financial institutions	4,499	4,788	11,360	14,109
	101,618	81,811	226,808	234,370
Amortisation of premium less accretion of discounts	(477)	359	(1,334)	(281)
Total finance income and hibah	101,141	82,170	225,474	234,089
Other operating income				
Net gain/(loss) from sale of:				
- financial investments held-for-trading	91	82	234	204
- financial investments available-for-sale	399	934	1,176	1,061
- financial investments held-to-maturity	-	88	-	4,841
- financing to customer	-	(16)	-	(1,099)
	490	1,088	1,410	5,007
Fees and commission				
Guarantee fees	400	217	844	953
Processing fees	1,070	791	2,382	1,275
Service charges and fees	1,152	836	2,562	2,510
Commission	731	1,227	1,676	3,741
	3,353	3,071	7,464	8,479
Total	104,984	86,329	234,348	247,575
Of which :				
Financing (loss)/income earned on impaired financing	(213)	169	(1,175)	883

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16. Income Derived from Investment of Shareholders' Funds

Group	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Finance income and hibah				
Financial investments available-for-sale	4,970	8,021	16,765	23,336
Money at call and deposit with financial institutions	784	187	2,193	592
	<u>5,754</u>	<u>8,208</u>	<u>18,958</u>	<u>23,928</u>
Amortisation of premium less accretion of discounts	713	606	2,588	795
Total finance income and hibah	<u>6,467</u>	<u>8,814</u>	<u>21,546</u>	<u>24,723</u>
Other operating income				
Net gain from foreign exchange transaction	6,318	4,895	17,400	13,373
Net gain/(loss) on revaluation from foreign exchange derivatives	362	2,644	(2,095)	2,438
Net gain from sale of financial investment available-for-sale	928	1,067	5,646	5,349
Net gain from sale of fair value through profit and loss securities	6,545	-	6,545	-
Gain from disposal of investment in associate	-	-	1,000	-
Gross dividend income from investment: -unquoted in Malaysia	-	-	3,223	1,934
Net dividend paid for Islamic profit rate swap	(899)	(267)	(2,664)	(785)
Unrealised gain/(loss) on revaluation of Islamic profit rate swap	9,074	1,442	11,532	(811)
Unrealised (loss)/gain on revaluation from hedged assets	(8,622)	(1,437)	(14,823)	(271)
	<u>13,706</u>	<u>8,344</u>	<u>25,764</u>	<u>21,227</u>
Fees and commission				
Processing fees	-	85	32	1,239
Corporate advisory fees	1,473	326	3,207	3,205
Service charges and fees	1,144	314	2,567	1,052
Commission	3,374	969	7,397	2,529
Others	14	14	41	55
	<u>6,005</u>	<u>1,708</u>	<u>13,244</u>	<u>8,080</u>
Other income				
Rental income	216	132	427	462
Gain/(loss) on sale of property, plant and equipment	5,057	-	7,912	(55)
Gain/(loss) on sale of foreclosed properties	8,744	-	8,744	-
	<u>14,017</u>	<u>132</u>	<u>17,083</u>	<u>407</u>
Total	<u>40,195</u>	<u>18,998</u>	<u>77,637</u>	<u>54,437</u>

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16. Income Derived from Investment of Shareholders' Funds (cont'd)

	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Bank				
Finance income and hibah				
Financial investments available-for-sale	4,970	8,021	16,765	23,336
Money at call and deposit with financial institutions	784	187	2,193	592
	<u>5,754</u>	<u>8,208</u>	<u>18,958</u>	<u>23,928</u>
Amortisation of premium less accretion of discounts	713	606	2,588	795
Total finance income and hibah	<u>6,467</u>	<u>8,814</u>	<u>21,546</u>	<u>24,723</u>
Other operating income				
Net gain from foreign exchange transaction	6,318	4,895	17,400	13,373
Net gain/ (loss) on revaluation from exchange derivatives	362	2,644	(2,095)	2,438
Net gain from sale of financial investment available-for-sale	928	1,067	5,646	5,349
Net gain from sale of fair value through profit and loss securities	6,545	-	6,545	-
Gross dividend income from investment: -unquoted in Malaysia	-	-	3,223	1,934
Net dividend paid for Islamic profit rate swap	(899)	(267)	(2,664)	(785)
Unrealised gain/(loss) on revaluation of Islamic profit rate swap	9,074	1,442	11,532	(811)
Unrealised (loss)/gain on revaluation from hedged assets	(8,622)	(1,437)	(14,823)	(271)
	<u>13,706</u>	<u>8,344</u>	<u>24,764</u>	<u>21,227</u>
Fees and commission				
Processing fees	-	85	32	1,239
Corporate advisory fees	1,010	325	1,456	3,223
Service charges and fees	112	131	400	386
Commission	3,374	969	7,397	2,529
Others	14	14	41	55
	<u>4,510</u>	<u>1,524</u>	<u>9,326</u>	<u>7,432</u>
Other income				
Rental income	216	132	427	462
Gain/(loss) on sale of property, plant and equipment	5,057	-	7,912	(55)
Gain/(loss) on sale of foreclosed properties	8,744	-	8,744	-
	<u>14,017</u>	<u>132</u>	<u>17,083</u>	<u>407</u>
Total	<u>38,701</u>	<u>18,814</u>	<u>72,719</u>	<u>53,789</u>

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17. (Writeback of)/Allowance for Impairment on Financing of Customers

Group	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
(a) Individual assessment allowance				
Made during the period	991	6,619	68,282	21,320
Written back during the period	(5,049)	(4,467)	(30,833)	(22,022)
	<u>(4,058)</u>	<u>2,152</u>	<u>37,449</u>	<u>(702)</u>
(b) Collective assessment allowance				
Made during the period	90,197	111,531	298,424	278,798
Written back during the period	(107,102)	(109,338)	(308,855)	(280,310)
	<u>(16,905)</u>	<u>2,193</u>	<u>(10,431)</u>	<u>(1,512)</u>
Bad debts on financing:				
Written off	221	3,216	5,304	3,699
Recovered	(4,049)	(4,855)	(43,197)	(13,457)
	<u>(3,828)</u>	<u>(1,639)</u>	<u>(37,893)</u>	<u>(9,758)</u>
	<u>(24,791)</u>	<u>2,706</u>	<u>(10,875)</u>	<u>(11,972)</u>
Bank	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
(a) Individual assessment allowance				
Made during the period	991	6,619	68,282	21,320
Written back during the period	(5,049)	(4,467)	(30,833)	(22,022)
	<u>(4,058)</u>	<u>2,152</u>	<u>37,449</u>	<u>(702)</u>
(b) Collective assessment allowance				
Made during the period	90,197	111,531	298,424	278,798
Written back during the period	(107,102)	(109,338)	(308,855)	(280,310)
	<u>(16,905)</u>	<u>2,193</u>	<u>(10,431)</u>	<u>(1,512)</u>
Bad debts on financing:				
Written off	221	3,216	5,304	3,699
Recovered	(4,049)	(4,855)	(43,197)	(13,457)
	<u>(3,828)</u>	<u>(1,639)</u>	<u>(37,893)</u>	<u>(9,758)</u>
	<u>(24,791)</u>	<u>2,706</u>	<u>(10,875)</u>	<u>(11,972)</u>

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18. Impairment (Writeback)/Loss on Investments

Group and Bank	3 months ended		9 months ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Impairment loss on corporate bonds included under available-for-sale financial investments	(2,944)	(1,988)	3,878	6,852
Impairment writeback on corporate bonds included under held-to-maturity financial investments	-	-	-	(2,061)
	(2,944)	(1,988)	3,878	4,791

19. Income Attributable to Depositors

Group	3 months ended		9 months ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
Mudharabah funds	96,841	88,656	298,408	244,372
Non-Mudharabah funds	14,581	18,350	38,509	61,579
Deposits and placements of banks and other financial institutions:				
Mudharabah funds	358	43	467	95
Non-Mudharabah funds	975	1,634	3,156	5,289
	112,755	108,683	340,540	311,335

Bank	3 months ended		9 months ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
Mudharabah funds	96,878	88,698	298,526	244,499
Non-Mudharabah funds	14,582	18,350	38,512	61,579
Deposits and placements of banks and other financial institutions:				
Mudharabah funds	358	43	467	95
Non-Mudharabah funds	975	1,634	3,156	5,289
	112,793	108,725	340,661	311,462

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20. Personnel expenses

Group	3 months ended		9 months ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	32,085	29,515	95,244	86,399
Contributions to defined contribution plan	6,032	5,791	18,014	16,868
Social security contributions	301	279	894	821
Allowances and bonuses	6,867	8,585	23,535	25,152
Mutual Separation Scheme	118	(5,000)	179	3,000
Medical expenses	3,391	2,835	9,677	8,050
Staff training expenses	1,727	791	4,173	2,544
Others	514	986	2,720	2,320
	51,035	43,782	154,436	145,154

Bank	3 months ended		9 months ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	31,640	29,208	93,935	85,818
Contributions to defined contribution plan	5,963	5,742	17,809	16,782
Social security contributions	301	279	894	821
Allowances and bonuses	6,747	8,510	23,051	24,935
Mutual Separation Scheme	118	(5,000)	179	3,000
Medical expenses	3,347	2,829	9,553	8,033
Staff training expenses	1,725	788	4,152	2,534
Others	517	986	2,712	2,330
	50,358	43,342	152,285	144,253

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21. Other overheads and expenditures

Group	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Promotion				
Advertisement and publicity	4,025	1,954	11,221	6,143
Others	8,295	6,470	16,962	10,473
Establishment				
Rental	2,146	2,227	6,384	6,183
Depreciation	4,083	3,955	12,194	13,878
Amortisation of intangible assets	1,723	1,060	5,008	2,109
Amortisation of prepaid land lease payment	1	1	3	3
Information technology expenses	8,151	8,372	23,811	25,578
Repair and maintenance	770	625	2,069	2,048
Hire of equipment	1,320	1,327	3,625	3,388
Takaful	1,291	1,527	4,161	3,785
Utilities expenses	1,260	1,227	3,804	3,859
Security expenses	2,799	1,888	5,895	4,689
Others	830	808	2,203	2,487
General expenses				
Auditors' fees	82	56	246	189
Professional fees	1,075	3,308	3,612	2,592
Legal expenses	1,151	468	2,522	1,143
Telephone	600	557	1,637	1,538
Stationery and printing	678	703	1,986	1,882
Postage and courier	427	471	1,220	1,238
Travelling	967	949	2,872	2,889
Directors remuneration and Shariah Committee allowance	880	857	2,886	2,615
Others	3,351	1,480	8,410	3,296
	45,907	40,290	122,732	102,005

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

	3 months ended		9 months ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Bank				
Promotion				
Advertisement and publicity	4,012	1,954	11,194	6,143
Others	8,286	6,469	16,929	10,471
Establishment				
Rental	2,146	2,227	6,384	6,183
Depreciation	4,075	3,953	12,172	13,876
Amortisation of intangible assets	1,723	1,060	5,008	2,109
Amortisation of prepaid land lease payment	1	1	3	3
Information technology expenses	8,151	8,372	23,811	25,578
Repair and maintenance	768	625	2,062	2,047
Hire of equipment	1,204	1,325	3,409	3,383
Takaful	1,291	1,527	4,161	3,785
Utilities expenses	1,253	1,223	3,782	3,846
Security expenses	2,799	1,888	5,895	4,689
Others	830	808	2,199	2,484
General expenses				
Auditors' fees	82	56	246	189
Professional fees	1,045	3,228	3,492	2,490
Legal expenses	1,151	468	2,522	1,143
Telephone	598	556	1,631	1,534
Stationery and printing	675	703	1,978	1,879
Postage and courier	427	471	1,220	1,238
Travelling	967	949	2,871	2,887
Directors remuneration and Shariah Committee allowance	880	855	2,881	2,610
Others	3,726	1,708	9,381	4,597
	46,091	40,426	123,231	103,164

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22. Zakat

Group and Bank	3 months ended		9 months ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Provision of zakat for the year	1,802	1,589	4,631	4,572
Over provision in prior year	-	-	(275)	-
	1,802	1,589	4,356	4,572

23. Taxation

Group	3 months ended		9 months ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current income tax	16,210	15,988	22,201	48,870
Over provision in prior year	(165)	(24)	(460)	(28,578)
	16,045	15,964	21,741	20,292
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,573)	(1,998)	7,689	(2,563)
Under provision in prior years	-	-	1	29,656
	(1,573)	(1,998)	7,690	27,093
	14,471	13,966	29,431	47,385

Bank	3 months ended		9 months ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current income tax	16,005	15,980	21,723	48,816
Over provision in prior year	(165)	(24)	(458)	(28,564)
	15,842	15,956	21,265	20,252
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,573)	(1,998)	7,689	(2,563)
Under provision in prior years	-	-	1	29,656
	(1,573)	(1,997)	7,690	27,093
	14,268	13,959	28,955	47,345

Income tax expense is recognised in each interim period based on the best estimate of the annual income tax rate expected for the full financial year. The effective tax rate for the current interim period was lower than the statutory tax rate principally due to certain expenses which are not deductible for tax purposes.

Domestic current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the period.

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24. Credit Exposures Arising from Credit Transactions with Connected Parties

	Group and Bank	
	31 December	31 March
	2013	2013
	RM'000	RM'000
Outstanding credit exposures with connected parties (RM'000)	1,289,871	1,218,329
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.2%	6.0%

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

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

25. Commitments and Contingencies

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

Risk weighted exposures of the Bank as at 31 December 2013 are as follows:

	Group and Bank		
	31 December 2013		
	Principal	Credit	Risk
	Amount	Equivalent	Weighted
	RM'000	Amount	Assets
		RM'000	RM'000
The commitments and contingencies constitute the following:			
Commitments and contingencies			
Direct credit substitutes	27,114	27,114	26,598
Trade-related contingencies	36,535	7,307	2,850
Transaction related contingencies	350,753	175,377	172,043
Obligations under an on-going underwriting agreement	7,500	3,750	750
Credit extension commitment:			
Maturity within one year	680,766	136,153	119,220
Maturity exceeding one year	2,488,867	1,244,433	446,752
Bills of collection	34,218	-	-
Islamic derivative financial instruments			
Foreign exchange related contracts	288,801	4,501	3,701
Profit rate related contracts	875,000	51,465	10,293
	4,789,554	1,650,100	782,207

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25. Commitments and Contingencies (cont'd.)

Group and Bank
31 March 2013

	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
The commitments and contingencies constitute the following:			
Commitments and contingencies			
Direct credit substitutes	16,362	16,362	8,362
Trade-related contingencies	73,372	14,674	4,904
Transaction related contingencies	501,061	250,531	191,325
Obligations under an on-going underwriting agreement	25,000	12,500	2,500
Credit extension commitment:			
Maturity within one year	450,046	90,009	76,294
Maturity exceeding one year	1,944,354	972,177	256,626
Bills of collection	19,712	-	-
Islamic derivative financial instruments			
Foreign exchange related contracts	395,124	6,670	4,341
Profit rate related contracts	875,000	37,250	7,450
	<u>4,300,031</u>	<u>1,400,173</u>	<u>551,802</u>

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26. Capital Adequacy

(a) The capital adequacy ratio of the Group/Bank is as follows:

	Group		Bank	
	31 December	31 March	31 December	31 March
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
Computation of Total Risk Weighted Assets ("RWA")				
Total credit RWA	10,800,241	9,687,613	10,799,657	9,680,838
Total market RWA	91,369	57,818	91,369	57,818
Total operational RWA	1,028,937	1,022,010	1,024,416	1,020,708
Total RWA	11,920,547	10,767,441	11,915,442	10,759,364
Computation of Capital Ratio				
<u>Tier-I capital</u>				
Paid-up ordinary share capital	1,195,000	1,000,000	1,195,000	1,000,000
Retained profits	31,048	226,048	30,542	225,542
<u>Other Reserves</u>				
Statutory reserve	398,978	398,978	397,381	397,381
Unrealised losses on available for-sale financial instruments	(31,734)	(25,940)	(31,734)	(25,940)
Foreign exchange translation reserve	(653)	(610)	(653)	(610)
Regulatory Adjustment				
Less: Deferred tax assets (net)	(17,027)	(17,027)	(17,027)	(17,027)
Less: Investment in subsidiaries	-	-	(6,384)	(6,384)
Total Common Equity Tier-I Capital	1,575,612	1,581,449	1,567,125	1,572,962
Total Tier-I Capital	1,575,612	1,581,449	1,567,125	1,572,962
<u>Tier-II capital</u>				
Subordinated sukuk	360,866	365,450	360,866	365,450
Collective assessment allowance	106,082	121,095	106,082	120,903
Total Tier-II Capital	466,948	486,545	466,948	486,353
Total Capital Base	2,042,560	2,067,994	2,034,073	2,059,315
Ratio (%)				
CET 1 Capital	13.2%	14.7%	13.2%	14.6%
Tier 1 Capital	13.2%	14.7%	13.2%	14.6%
Total Capital	17.1%	19.2%	17.1%	19.1%

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. The Group and Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I capital ratio and Tier I capital ratio are 3.5% and 4.5% respectively for year 2013. The minimum regulatory capital adequacy requirement remains at 8.0% (31 March 2013: 8.0%) for total capital ratio.

The current year's core capital ratios and risk-weighted capital ratios were computed using reported amounts which form part of the current year financial statements which have been prepared in accordance with MFRS.

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26. Capital Adequacy (cont'd.)

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

	Group			
	31 December 2013 RM'000		31 March 2013 RM'000	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	6,629,341	-	9,165,454	-
20%	2,260,887	452,177	2,260,167	452,033
35%	1,090,474	381,666	988,384	345,934
50%	579,636	289,818	747,640	373,820
75%	2,678,676	2,009,007	3,100,378	2,325,285
100%	7,431,899	7,431,899	6,084,959	6,084,959
150%	157,115	235,674	70,388	105,582
Risk weighted assets for credit risk	20,828,028	10,800,241	22,417,370	9,687,613
Risk weighted assets for market risk		91,369		57,818
Risk weighted assets for operational risk		1,028,937		1,022,010
Total risk weighted assets		11,920,547		10,767,441

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26. Capital Adequacy (cont'd.)

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

	Bank			
	31 December 2013 RM'000		31 March 2013 RM'000	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	6,629,341	-	9,165,454	-
20%	2,260,887	452,177	2,260,167	452,033
35%	1,090,474	381,666	988,384	345,934
50%	579,636	289,818	747,640	373,820
75%	2,678,676	2,009,007	3,100,379	2,325,283
100%	7,423,332	7,423,332	6,077,556	6,077,556
150%	162,438	243,657	70,808	106,212
Risk weighted assets for credit risk	20,824,784	10,799,657	22,410,388	9,680,838
Risk weighted assets for market risk		91,369		57,818
Risk weighted assets for operational risk		1,024,416		1,020,708
Total risk weighted assets		11,915,442		10,759,364

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27. Fair values of financial instruments**(a) Financial instruments measured at fair value****Determination of fair value and the fair value hierarchy**

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

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

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

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

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

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

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

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

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

Group	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
31 December 2013				
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	89,346	89,346
Financial investments available-for-sale	140,698	5,944,965	110,676	6,196,339
Derivative financial assets	-	17,215	-	17,215
Total financial assets measured at fair value	<u>140,698</u>	<u>5,962,180</u>	<u>200,022</u>	<u>6,302,900</u>
Financial liabilities				
Derivative financial liabilities	-	1,786	-	1,786
Total financial liabilities measured at fair value	<u>-</u>	<u>1,786</u>	<u>-</u>	<u>1,786</u>

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

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

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

Group (cont'd.)	<u>Valuation technique using</u>			Total RM'000
	Quoted	Observable	Unobservable	
	Market Price	Inputs	Inputs	
	Level 1	Level 2	Level 3	
31 March 2013	RM'000	RM'000	RM'000	
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	84,373	84,373
Financial investments available-for-sale	44,182	6,316,460	106,349	6,466,991
Derivative financial assets	-	4,488	-	4,488
Total financial assets measured at fair value	44,182	6,320,948	190,722	6,555,852

Financial liabilities

Derivative financial liabilities	-	8,905	-	8,905
Total financial liabilities measured at fair value	-	8,905	-	8,905

Bank	Valuation technique using			Total
	Quoted	Observable	Unobservable	
	Market Price	Inputs	Inputs	
	Level 1	Level 2	Level 3	
31 December 2013	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	84,546	84,546
Financial investments available-for-sale	140,698	5,944,965	110,676	6,196,339
Derivative financial assets	-	17,215	-	17,215
Total financial assets measured at fair value	140,698	5,962,180	195,222	6,298,100

Financial liabilities

Derivative financial liabilities	-	1,786	-	1,786
Total financial liabilities measured at fair value	-	1,786	-	1,786

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

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

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

Bank (cont'd.)	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
31 March 2013				
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	79,573	79,573
Financial investments available-for-sale	44,182	6,316,460	106,349	6,466,991
Derivative financial assets	-	4,488	-	4,488
Total financial assets measured at fair value	44,182	6,320,948	185,922	6,551,052
Financial liabilities				
Derivative financial liabilities	-	8,905	-	8,905
Total financial liabilities measured at fair value	-	8,905	-	8,905

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

	Group		Bank	
	31 December 2013 RM'000	31 March 2013 RM'000	31 December 2013 RM'000	31 March 2013 RM'000
At beginning of the year	190,722	66,994	185,922	62,194
Gains/(losses) recognised in income statement	6,545	4,397	6,545	4,397
Gains recognised in other comprehensive income	4,494	712	4,494	712
Purchases	25,851	33,601	25,851	33,601
Sales	(24,809)	(4,597)	(24,809)	(4,597)
Issues	-	-	-	-
Settlements	-	(13,067)	-	(13,067)
Foreign exchange translation difference	7,519	-	7,519	-
Transfer from Level 2 to Level 3	-	102,682	-	102,682
At end of the year	210,322	190,722	205,522	185,922

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

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

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

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

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

	Group	
	31 December	31 March
	2013	2013
	RM'000	RM'000
Total gains/(losses) recognised in income statement for financial instruments measured at fair value at the end of the financial year	<u>6,545</u>	<u>4,397</u>
Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of the financial year	<u>4,494</u>	<u>-</u>
	Bank	
	31 December	31 March
	2013	2012
	RM'000	RM'000
Total gains/(losses) recognised in income statement for financial instruments measured at fair value at the end of the financial year	<u>6,545</u>	<u>4,397</u>
Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of the financial year	<u>4,494</u>	<u>-</u>

28. Comparatives

Certain comparative figures have been reclassified to confirm to current year's presentation.