بنك معاملات
Bank Muamalat

ANNUAL REPORT 2016

REACHING YOU

At Bank Muamalat, we are committed to, and responsible for, the PEOPLE closest to us; OUR CUSTOMERS, OUR EMPLOYEES and OUR COMMUNITY.

We value our CUSTOMERS and strive to meet the financial needs by delivering timely and exemplary services in the most ethical and professional manner.

Our EMPLOYEES are our biggest asset. We value each employee's unique contribution to the growth of the bank. We are determined to create a rewarding and healthy working environment in support of both their professional as well as personal lives.

We believe in giving back to the COMMUNITY. We take our social responsibility seriously and committed to enhance the living standards of those around us through programmes and engagements that goes beyond our profit orientation.

This year's cover reflects our principal goal and ongoing commitment to unlock opportunities for the mutual of all our stakeholders and the ummah at large whilst continuing our journey to be the preferred Islamic financial services provider.

Allah SWT said,:

"O you who have believed, do not prohibit the good things which Allah has made lawful to you and do not transgress. Indeed, Allah does not like transgressors (87). And eat of what Allah has provided for you [which is] lawful and good. And fear Allah, in whom you are believers (88)."

(Al-Ma'idah, verse 87-88)

CONTENT

Highlights and Overview

04 10 Years Financial Highlights
05 Corporate Information
06 Asset Performance
09 Connected Party
10 Media Highlights

Leadership

14 Board of Directors
16 Profile of Board of Directors
26 Shariah Committee
27 Profile of Shariah Committee
30 Terms of Reference
32 Statement from the Chairman of Shariah Committee
34 Senior Management
36 Profile of Senior Management

Insights

46 Chairman's Statement
50 From The CEO's Blog
56 Business Division
64 Operations Division
70 Credit Management Division
72 Corporate Services Division
74 Finance Division
76 Human Capital Division
78 Muamalat Invest Sdn. Bhd. (MISB)
79 Muamalat Venture Sdn. Bhd. (MVSB)
80 Musharakah Property Investment Department (MPID)
81 Tabung Mawaddah
82 Wakaf Selangor Muamalat
84 Corporate Responsibility
88 Calendar of Events

Accountability

92 Statement on Corporate Governance
100 Statement on Internal Controls
102 Statement on Risk Management
110 Statement on Compliance
112 Code of Conduct & Ethical Principles

The Financial

113 Financial Statements
303 Basel II – Pillar 3 Disclosures

Others

380 Branch Network

To Become the Preferred Islamic Financial Service Provider

VISION & MISSION

To Deliver Best Value to the Stakeholders

VALUE

- Care
- Respect
- Integrity
- Innovative
- Service Oriented

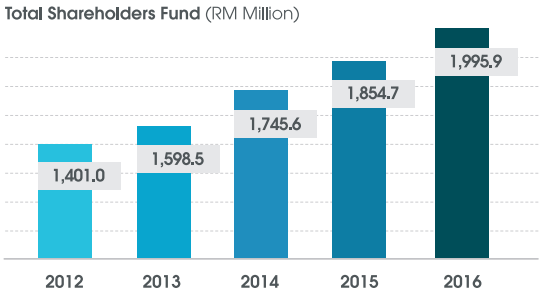
Bank Muamalat's logo and identity are essentially formed by a dynamic line in a continuous motion. The principal objective of efficiency and dynamism are reflected by this single line. The single line signifies an efficient, clear and focused vision. This reflects the strong relationship between Bank Muamalat and its customers.

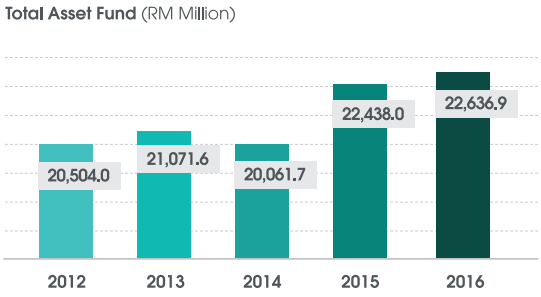
The dome is a basic design element of Islamic architecture. It is used to signify the place for prayers and shelter. This represents the products and services that **Bank Muamalat** can offer to its customers. The five domes are representative of the five tenets of Islam and the five times Muslims are called to pray. The five points are also used in relation to the five principles of the Rukun Negara, giving a truly Malaysian objective to its existence. The linkage of the five domes with a single line signifies networking of **Bank Muamalat** and the relationship between **Bank Muamalat**, customers and its external environment. This networking and togetherness translate the very meaning of Muamalat itself, which is "relationship between mankind".

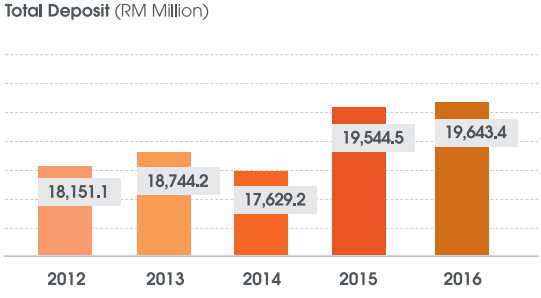
An hour glass embedded in the centre within the logo design stands for the time which is the essence of a bank. Investments grow over time. Two colours are used within the logo. Sultan blue, a royal colour is used to provide a feeling of strength and confidence. Orange is a warm and exciting colour. It gives light and signifies growth. The orange is used to signify the warmth of **Bank Muamalat** which is in continuous growth, never static but always dynamic.

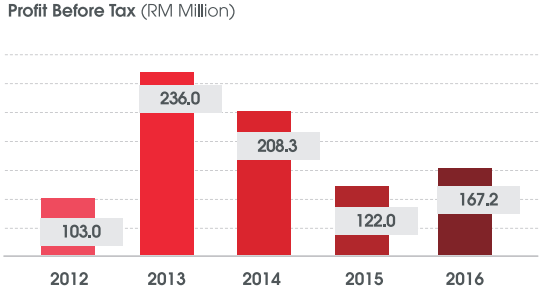
10 Years **Financial Highlights**
(2006-2016) – GROUP

	2006	2007	2008	Jan 2009 - Mar 2010	2011 Restated	2012 Restated	2013	2014	2015	2016
Total Shareholders Fund (RM'000)	713,126	737,331	702,236	1,319,131	1,348,286	1,401,004	1,598,476	1,745,576	1,854,694	1,995,937
Profit/(Loss) Before Tax (RM'000)	103,409	64,238	44,068	142,061	186,785	103,006	235,963	208,284	121,966	167,233
Profit/(Loss) After Tax (RM'000)	72,520	48,138	31,951	98,834	120,433	69,244	167,936	151,564	89,280	131, 909
Total Assets (RM'000)	13,450,636	13,808,090	14,398,645	16,733,420	18,659,940	20,504,037	21,071,590	20,061,690	22,438,036	22,636,889
Total Deposits (RM'000)	12,178,691	12,172,868	12,447,970	14,920,856	16,216,173	18,151,087	18,744,179	17,629,228	19,544,549	19,643,428
Total Financing (RM'000)	5,373,343	5,870,585	6,427,747	7,037,126	7,495,007	9,064,271	10,352,626	11,899,691	13,414,670	14,512,877
No of Branches	43	48	48	49	51	58	59	59	59	61
No of Service Centres/Kiosk	6	3	5	6	4	2	7	7	7	1
No of Offshore Branches/Labuan	1	1	1	1	1	1	1	1	1	1
No of Staff	1,380	1,454	1,419	1,584	1,763	1,929	2,099	2,135	1,987	1,703
Return on Asset (%) - Pretax	0.87	0.47	0.31	0.73	1.06	0.53	1.14	1.01	0.57	0.74
Return on Equity (%) - Pretax	16.72	8.86	6.12	11.24	15.24	7.49	15.73	12.46	6.78	8.69









Corporate Information

BOARD OF DIRECTORS

Chairman

Tan Sri Dato' Dr. Mohd Munir Abdul Majid

Members

Dato' Sri' Che Khalib Mohamad Noh
Dato' Ahmad Fuaad Mohd Kenali
(appointed w.e.f. 29 July 2015)
Dato' Haji Mohd Redza Shah Abdul Wahid
Dato' Haji Mohd Izani Ghani
Haji Abdul Jabbar Abdul Majid
Tengku Dato' Seri Hasmuddin Tengku Othman
Dato' Azmi Abdullah
Dato' Haji Kamil Khalid Ariff
Dr. Azura Othman
(appointed w.e.f. 24 April 2015)

COMPANY SECRETARY

Nora Shikhen Ramli (LS 01587)

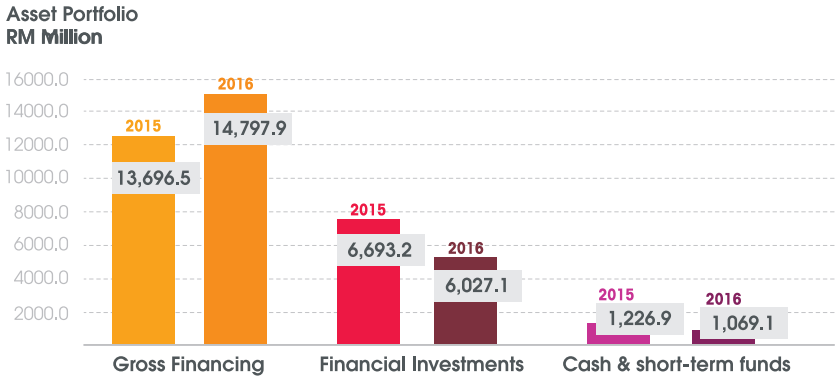
REGISTERED OFFICE

20th Floor, Menara Bumiputra
Jalan Melaka
50100 Kuala Lumpur
Tel: 603-2615 7069
Fax: 603-2693 3367

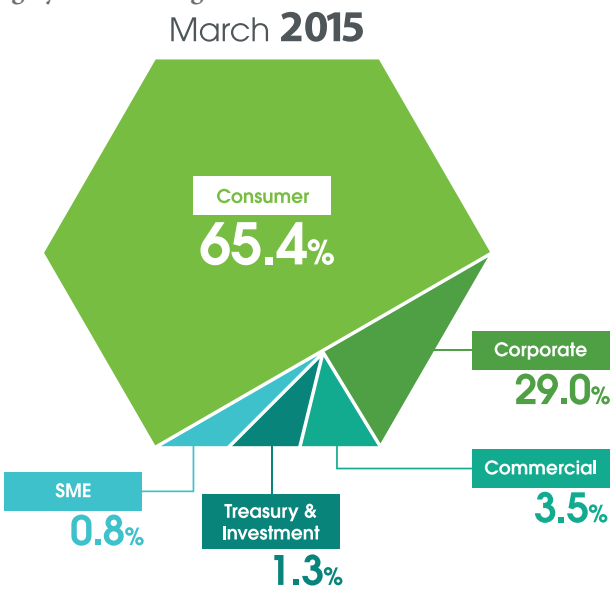
AUDITORS

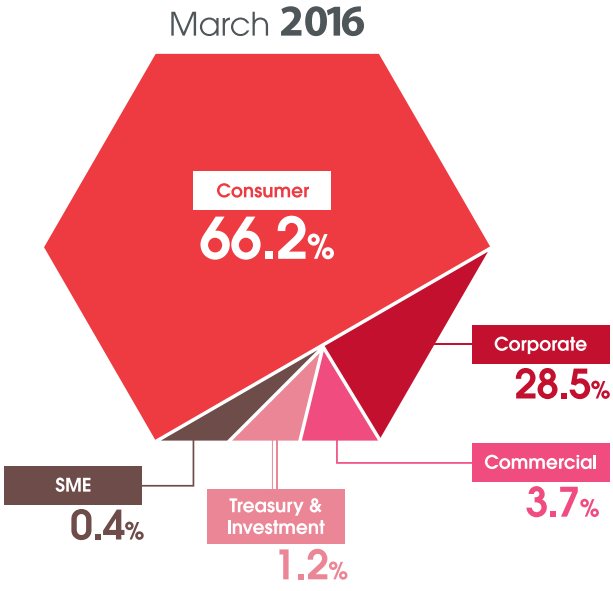
Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

Asset
Performance

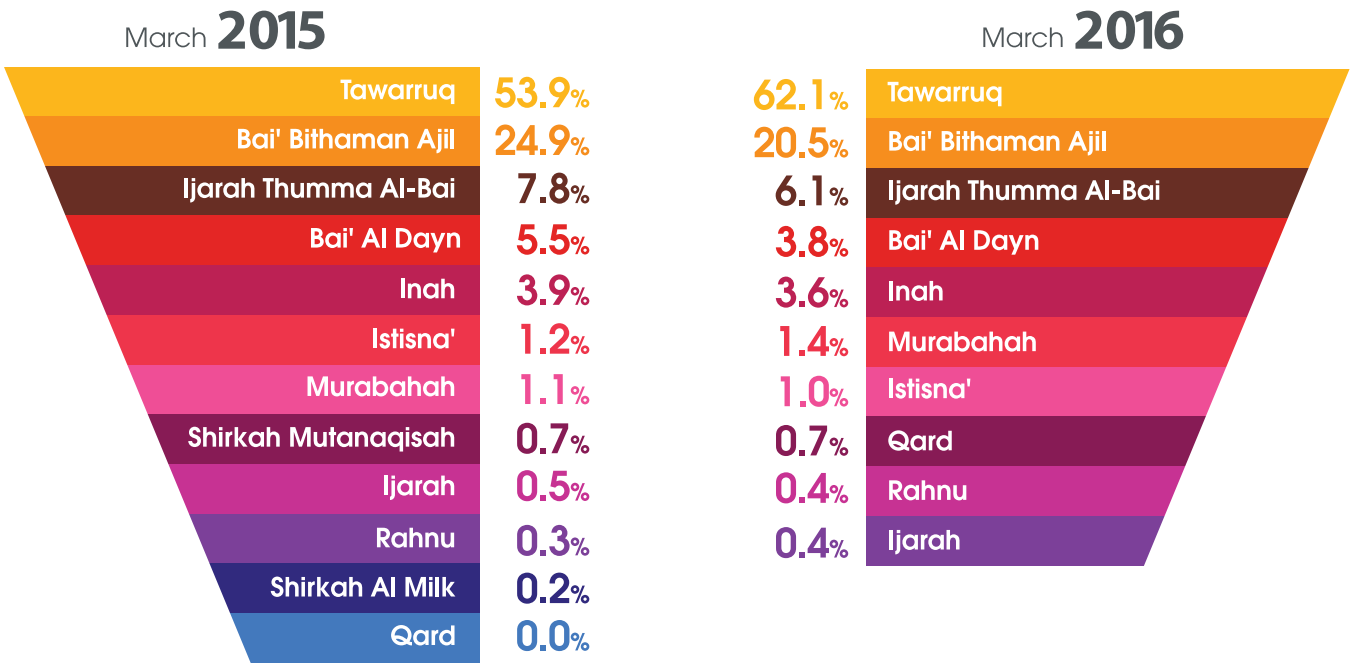


Financing by Business Segments



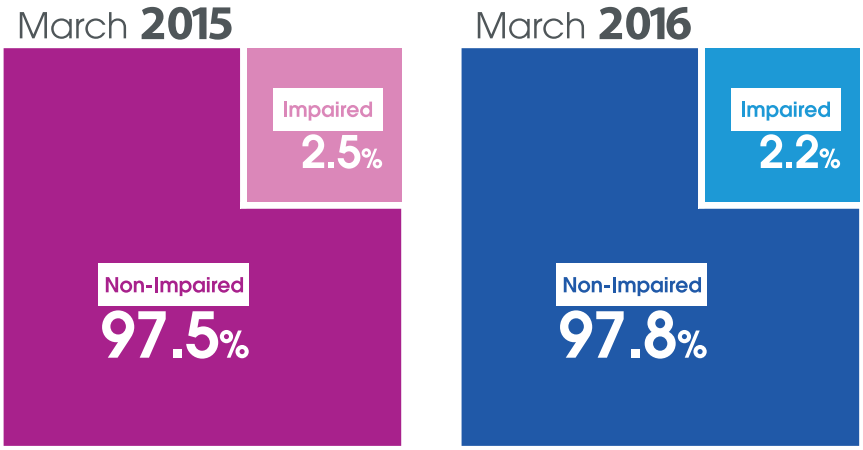


Financing by Islamic Contract

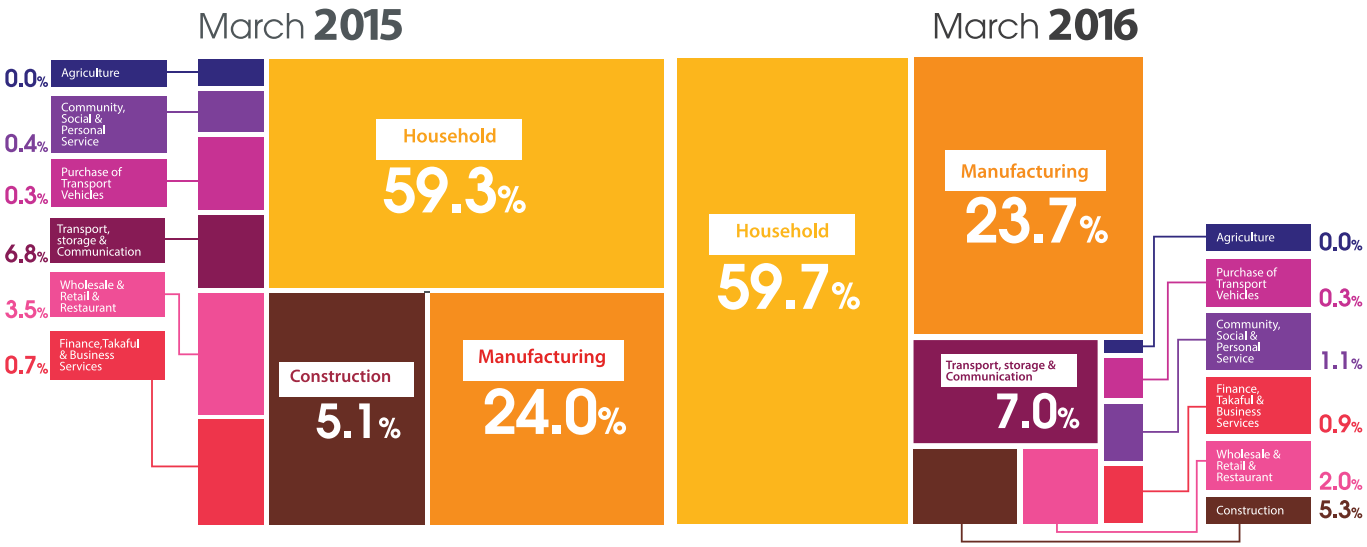


Asset Quality Performance

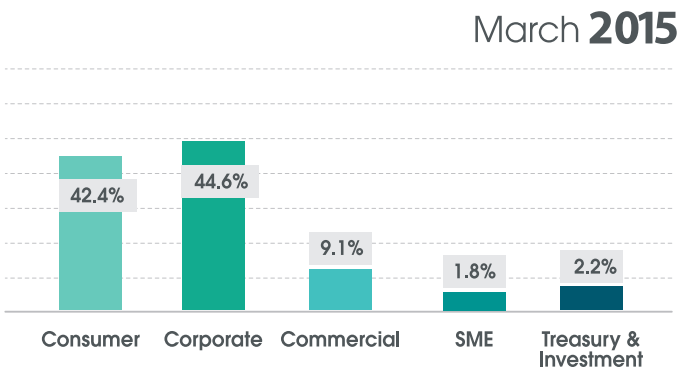
COMPONENTS	2012	2013	2014	2015	2016
Gross impaired financing (RM Million)	446.3	265.4	325.7	339.7	326.5
Gross impaired financing ratio (%)	2.9%	2.5%	2.7%	2.5%	2.2%
Financing loss reserve ratio (%)	87.8%	102.2%	83.3%	83.3%	88.7%
Collective assessment ratio (%)	2.9%	2.3%	1.6%	1.8%	1.4%

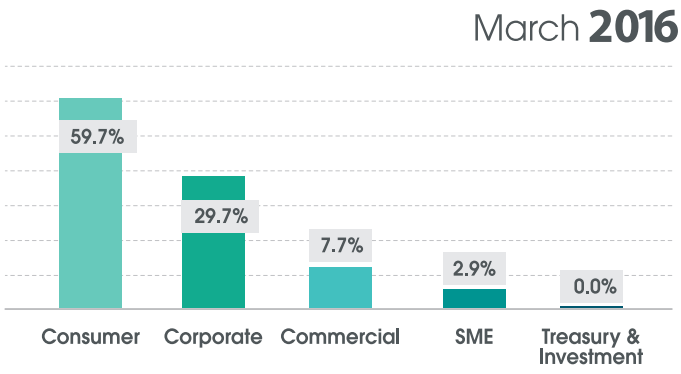


Impaired Financing by Sector



Impaired Financing by Business

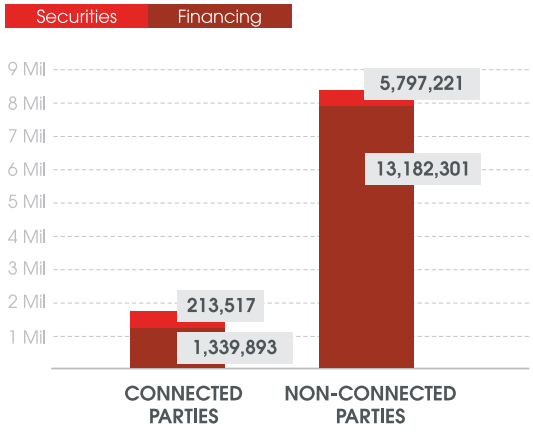




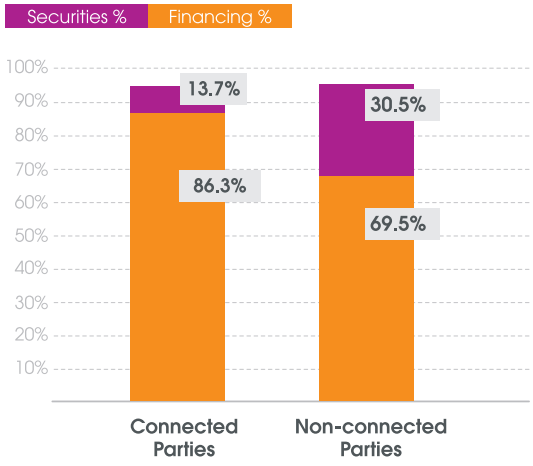
Connected Party

As at end of FY2016, connected parties exposure accounted for 6.5% of the total outstanding credit exposures of RM24.0 billion. The amount stood at 72% against Bank Muamalat's capital base of RM2.17 billion. Both measurements were well below the threshold limit set by Bank Negara Malaysia.

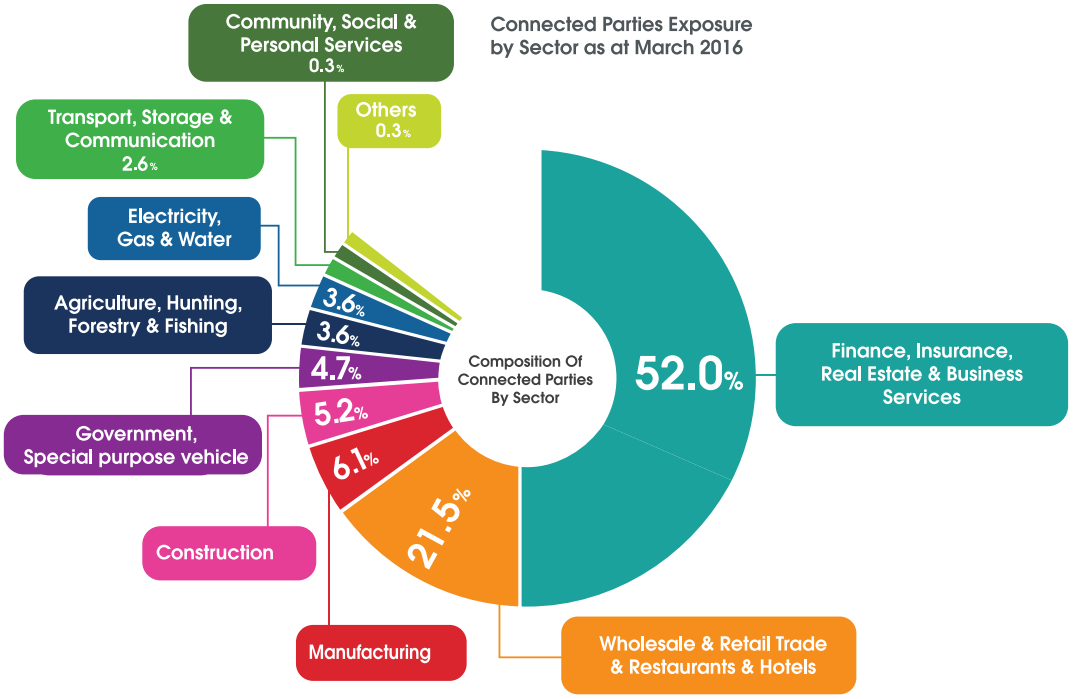
Connected Parties Exposure by Financial Instrument as at March 2016 (RM'000)



Connected Parties vs Non-Connected Parties Exposure as at March 2016



Connected Parties Exposure by Sector as at March 2016



MEDIA HIGHLIGHTS

BNM beri kebenaran pada MBSB

KUALA LUMPUR 18 Jan. - Bank Negara Malaysia (BNM) memberi kebenaran kepada Malaysia Building Society Bhd. (MBSB), untuk melanjutkan tempoh rundingan sehingga 2 Februari ini berhubung cadangan penggabungan dengan Bank Muamalat Malaysia Bhd. (Bank Muamalat).

MBSB berkata, rundingan itu melibatkan pemegang saham utama Bank Mualamat iaitu Khazanah Nasional Bhd. (Khazanah) dan DRB-HICOM Bhd. (DRB-HICOM).

Katanya, pengumuman selanjutnya akan dibuat sekiranya ada perkembangan terbaharu berhubungan cadangan penggabungan tersebut.

"Bagi pihak Lembaga Pengarah MBSB, AmInvestment Bank Berhad ingin mengumumkan bahawa BNM menerusi surat bertarikh 15 Januari 2016 (yang diterima hari ini) menyatakan tidak mempunyai sebarang halangan dengan permohonan untuk melanjutkan tempoh rundingan bagi memuktamadkan cadangan penggabungan ini," katanya dalam makluman kepada Bursa Malaysia di sini hari ini.

Pada 23 Disember lalu, MBSB menghantar permohonan kepada BNM untuk mendapatkan lanjutan tempoh bagi memuktamadkan rundingan dengan Khazanah dan DRB-HICOM dari 30 Disember 2015 kepada 2 Februari ini.

Oktober lalu, MBSB mendapat kelulusan daripada BNM untuk mengadakan perbincangan berhubung penggabungan dengan Bank Muamalat setelah merancang untuk menjadi sebuah entiti perbankan Islam.

Sebelum ini, Ketua Pegawai Eksekutif MBSB, Datuk Ahmad Zaini Othman berkata, transformasi tersebut boleh dibuat sama ada secara organik ataupun melalui penggabungan dan pengambilalihan (M&A) yang mungkin melibatkan institusi kewangan Islam lain yang menjadi fokus syarikat.

Perkembangan terbaharu itu adalah susulan daripada kegagalan rundingan penggabungan antara MBSB dengan CIMB Berhad dan RHB Capital pada awal tahun lalu.

Bank Muamalat jadi lebih besar

Oleh ZUNAIDAH ZAINON
ekonomi@utusan.com.my

■ KUALA LUMPUR 3 NOV.

PENGGABUNGAN Bank Muamalat Malaysia Bhd. (Bank Muamalat), akan meletakkan bank tersebut terbesar dari segi jumlah aset yang mencecah RM60 bilion berbanding Bank Islam Malaysia Bhd. (Bank Islam).

Ketua Pegawai Eksekutif Bank Muamalat, Datuk Mohd. Redza Shah Abdul Wahid berkata, langkah itu juga membolehkan bank berkembang secara lebih pesat di dalam dan luar negara dan mampu bersaing dengan lebih baik.

Katanya, melalui penggabungan itu juga membolehkan Bank Muamalat mencapai pertumbuhan yang progresif dan meningkatkan kehadirannya dalam pasaran sehingga dua atau tiga kali ganda.

"Buat masa ini, proses usaha wajar sedang berjalan dan hasil perbincangan itu akan dikemukakan kepada Bank Negara Malaysia (BNM) pada 31 Disember ini dan perbincangan setakat ini menunjukkan perkembangan yang baik.

"Bagaimanapun, sebarang keputusan dijangka mengambil masa setahun sebelum dimuktamadkan kerana melibatkan pelbagai proses dan pelaksanaan," katanya.

Beliau berkata demikian selepas Forum dan Pameran Sistem Pembayaran 2015 yang dirasmikan Timbalan Gabenor Bank Negara Malaysia (BNM), Datuk Muhammad Ibrahim di sini hari ini.

MOHD. REDZA SHAH

Pada 1 Oktober lalu, Malaysia Building Society Bhd. (MBSB) mendapat kelulusan daripada BNM untuk mengadakan perbincangan berhubung penggabungan dengan Bank Muamalat.

Dalam laporannya kepada Bursa Malaysia, MBSB memberitahu syarikat itu telah menerima surat makluman daripada BNM yang menjelaskan pada dasarnya bank pusat itu tiada halangan bagi MBSB untuk memulakan rundingan strategik bersama pemegang saham sedia ada Bank Muamalat.

Khazanah Nasional Berhad (Khazanah) hanya memiliki 30 peratus pegangan dalam Bank Muamalat yang mana majoritinya dipegang DRB-HICOM manakala MBSB dimiliki Kumpulan Wang Simpanan Pekerja (KWSP).

Sementara itu, menyentuh tentang Bajet 2016, Mohd. Redza Shah berkata, kerajaan mampu mencapai sasaran defisit fiskal 3.1 peratus pada tahun depan menerusi pelaksanaan sistem kutipan perolehan yang berkesan.

"Sasaran ini boleh direalisasikan dengan melihat kepada perolehan kerajaan yang meningkat terutama menerusi cukai barang dan perkhidmatan (GST)," katanya.

> **Buat masa ini, proses usaha wajar sedang berjalan dan hasil perbincangan itu akan dikemukakan kepada Bank Negara Malaysia (BNM) pada 31 Disember ini dan perbincangan setakat ini menunjukkan perkembangan yang baik."**
>
> **MOHD. REDZA SHAH ABDUL WAHID**
> **Ketua Pegawai Eksekutif Bank Muamalat**

Bank Muamalat peruntuk RM1 juta untuk program CSR

Oleh HAIKAL RAMAN

KUALA LUMPUR - Bank Muamalat Malaysia Bhd. (Bank Muamalat) memperuntukkan lebih RM1 juta untuk program tanggungjawab sosial korporat (CSR) di seluruh negara tahun ini.

Pengerusinya Tan Sri Dr. Mohd. Munir Abdul Majid berkata, inisiatif itu meliputi penyaluran bantuan yang memberi manfaat kepada golongan yang memerlukan dalam bentuk bekalan makanan dan kewangan.

"Usaha murni ini termasuk menganjurkan program kebajikan bersama para pelajar maahad tahfiz, penajaan individu untuk mengerjakan umrah, bantuan kepada pelarian Rohingya dan aktiviti seperti berbuka puasa serta pengagihan bubur lambuk sempena Ramadan lalu," katanya.

Beliau berkata demikian ketika ditemui selepas majlis amal Kegembiraan Kembali ke Sekolah Bersama Bank Muamalat di sini semalam.

Mengenai majlis itu, menurut Munir, ia disasarkan kepada anak-anak kakitangan syarikat yang berpendapatan kurang daripada RM3,000 sebulan serta penghuni dari rumah kebajikan Permata Rohani, Baitul Kasih dan Baitul Barokah.

"Program yang melibatkan sumbangan keseluruhan berjumlah RM50,000 itu merupakan hasil kutipan daripada kakitangan Bank Muamalat sebagai bukti keprihatinan mereka terhadap golongan ini.

"Sumbangan diberikan dalam bentuk pakaian dan peralatan sekolah kepada seramai 193 kanak-kanak yang hadir sebagai persediaan kelengkapan persekolahan bagi sesi baharu tidak lama lagi," jelasnya.

Dalam pada itu, Munir memaklumkan bahawa, rundingan mengenai cadangan bagi penggabungan Bank Muamalat bersama Malaysia Building Society Bhd. (MBSB) masih berjalan.

"Setakat ini, proses rundingan dua hala masih lagi berlangsung dan kesemuanya berjalan dengan lancar," ujarnya.

HOME SELANGOR NATIONAL CHIEF MINISTER TV SELANGOR

SelangorKini

Wakaf Selangor Muamalat contributes RM5.26 million

SHAH ALAM, 4 June: RM5.26 million was contributed by Wakaf Selangor Muamalat until April this year to the education and health sector.

Its Chairman, Tan Sri Abd Rahman Arshad, said that the donation was delivered to applicants in Selangor and also outside Selangor and not limited to Muslims only.

"In addition, these funds are also being channelled to the sharia-compliant sector to develop endowment funds," he said in a press statement today.

Wakaf Selangor Muamalat is ...n donations ...at designed ...ovide convenience to its customers and the public.

...strategic partnership between Bank Muamalat and the Selangor ...on (PWS) through its network of branches in the country, ...only to collect but manage endowment funds together with ...

All projects by Wakaf Selangor Muamalat are monitored by the Wakaf Selangor Mualamat Joint Management Committee.

Wakaf S'gor Muamalat contributes RM5.26 mil to health, education sectors

KUALA LUMPUR: Wakaf Selangor Muamalat has approved and contributed RM5.26 million to the health and education sectors up to April this year.

Its chairman Tan Sri Abd Rahman Arshad said the contribution had been channeled to applicants in Selangor and outside the state and was not limited to Muslims only.

"Besides that, the fund is also channeled to the Shariah-compliant investment sector in order to grow the wakaf fund," he said in a statement yesterday.

Wakaf Selangor Muamalat is service based on wakaf concept by Bank Muamalat Malaysia Bhd, specially designed to provide facilities to its customers and the public to make endowments.

The service is a strategic collaboration between Bank Muamalat and Perbadanan Wakaf Selangor (PWS) through its branch network in the country, and is responsible not only to collect but also manage the wakaf funds together with PWS.

All projects by Wakaf Selangor Muamalat is monitored by the Wakaf Selangor Mualamat Joint Management Committee. - Bernama

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Wakaf Selangor contributes RM5.26m to heath, education sectors

The Star Thursday 4th June, 2015

:UALA LUMPUR: Wakaf Selangor Muamalat has approved and contributed RM5.26 million to ne health and education sectors up to April this year. Its chairman Tan Sri Abd Rahman Arshad aid the contribution had been channelled to applicants in Selangor and outside the state and /as not limited to Muslims only. "Besides that, the fund is also chanelled to the Shariah-ompliant investment sector in order to grow the wakaf fund," he said in a statement Thursday. Vakaf Selangor Muamalat is service based on wakaf concept by Bank Muamalat Malaysia Bhd, pecially designed to provide facilities to

Mohd Munir menyampaikan sumbangan kepada anak yatim

Bank Muamalat bakal disenaraikan di Bursa Malaysia?

KUALA LUMPUR 11 Feb. - Bank Muamalat Malaysia Bhd. mungkin akan disenaraikan di Bursa Malaysia jika pemegang saham utamanya gagal mendapatkan pembeli yang bersesuaian untuk mengambil alih pegangan dalam bank terbabit.

Public Invest berkata, syarat untuk melepaskan pegangan DRB-HICOM dalam bank tersebut perlulah mengikut syarat yang ditetapkan oleh Bank Negara Malaysia (BNM) iaitu daripada 70 peratus kepada 40 peratus yang telah pun tertangguh sejak beberapa tahun.

"Jika mereka tidak dapat mencari pembeli yang bersesuaian maka ada kemungkinan Bank Muamalat akan disenaraikan," kata Public Invest di sini hari ini.

Minggu lalu, penggabungan antara Malaysia Building Society Bhd (MBSB) dan Bank Muamalat telah dibatalkan kerana kedua-dua pihak yang terlibat tidak dapat mencapai persetujuan dari segi terma dan syarat.

Kegagalan mendapat kesepakatan membabitkan penilaian dan kawalan dipercayai menjadi faktor yang membawa kepada pembatalan rundingan yang bermula Oktober lalu.

"Kami percaya Bank Mualamat tidak sepenuhnya lemah dari segi kewangan kerana nisbah modalnya adalah antara yang tertinggi dalam industri sama ada konvensional dan Islam.

"Kualiti aset adalah seimbang, manakala sebahagian besar portfolio pinjamannya berada di kadar berubah-ubah yang memberikan fleksibiliti pada harga dan potensi peningkatan pendapatan," ujar firma penyelidikan itu.

Walau bagaimanapun, pemain industri percaya walaupun DRB-HICOM kelihatan tidak mempunyai pilihan lain, latihan penyenaraian dalam pasaran ekuiti tidak menentu adalah sesuatu yang mencabar untuk meletakkan harga tawaran awam (IPO).

Bank Muamalat merupakan bank Islam kedua terbesar di negara ini selepas Bank Islam Malaysia Bhd. dan mempunyai 60 cawangan di seluruh negara dengan jumlah aset sebanyak RM22 bilion.

DRB-HICOM telah membeli 70 peratus pegangan Bank Muamalat daripada Bukhary Capital Sdn. Bhd. pada 2008 pada nilai RM1.069 bilion.

BNM membenarkan jual beli tersebut dengan syarat syarikat itu akan mengurangkan pegangannya pada masa depan.

Bank terbabit menyumbang sebanyak tujuh peratus kepada perolehan DRB-HICOM iaitu sebanyak RM13.687 bilion pada tahun kewangan berakhir 31 Mac 2015, namun nisbah kos kepada pendapatan (CIS) masih tinggi iaitu kira-kira 70 peratus buat masa ini.

Bank Muamalat may opt for listing, says CEO

BY KAMARUL ANWAR

KUALA LUMPUR: DRB-Hicom Bhd's unsuccessful disposal of nearly half of its shareholding in Bank Muamalat Malaysia Bhd may lead the Islamic bank to a listing.

The bank's chief executive officer (CEO) Datuk Mohd Redza Shah Abdul Wahid yesterday said getting Bank Muamalat to be listed is certainly an alternative for the shareholders to add value to their investment once market sentiment picks up again.

"The market is not right for a listing at the moment, but when the market turns, we will look at more alternatives for the shareholders.

"I wouldn't say a listing is a definite plan, [but it is] an alternative that the shareholders have," Mohd Redza told reporters after launching Muamalat Gold-i, a syariah-compliant physical gold bar for investors.

DRB-Hicom holds a 70% equity stake in Bank Muamalat; the central bank has instructed the conglomerate to trim it to 40%. The merger talks with Affin Holdings Bhd did not bear fruit in 2013, while the one with Malaysia Building Society Bhd to form a mega Islamic bank did not work out as well after negotiations fell through in February.

For the time being, he said Bank Muamalat is working on improving its performance and diversifying its product offerings, but it is mainly "business is as usual" as far as the management is concerned. Due to the softer economy, it will see a moderate loan growth in the financial year ending March 31, 2017 (FY17).

"For the last financial year, we had [a] growth of about 7%. Our growth will be moderate going forward. We expect profits to maintain as in the previous year, driven mainly by consumer financing and probably 30% to 40% from the corporate sector," said Mohd Redza.

Mohd Redza: When the market turns, we will look at more alternatives for the shareholders. Photo by Sam Fong

Bank Muamalat made a net profit of RM89.28 million in FY15, which was 41.09% lower than the previous year because of higher cost of funds and impairment charges. It had a total asset size of RM22.44 billion as at the end of the last financial year.

On the bank's recently started wealth management business, its vice president and head of wealth management Nur Ain Ramli said the group wants to make the division contribute 10% to 20% of its revenue in three years.

The bulk of the revenue from this segment, she said, should come from its gold business. In FY15, gold products made up about 30% of the wealth management business, but Bank Muamalat wants to double the composition in FY17.

While the launch of Muamalat Gold-I was officiated yesterday, she said the product had been offered at all 61 Bank Muamalat branches since Jan 31. More than 80kg of the gold was sold since, representing transactions worth RM14 million.

Bank Muamalat posts 33.5% rise in pre-tax profit for first 6 months

PETALING JAYA: Bank Muamalat Malaysia Bhd's (BMMB) pre-tax profit increased 33.5% to RM92.4 million for the first six months ending September 2015 from RM69.2 million in the corresponding period of last year.

"The improved performance was driven by a steady growth in revenue derived from a 12.4% growth in gross financing and our continuous effort in managing yields of our portfolios. Equally significant, we experienced a notable cost reduction resulting from our cost rationalisation and operational efficiency initiatives," its CEO Datuk Mohd Redza Shah Abdul Wahid *(pix)* said in a statement yesterday.

Total revenue increased from RM530.6 million to RM583.4 million largely from the 11.1% growth in financing income, while total overheads reduced by more than 10% to RM171.6 million from RM192 million previously.

Total gross financing grew to RM14.4 billion as at the end of September 2015, from RM12.8 billion in the corresponding period last year. At the same time, asset quality, as measured by gross impairment ratio, continued to improve to 2.49% from 2.8% recorded in the previous corresponding period.

The bank's key capital ratios remained at a healthy level, with core capital ratio at 12.6% and risk weighted capital ratio at 15.07%, among the highest in the industry.

"These improvements are the result of our constant effort on prudent recovery, credit risk management initiatives and better quality financing base expansion," said Mohd Redza.

Shareholders of Bank Muamalat and Malaysia Building Society Bhd are currently in their second month of talks on a proposed merger between the two financial groups. DRB Hicom Bhd owns a 70% stake in Bank Muamalat, with Khazanah Nasional Bhd holding the remainder.

Continue to waive fees for online services

RECENTLY, the Malaysian Electronic Payment System Sdn Bhd (MEPS) announced that its member banks would waive the fee for real-time Instant Transfer (previously known as Interbank Funds Transfer or IBFT) service. The zero fee is applicable for transactions at the Internet and mobile banking channels of all MEPS-participating banks from Oct 1, 2015 to Dec 31, 2015.

The 16 banks participating in the free Instant Transfer services via their Internet banking facilities are Agrobank, Affin Bank, Alliance Bank, Bank Islam, Bank Muamalat, Bank Rakyat, CIMB Bank, Citibank, Hong Leong Bank, HSBC Bank, Kuwait Finance House, Maybank, OCBC Bank, Public Bank, RHB Bank and Standard Chartered Bank.

The Federation of Malaysian Consumers Association (Fomca) welcomes this move and we would like to recommend that MEPS and the banks extend the campaign beyond Dec 31, 2015 due to the current economic crunch faced by the rakyat and small businesses.

The fee waiver will benefit all Malaysians especially when the cost of living is rising steadily.

It will help to reduce some costs and enable them to face the challenges of these critical times.

Instant Transfer also includes credit card payment and loan/financing repayment for customer convenience.

With the waiving of the transfer fees, customers no longer have to fear losing money when they inadvertently credit funds into a wrong account number. On top of that, there is no need to issue cheques or use a cash deposit machine for making such transfers or payments.

SARAVANAN THAMBIRAJAH
Federation of Malaysian Consumers Associations

■Muamalat银行2016财年上半年税前盈利亮眼。

Muamalat銀行 首6個月稅前盈利增33.5%

（吉隆坡1日讯）Muamalat銀行（Bank Muamalat）截至9月底首6个月，税前盈利由6920万令吉按年增33.5%，达9240万令吉。

Muamalat银行发布文告指出，主要受11.1%的融资收益成长提振，公司首6个月营业额从5亿3060万令吉按年成长10%，达5亿8340万令吉；总成本由1亿9200万令吉下滑10%至1亿7160万令吉。

同时，该银行总融资较去年同期增长至144亿令吉。若依总减值比率来衡量，该银行资产质量由2.8%提高至2.49%。

另外，Muamalat银行主要资本比率维持在健康水平，核心资本比率为12.6%，风险加权资产比率为15.07%，位居银行业之首。

Muamalat银行总执行长拿督莫哈末立查阿都华合说：“我们在总融资方面取得12.4%提升，带动营业额稳定成长，再加上我们不断的努力；才能够有如此优秀的成绩。同时，成本合理化和营运效率的提高，则有助我们降低营运成本。”

RM3.7 Juta Dana Wakaf Diguna Setakat Januari - Wakaf Selangor Muamalat

PETALING JAYA, 25 Feb (Bernama) -- Wakaf Selangor Muamalat menyumbang dana wakaf berjumlah RM3.7 juta kepada pihak yang memerlukan dalam bidang pendidikan dan kesihatan, setakat Januari lalu.

Pengerusinya Tan Sri Dr Abdul Rahman Arshad berkata sumbangan ini merupakan sebahagian daripada keseluruhan kutipan dana wakaf bernilai RM7 juta yang dikutip sejak September 2012.

"Setakat ini, sumbangan kepada bidang pendidikan termasuk bangunan sekolah, peralatan kelas, van dan projektor manakala bagi bidang kesihatan ialah klinik bergerak, mesin dialisis, tangki simpanan nitrogen dan pelbagai peralatan perubatan," katanya.

Beliau berkata demikian kepada pemberita selepas menyerahkan sumbangan Wakaf Selangor Muamalat bernilai RM40,539.20 kepada Sekolah Al-Fatih Putra Heights di Subang Jaya dekat sini, hari ini.

Abdul Rahman berkata dengan saiz dana yang terhad, Wakaf Selangor Muamalat terus komited dalam mencari penerima yang layak dan berusaha membesarkan dana supaya lebih ramai penerima mendapat manfaat wakaf itu pada masa depan.

Sementara itu, pengetua Sekolah Al-Fatih Datuk Mohd Fadzllee Mustapa berkata pihaknya menerima sumbangan berupa meja belajar, kerusi, papan putih dan rak buku.

"Sekolah kami kini memiliki bangunan baharu dan memerlukan pelbagai kelengkapan baharu dan kami berterima kasih kepada Wakaf Selangor Muamalat yang menyumbangkan kelengkapan tersebut.

"Sumbangan itu bakal memanfaatkan 137 pelajar dari peringkat tadika sehingga darjah enam," katanya.

-- BERNAMA

Wakaf Selangor Muamalat bantu Sekolah Al-Fateh

Subang Jaya: Wakaf Selangor Muamalat memberikan sumbangan RM40,539.20 kepada Sekolah Al-Fateh Putra Heights di sini, bagi membantu memperdakan kemudahan lebih selesa kepada pihak sekolah itu.

Pengerusi Wakaf Selangor Muamalat, Tan Sri Dr Abd Rahman Arshad berkata, sebelum ini, pihak sekolah pernah membuat permohonan untuk berpindah ke bangunan baru yang lebih selesa.

"Jadi, pihak kami berbesar hati mencari bangunan sesuai untuk mereka baru-baru ini dan memberikan bantuan sumbangan peralatan persekolahan pada hari ini (semalam).

"Sumbangan peralatan ini diharap dapat memberi semangat kepada murid untuk belajar bersungguh-sungguh dan berjaya pada masa depan sekali gus dapat mengeratkan hubungan Wakaf Selangor Muamalat dengan agensi bukan kerajaan (NGO)," katanya ketika dimuat pada Majlis Penyerahan Peralatan Sekolah, di sini, semalam.

Turut hadir, Mufti Selangor Datuk Mohd Tamyes Abd Wahid dan Pengerusi Sekolah Al-Fateh Datuk Mohammad Fadzllee Mustafa.

Abd Rahman berkata, sehingga Januari lalu, lebih RM3.7 juta dana sumbangan dikeluarkan dari Wakaf Selangor Muamalat dalam bidang pendidikan dan kesihatan, termasuklah bangunan sekolah dan mesin dialisis.

Sumbangan peralatan ini diharap dapat memberi semangat kepada murid untuk belajar bersungguh-sungguh dan berjaya pada masa depan sekali gus dapat mengeratkan hubungan Wakaf Selangor Muamalat dengan agensi bukan kerajaan (NGO)" Dr Abd Rahman Arshad

DR Abd Rahman (tiga dari kanan) menyampaikan sumbangan kepada Mohammad Fadzllee (dua dari kiri) sambil disaksikan Mohd Tamyes (kanan).

Bank Muamalat aims to sell 320kg of gold bars

KUALA LUMPUR: Bank Muamalat Malaysia Bhd targets to sell about 320kg of Muamalat Gold-i (MGi) valued at about RM56mil for the financial year ending March 31, 2017 (FY17).

Chief operating officer (Business), Mashitah Osman, said MGi was the bank's latest initiative to boost its wealth management segment which included takaful, investment and will writing.

"MGi is an alternative investment vehicle for the syariah-compliant distribution of physical gold bars to the public which are available in five, 10, 20, 50 and 100gm.

worth RM14mil since it was opened to the public two-and-a half months ago," she told reporters at the MGi's launch here yesterday.

Meanwhile, vice-president/head wealth management departmen, Nur Ain Ramli, said the bank expected the gold business to contribute about 60% of the total fee income for the wealth management segment for FY17.

She said since Jan 1, 2016 gold sales had contributed up to 40% of the fee income.

"In the next three years, it is targeted to contribute about 10 to 20% to total bank fee revenue.

banks in terms of gold purchase process as we would ensure the availability of the physical gold during the transaction instead of presenting customers with paper gold," Nur Ain said.

Customers could also opt to sell the gold at any time based on the daily updated price but to ease their transactions, they must first open a current or saving account with the bank.

"There is no limitation that it must be sold only at Bank Muamalat. They can also sell the gold at any jewellery trader or put it up at

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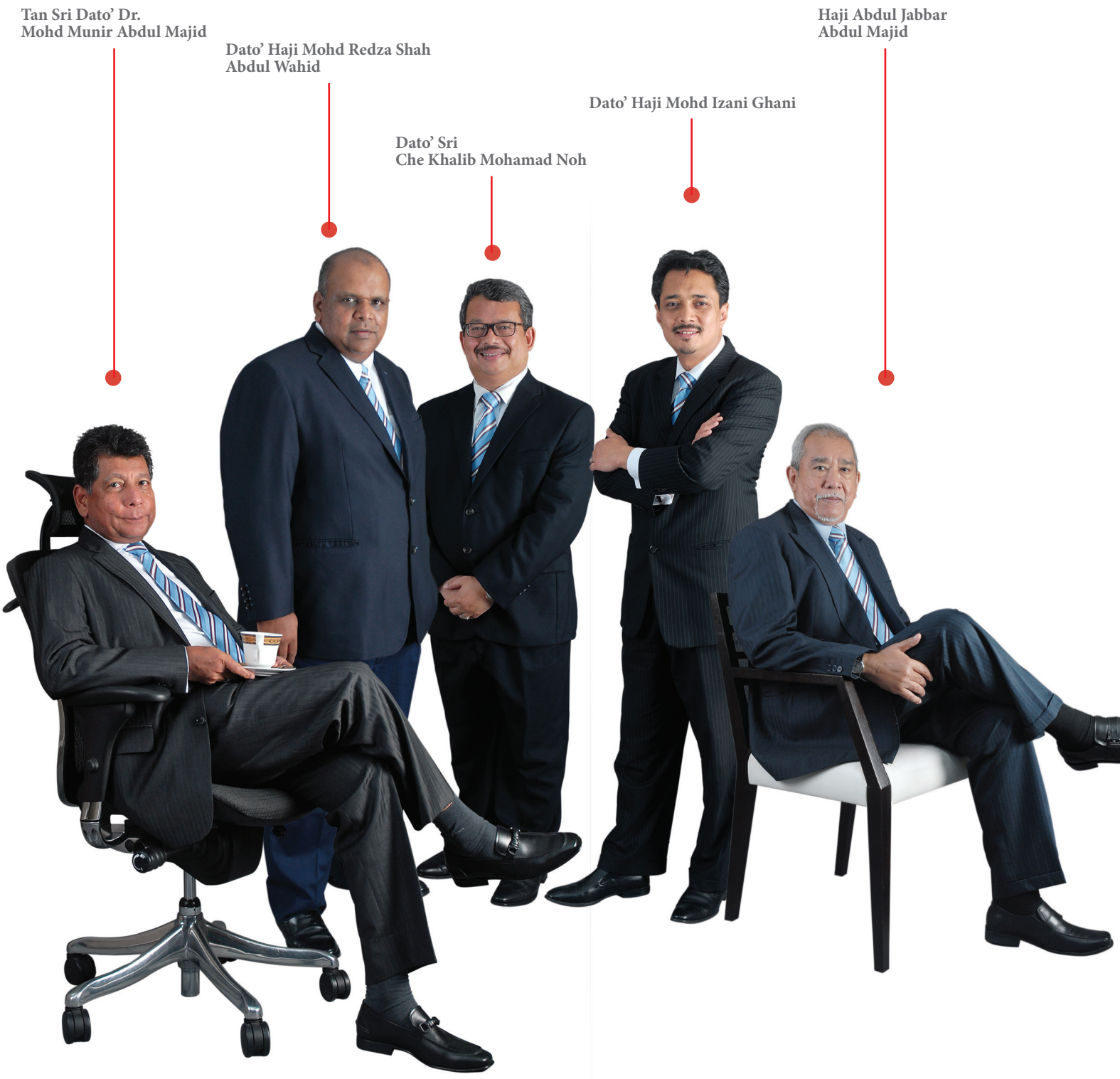
Board of **Directors**



Tengku Dato' Seri Hasmuddin Tengku Othman
Dato' Azmi Abdullah
Dato' Haji Kamil Khalid Ariff
Dr. Azura Othman
Nora Shikhen Ramli (Company Secretary)

TAN SRI DATO' DR. MOHD MUNIR ABDUL MAJID

Chairman

Tan Sri Dato' Dr. Mohd Munir Abdul Majid is the Chairman of Bank Muamalat and was appointed to the Board of Bank Muamalat on 3 June 2008. He is also the Chairman of Veto Committee.

He obtained a B.Sc (Econ) from the London School of Economics and Political Science (LSE) in 1971 where he also obtained his Ph.D in International Relations in 1978. He taught at the Department of International Relations in LSE from 1972-1975. He was a research analyst for Daiwa Europe NV in London from 1975-1978.

Dr. Munir joined the New Straits Times (NST) at the end of 1978 as leader writer and progressed to become the Group Editor. During his time at NST, he published numerous articles on national and international politics, and economics. (He continues to write, now as a columnist for The Star, Malaysia's leading English language newspaper). He left NST in 1986 to become the CEO of a small merchant bank, Pertanian Baring Sanwa (PBS), whose name he changed to Commerce International Merchant Bankers (CIMB) which was then transformed into one of Malaysia's leading merchant banks. He was invited by the Government of Malaysia to establish and become the first and founding Executive Chairman of the Securities Commission in 1993, where he served for two terms until 1999.

As the founding Executive Chairman he was instrumental in shaping the legal and regulatory framework of the capital markets, as well as introducing the country's first code of corporate governance. During this time, he was the chairman of the emerging markets committee of the International Organisation of Securities Commissions (IOSCO). In 1997, he received the Cranfield Management Excellence award.

After leaving the Securities Commission, he served as a Senior Independent Non-Executive Director of Telekom Malaysia Berhad for 4 years until June 2004, and was the chairman of its mobile subsidiary Celcom (M) Berhad from 2002-2004. In June 2004, Dr. Munir joined Malaysia Airlines Board of Directors and in August he was appointed its Non-Executive Chairman until July 2011.

He became the Chairman of Bank Muamalat Malaysia Berhad, an Islamic financial institution, in 2008. In February 2014 Dr. Munir was appointed Chairman of CIMB Asean Research Institute and also joined the board of the Institute of Strategic and International Studies (ISIS) Malaysia. He is Chairman of the Asean Business Advisory Council – Malaysia Chapter and is 2015 chair of the Council region-wide. He is the President of the Asean Business Club and also the Co-chair of the Malaysia-America Foundation, which seeks to deepen relations between the two countries.

Dr. Munir was the founder President of the Kuala Lumpur Business Club (2003-2008). In May 2004, he was appointed a member of the Court of Fellows of the Malaysian Institute of Management.

In December 2005, he was made an Honorary Fellow of the LSE and in 2008 he was appointed Visiting Senior Fellow at LSE IDEAS (Centre for International Affairs, Diplomacy and Strategy) where he started the Southeast Asia International Affairs Programme and headed it until 2012. He has written for IDEAS publications and published in International Politics, a British academic journal. A collection of his articles was published in a book, 9/11 and the Attack on Muslims. He is a member of the International Institute of Strategic Studies.

Dr Munir received his early education at St Mark's Primary School in Butterworth and the Bukit Mertajam High School in the state of Penang. He received his upper secondary education at the Royal Military College in Sungei Besi near Kuala Lumpur where he was awarded the Commandant's Prize for being the best all-round student in 1967. He left for London the next year.

DATO' HAJI MOHD REDZA SHAH ABDUL WAHID

Chief Executive Officer/Executive Director

Dato' Haji Mohd Redza Shah Abdul Wahid was appointed to the Board of the Bank on 1 November 2008. He holds a Bachelor of Science in Economics (Industry and Trade) from London School of Economics, University of London and a Master of Science in Economics (International Banking and Finance) from University of Wales, Cardiff. He is also a qualified Chartered Banker.

Dato' Haji Mohd Redza Shah started his career with Touche Ross & Co., London (now known as Deloitte & Touche) in 1988 as Trainee Accountant and qualified as Associate Chartered Accountant (ACA). In 1992 he joined Arab Malaysian Corporation Berhad, in Internal Audit and progressed to become the Corporate Finance Manager. He then joined Khazanah Nasional Berhad when it commenced operations in July 1994 as a Senior Finance Manager and later moved to Silterra Malaysia Sdn Bhd, as Chief Financial Officer. He left Silterra Malaysia Sdn Bhd to spearhead Tradewinds Corporation Berhad as the Group CEO from September 2002 to November 2005. Prior to joining Bank Muamalat, he was the Executive Director and Group Chief Operating Officer of DRB-HICOM from 1 March 2006 till October 2008.

Dato' Haji Mohd Redza Shah currently sits on the Board of Malaysian Electronic Payment System Sdn Bhd (MEPS), Islamic Banking & Finance Institute Malaysia (IBFIM) and Raeed Holding Sdn Bhd. He also sits on the Board of the Bank's subsidiaries.

DATO' SRI CHE KHALIB MOHAMAD NOH

Non-Independent Non-Executive Director

Dato' Sri Che Khalib Mohamad Noh was appointed as Non-Independent Non-Executive Director of Bank Muamalat nominated by DRB-HICOM Berhad on 27 August 2012. He is a member of Remuneration, Nomination and Veto Committees.

Dato' Sri Che Khalib is currently the Group Managing Director of MMC Corporation Berhad. He was the former President and Chief Executive Officer of Tenaga Nasional Bhd (TNB), prior to his position as the Chief Operating Officer - Finance, Strategy & Planning of DRB-HICOM Berhad.

A qualified accountant, Dato' Sri Che Khalib is a member of the Malaysian Institute of Accountants (CA, M) and also a Fellow of the Association of Chartered Certified Accountants (FCCA, UK) United Kingdom.

Dato' Sri Che Khalib began his career with Messrs Ernst & Young in 1989 and later joined Bumiputra Merchant Bankers Berhad. He was previously a member of the Board and the Executive Committee of Khazanah Nasional Berhad from year 2000 to 2004. He also served as a Board member within the United Engineers Malaysia (UEM) Group of companies and Bank Industri & Teknologi Malaysia Berhad.

He currently sits on the Board of Gas Malaysia Berhad, Zelan Berhad, Malakoff Corporation Berhad, Johor Port Berhad, MMC Engineering Group Berhad, NCB Holdings Bhd, Aliran Ihsan Resources Berhad, Kontena Nasional Berhad, Northport (Malaysia) Berhad and several private limited companies.

DATO' HAJI MOHD IZANI GHANI

Non-Independent Non-Executive Director

Dato' Haji Mohd Izani Ghani was appointed as Non-Independent Non-Executive Director of Bank Muamalat nominated by Khazanah Nasional Berhad (Khazanah), on 1 March 2009. He is a member of Remuneration, Nomination and Board Risk Management Committees of the Bank.

He graduated from the London School of Economics and Political Science in 1991 with BSc (Economics) specialising in Accounting and Finance. After graduating from LSE, he pursued his professional accounting qualification from the Association of Chartered Certified Accountants and admitted to fellowship in 2000. He is also a member of Malaysian Institute of Accountants.

He is currently the Executive Director/Chief Financial Officer of Khazanah. On Islamic finance initiatives, he was deeply involved in the issuance of the world's first exchangeable sukuk for USD750 million in 2006, followed by other landmark sukuk transactions in SGD and Renminbi currencies in 2010 and 2011 respectively. In relation to RM funding, he was instrumental in the setting up of various sukuk programmes at Khazanah. In June 2015, his team launched and priced world's first Sustainable and Responsible Investment Sukuk to fund Trust Schools in Malaysia.

He is also a director of Malaysia Airports Holdings Berhad and Fajr Capital Limited.

HAJI ABDUL JABBAR ABDUL MAJID

Non-Independent Non-Executive Director

Haji Abdul Jabbar Abdul Majid was appointed as Independent Non-Executive Director of Bank Muamalat since 13 October 2004. Subsequently, he has been re-designated as the Non-Independent Non-Executive Director by Bank Negara Malaysia on 12 October 2013. He is a Fellow Member of the Institute of Chartered Accountants, Australia, as well as a member of the Malaysian Institute of Accountants. He was a member of the Executive Council of the Malaysian Institute of Certified Public Accountants (MICPA).

He is the member of Board Audit, Remuneration, Nomination, Board Risk Management and Veto Committees.

Haji Abdul Jabbar began his career in 1974 as Senior Manager in the Internal Audit and Organisation Department of Bank Pertanian Malaysia. In 1977, he joined KPMG Malaysia as Manager and was admitted to the partnership two years later. In 1993, he was promoted to Deputy Senior Partner and was made Senior Partner in 1995, a position he held until his retirement in 2000.

Haji Abdul Jabbar then joined Malaysia Derivatives Exchange Berhad in 2001 and retired as Executive Chairman on 28 February 2004. He was a past president of MICPA. He was an Adjunct Professor of the Faculty of Economics and Accounting of the International Islamic University and a member of the Senate of the Open University Malaysia Board.

He also sits on the Board of Opcom Holdings Berhad.

TENGKU DATO' SERI HASMUDDIN TENGKU OTHMAN

Independent Non-Executive Director

Tengku Dato' Seri Hasmuddin Tengku Othman was appointed as a Non-Independent Non-Executive Director of Bank Muamalat since 18 April, 2006 and was subsequently redesignated to Independent Non-Executive Director by Bank Negara Malaysia on 16 February 2009.

He is the Chairman of Board Audit Committee and Nomination Committee, a member of Board Risk Management and Remuneration Committee.

Tengku Dato' Seri Hasmuddin holds a Bachelor of Laws (Hons) from University of Malaya and was admitted to the Bar in 1987. He is a practicing lawyer and is currently the principal partner of Messrs Hisham, Sobri & Kadir. His areas of expertise include the various expects of Islamic banking and finance, corporate banking and project financing, corporate matters, corporate Muamalat Islamic banking and litigation as well as matters relating to Syariah.

He is a director of a number of companies including Aliran Ihsan Resources Berhad, Institut Jantung Negara Sdn. Bhd, HSK Corporate Advisory & Consultancy and Rangkaian Hotel Seri Malaysia Sdn. Bhd.

He is also a Chairman of the Task Force on AIBIM National Land Code Steering Committee and Member of Jawatankuasa Pemantauan dan Pengawasan Syarikat Jaminan Pembiayaan Perniagaan Berhad.

He is active in social and charitable activities and has been appointed as trustee for Yayasan Munarah, Tuanku Najihah Foundation, Yayasan Institut Quran Kuala Lumpur, Tabung Amanah Pesakit Malaysia, Institut Quran Tuanku Jaafar and Yayasan Kolej Islam Sultan Alam Shah.

DATO' AZMI ABDULLAH

Independent Non-Executive Director

Dato' Azmi Abdullah was appointed as Independent Non-Executive Director of Bank Muamalat since 16 September 2009. He is the Chairman of Remuneration and Board Risk Management Committees and member of Nomination, Board Audit and Veto Committees.

Prior to joining the Bank, he was the First Managing Director/Chief Executive Officer of SME Bank for over 4 years and the Managing Director/Chief Executive Officer of Bumiputera-Commerce Bank Berhad, where he served for more than 26 years in various departments.

Dato' Azmi graduated with a B.A. (Hons) Degree in Economics from Universiti Kebangsaan Malaysia (UKM) in 1974. He was conferred Honorary Doctorate in Business Administration from Universiti Kebangsaan Malaysia in 2006 and presently a Director of UKM Holdings Sdn Bhd. He also sits as a Director in Kumpulan Wang Persaraan (Diperbadankan), APFT Berhad, ECS Solution Sdn Bhd, Trans National Insurance Broker Sdn Bhd, Ireka Corporation Berhad and a member of the Board and Investment Committee of Amanah Raya Berhad.

DATO' HAJI KAMIL KHALID ARIFF

Independent Non-Executive Director

Dato' Haji Kamil Khalid Ariff was appointed as Independent Non-Executive Director of Bank Muamalat on 29 September 2011. He was the Chairman of Board Muamalat Banking Solutions Steering Committee and member of Board Risk Management, Board Audit and Veto Committees.

He graduated with MBA in International Business from Michigan, USA in 1979. Prior to this, he obtained Bsc in Management from Syracuse University, New York and the Diploma in Public Administration from ITM. His last position was as Managing Director/Chief Executive Officer of Mahkota Technologies Sdn. Bhd. (formerly known as General Electric Company of the UK) – dealing mainly in the electrical engineering/ supply Industry. Upon his recent retirement, he has been retained as Advisor to the Mahkota Group. He is also a Chairman/ Director of several other private companies.

In the last 30 years, he served in numerous Management and Board positions in several large corporate entities viz, The New Straits Times, Kumpulan Perangsang Selangor Bhd, Kumpulan Guthrie Bhd. and Idris Hydraulic Bhd. During this time, he was exposed to various multi facet industries viz Advertising & Publishing, Trading, Manufacturing and Engineering. He was also a founder Director of the Kuala Lumpur Tin Market, which he, as part of a Government Steering Committee, help set up in the mid 1980s.

Dato' Haji Kamil Khalid is also Chairman of Liberty Insurance Berhad and sits on the Board of Gibraltor BSN Life Malaysia Berhad, Pramerica BSN Holdings Sdn. Bhd. and Indah Water Konsortium and its several Board Committees as an Independent Director.

DR. AZURA OTHMAN

Independent Non-Executive Director

Dr. Azura was appointed as Independent Non-Executive Director of Bank Muamalat on 24 April 2015. She is a member of Board Audit and Veto Committees.

Dr Azura graduated with a degree in Accounting and Finance from the London School of Economics and Political Science. She is also a Fellow of ACCA (UK), a member of Malaysian Institute of Accountant and a chartered member of the Institute of Chartered Islamic Finance Professionals (CIIF). She received her PhD in Islamic Finance from the International Centre of Education in Islamic Finance (INCEIF).

Currently, she is the Chief Executive Officer of the Chartered Institute of Islamic Finance Professionals (CIIF), a professional standard setting body for Islamic finance practitioners. She was a former Executive Director of PricewaterhouseCoopers Taxation Services, Malaysia. She has over 19 years of experience as a tax consultant and in engagements relating to Islamic Finance, working together with the Malaysian Ministry of Finance, Inland Revenue Board and BNM. Her major assignments include formulating the tax incentives for Malaysia as the International Islamic Financial Centre (MIFC).

Wakaf Selangor Muamalat

Funds collected are channelled towards the education and health sectors.

Shariah Committee

Ustaz Haji Azizi Che Seman
Chairman

Ustaz Haji Azizi Che Seman is currently a lecturer at the Islamic Studies Academy, University of Malaya, a position he has held since 2002. He has been with Bank Muamalat since 1 April 2005. Until now, he is entrusted to be the Chairman for Bank Muamalat's Shariah Committee. He has also been appointed as Shariah Advisor of AIBIM. In terms of qualification, he is now pursuing his studies in the field of Islamic capital market. He holds a Masters Degree in Economics from International Islamic University of Malaysia in 2001 and a Bachelor of Islamic Studies from University Malaya in 1996. His specialisation areas are in Islamic Capital Market, Islamic Economics, Fiqh Muamalat and Islamic Research Methodology. Besides his function in Shariah advisory, he also contributes his ideas and experiences in the development of Bank Muamalat's IT system.

Ustaz Engku Ahmad Fadzil Engku Ali

Ustaz Engku Ahmad Fadzil Engku Ali obtained his early education at The Malay College Kuala Kangsar from 1982 to 1986. He later furthered his study in Law and successfully obtained his Bachelor's Degree in Law (Second Class Honors Upper) from the International Islamic University of Malaysia in 1993. In the subsequent year, he graduated from the same university with a Bachelor's Degree in Shariah Law (First Class Honors). He was called to the bar, admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1995. He then pursued his studies at Jordan University and in the year 2000, he successfully obtained a Masters Degree in Islamic Judiciary. Since then until October 2014, he served as a lecturer at the International Islamic University of Malaysia. Some of the subjects that he taught at the university are Islamic Law of Successions, Islamic Jurisprudence and Islamic Criminal Law. He is now pursuing his PhD at the University of Malaya in Multi-level Marketing from the perspective of the Islamic Law. He has been a member of Bank Muamalat's Shariah Committee since 2005.

Prof. Madya Dr. Mohamad Sabri Haron

Prof. Madya Dr. Mohamad Sabri Haron is a lecturer at the Centre of General Studies, National University of Malaysia. He is also an Associate Senior Fellow at Institute of West Asian Studies. He obtained a Diploma in Islamic Studies from Kolej Sultan Zainal Abidin in 1985 and Bachelor of Islamic Studies (al-Quran and al-Sunnah) from National University of Malaysia in 1988. He completed his Masters of Comparative Law at International Islamic University of Malaysia in 1993. He succeeded in obtaining his PhD in Islamic Law (Fiqh and Usul Fiqh) in 1998 from University of Jordan. He has been with Bank Muamalat since December 2003. His specialisation areas are in Islamic Economics and Islamic Civilisation. He has also been seconded to the Securities Commission as the Senior Manager in Islamic Capital market starting from 1 June 2009 until 31 May 2010.

Profile of Shariah Committee

Dr. Ab Halim Muhammad

Dr. Ab. Halim Muhammad graduated in 1972 with a Bachelor's Degree of Shariah from Al-Azhar University, Cairo Egypt and completed his studies in PhD of Shariah at St. Andrews University Scotland in 1977. He served as a lecturer and became the Head of Department of Quran & Sunnah, Faculty of Islamic Studies Universiti Kebangsaan Malaysia. Some of the subjects that he taught were Islamic Jurisprudence (Muamalat, Islamic Banking & Islamic Finance and Takaful), Principles of Islamic Jurisprudence and Islamic Criminal Laws. He was the first Chairman of Shariah Committee of Bank Muamalat prior to joining National Shariah Advisory Council of Bank Negara Malaysia in 2004. He has been re-appointed as a member of Bank Muamalat's Shariah Committee since 30 November 2009. He was also a member of Shariah Committee of Security Commission and currently he is Shariah Committee of ASDI Unit Trust Terengganu, Apex Unit Trust and Reit Johor. Recently, he has been appointed as Ahli Jamaah Ulama' Majlis Agama Islam Negeri Kelantan.

SS Datuk Dr. Zulkifli Mohamad Al-Bakri

SS Datuk Dr. Zulkifli Mohamad Al-Bakri obtained his early education at Sek. Men. Agama (Atas) Sultan Zainal Abidin, Terengganu and furthered his study in a Bachelor's Degree at Universiti Islam Madinah, Arab Saudi prior to entering Universiti Ilmu-Ilmu Islam Dan Arab, Syria to finish his Masters. He succeeded in obtaining his PhD at USM, Pulau Pinang in 2004. He served as a lecturer in Universiti Sains Islam Malaysia from 2006-2009. He is now focusing more on writing and has written many books in Fatwa, Islamic Law and Islamic Jurisprudence. He has a vast experience in Islamic Banking as he was formerly the Chairman of Shariah Committee of Bank Pertanian Malaysia prior to joining Bank Muamalat on 1 April 2011. He is also an expert and capable in providing fatwa, as he served as a member of Fatwa's Committee for state of Negeri Sembilan and the Chairman for Shariah Committee in World Fatwa Management and Research Institute (INFAD) at USIM. He also frequently appears in the local television and radio programme on various Islamic fields. He was proclaimed as Mufti Wilayah Persekutuan effective 20 June 2014.

Dr. Wan Marhaini Wan Ahmad

Dr. Wan Marhaini Wan Ahmad is currently a senior lecturer at the Finance and Banking Department, University of Malaya, a position she has held since 2002. She completed her doctorate in Zakat Investment at the University of Edinburgh, United Kingdom in 2012. She received a Master's Degree in Economics from International Islamic University of Malaysia in 2002 and has a degree in Shariah from the Academy of Islamic Studies University of Malaya in 1996. Her research interests lies in the area of Fiqh Muamalat, Islamic Economics, Islamic Finance and Banking. In the University of Malaya, she has experiences teaching both Islamic and conventional economics and finance for both undergraduate and Masters programmes (MBA and MM). Currently, she teaches principles of Islamic economics and Islamic finance as well as the applications of modern Islamic banking, takaful and Islamic capital market. Prior to joining Bank Muamalat, she has served as a Shariah Committee member for EONCAP Islamic Bank Berhad from April until November 2011.

CASA

Our Current & Savings account applies the Shariah concept of Tawarruq which consists of two sale and purchase contracts. The first involves the sales of an asset by a seller to a purchaser on deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis.

Current Account ***Savings Account***

Shariah Committee

Terms of Reference

Objective/Purpose

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

Authority

These Terms of reference are governed by the IFSA 2013 (including any amendment that will be made from time to time)("Laws and Regulations").

Duties, Responsibilities & Accountability of the Shariah Committee

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

(1) Responsibility and accountability

The Shariah Committee is expected to understand that in the course of discharging the duties and responsibilities as a Shariah Committee member must be in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee member, and responsible and accountable for all Shariah decisions, opinions and views provided by them.

(2) Advise to the Board and Bank Muamalat including Bank Muamalat's subsidiaries

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

(3) Endorse Shariah policies and procedures

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

(4) Endorse and validate relevant documentations

To ensure that the products of Bank Muamalat 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.

(5) Assess work carried out by Shariah review and Shariah audit

To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

(6) Assist related parties on Shariah matters

The related parties of Bank Muamalat such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the Shariah Committee and the Shariah Committee is expected to provide the necessary assistance to the requesting party.

(7) **Shariah Advisory Council, Bank Negara Malaysia**

The Shariah Committee may advise Bank Muamalat to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC) on Shariah matters that could not be resolved.

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

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

In cases of disputes and court proceedings related to Islamic financial business or any Shariah issues arising from Bank Muamalat's business operations, both the court and the arbitrator shall take into consideration the published rulings of the SAC or refer such issues to the SAC for its ruling. Any ruling made by the SAC arising from a reference made shall be binding on Bank Muamalat and the court or the arbitrator. In the event where the decision given by Bank Muamalat's Shariah Committee is different from the ruling given by the SAC, the rulings of the SAC shall prevail. However, the Shariah Committee is allowed to adopt a more stringent Shariah decision.

(8) **Provide Written Shariah Opinions**

The Shariah Committee is required to provide written Shariah opinions in circumstances where Bank Muamalat makes reference to the SAC for further deliberation, or where Bank Muamalat submits applications to Bank Muamalat for new product approval.

(9) Provide Bank Muamalat with guidelines and advice on religious matters to ensure that Bank Muamalat's overall activities are in line with Shariah.

(10) Make decisions on matters arising from existing and future activities of Bank Muamalat which have religious repercussions.

(11) Report to the shareholders and the depositors that all Bank Muamalat's activities are in accordance with Shariah.

(12) Provide Shariah advisory and consultancy services in all matters relating to Bank Muamalat's products, transactions and activities as well as other businesses involving Bank Muamalat.

(13) Scrutinise and endorse the annual financial report of Bank Muamalat.

(14) Provide training to the staff as well as notes or relevant materials for their reference.

(15) Represent Bank Muamalat or to attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to Bank Muamalat.

(16) The Shariah Committee shall maintain the confidentiality of Bank Muamalat's internal information and shall be responsible for the safe guarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorised by Bank Muamalat or required by law.

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

"We would like to congratulate Bank Muamalat for the successful products launched and Insha Allah will further benefit Bank Muamalat in fulfilling the mission and vision."

Ustaz Haji Azizi Che Seman
Chairman, Shariah Committee

Statement
from the Chairman of Shariah Committee

In the Name of Allah, the Most Gracious, the Most Merciful

Assalamualaikum Warahmatullahi Wabarakatuh

All praises to Allah S.W.T, the Creator and Sustainer of the universe and salutations to our Prophet Muhammad S.A.W and his family and companions. I am most grateful to Allah S.W.T for the successful publication of Annual Report 2016. Bank Muamalat Malaysia Berhad is a full-fledged Islamic Financial Institution operating under the Islamic Financial Services Act 2013 (IFSA), which offers Shariah-based financial services and products. Bank Muamalat offers a wide range of deposits, financing and various banking products and services comparable to Bank Muamalat's peers in the industry, irrespective of race, religion or company.

In line with its vision in becoming the preferred Islamic financial services provider, Bank Muamalat has set distinguished example in the industry as one of the leading Islamic banks. The Shariah Committee's and Bank Muamalat's adherence to the Shariah Governance Framework for Islamic Financial Institutions (SGF) issued by Bank Negara Malaysia (BNM) has placed Bank

Muamalat among the best Islamic Financial Institution in terms of Shariah governance.

Bank Muamalat's activities are subject to the Shariah compliance and confirmation by the Shariah Committee. The Shariah compliance process of Islamic banking activities is essential to ensure credibility and reliability of the Islamic banking institution. IFSA 2013 in section 28(2) and (3) reinforces the same that virtue that the aim and operations, business, affair or activity of Bank Muamalat shall be in compliance with Shariah or the advice of Bank Muamalat's Shariah Committee as well as the advice and ruling of the Shariah Advisory Council of Bank Negara Malaysia. The fact that Shariah compliance is being the core and essence of Islamic banking entails that Bank Muamalat's banking and relevant activities have to be in line with Shariah principles and guidelines. Among challenges faced is to review current Bank Muamalat's product offerings to strengthen Shariah compliance to operating standards for Shariah contracts issued by Bank Negara Malaysia throughout the year. With the assistance of SGF organs within Bank Muamalat, we believe that we have played our role to oversee Shariah matters related to Bank Muamalat's business operations and activities.

"You are now the best people brought forth for (the guidance and reform of) mankind. You enjoin what is right and forbid what is wrong and believe in Allah. Had the People of the Book believed it were better for them. Some of them are believers but most of them are transgressors."
(Surah Al Imran: 110)

As Shariah Committee of Bank Muamalat, we have given our highest dedication to ensure best quality and demonstrated our commitment to Shariah compliance in the products, process, documentations, marketing, IT systems and other related matters. Besides regular banking businesses, the Shariah Committee also supports the development of other Shariah based products and services initiated by Bank Muamalat namely wakaf, rahn, zakat and qardh to fulfill the needs of the Ummah at large.

Bank Muamalat is also moving forward to the development of some new products as more products to be offered in line with IFSA's requirements. During FY2016, the Shariah Committee has endorsed new products and services offered by Bank Muamalat namely Muamalat Gold-i, Islamic Dual Currency Investment (Retail) and Debit Card. The Shariah Committee has given full support on the development of new products i.e. current and savings account, investment account and trade finance facilities based on alternative Shariah contracts such as Tawarruq, Wakālah bil al-Istithmar, Mudarabah as well as application of Bay' al-Dayn bi as-Sila'. On the latest development of Islamic Banking industry, Bank Muamalat is among six Malaysian Islamic Banks which launched a Shariah-compliant Investment Account Platform (IAP), an avenue that provides access to wider Shariah-compliant investment options to investors and a greater access to financing for ventures or projects that are in need of funding. The IAP will serve as a central marketplace to finance small and medium-sized businesses, with the Malaysian government backing the scheme with an initial RM150 million in funds.

On another note, we would like to extend our warmest congratulations to the Board of Directors and the Management for their genuine concern and strong passion to ensure not only the productivity and profitability of Bank Muamalat, but also to assure the dictates and requirements of Shariah are properly observed and adhered to. Certainly, we are very thankful and proud of such cooperation received, especially from the Management and generally from the staff, in providing the Shariah Committee with adequate information and materials in ensuring our deliberations on each issue would be resolved accordingly. We also would like to congratulate Bank Muamalat for the successful products launched and Insha Allah will further benefit Bank Muamalat in fulfilling the mission and vision.

Islamic banking is no longer an alternative but has already become a primary banking industry in Malaysia. It is able to generate profits at the local and international level, though we believe that the profit in the world is incomparable to what we aim to gain in the hereafter. We hope and anticipate that Bank Muamalat will continue to become more relevant in this increasingly challenging industry while upholding the Shariah implementations and applications in the Islamic banking and business without undermining the never-ending quest for the ultimate goal of gaining Allah's blessing and pleasure.

Thank you
Regards

Chairman
Shariah Committee

Dato' Haji Mohd Redza Shah Abdul Wahid
Chief Executive Officer

Senior Management

PeerMohamed Ibramsha
Chief Operating Officer
(Operations Division)

Mashitah Hj Osman
Chief Operating Officer
(Business Division)

Adinor Mohamed Yunus
Chief Risk Officer

Haji Ismail Ibrahim
Executive Vice President, Credit Management Division

Syed Alwi Mohamed Sultan
Executive Vice President, Corporate Services Division

Gary Chin
Executive Vice President, ICT Division

Hafni Mohd Said
Executive Vice President, Finance Division

Jamilah Abdul Sallam
Executive Vice President, Human Capital Division

PeerMohamed Ibramsha

Chief Operating Officer, Operations Division

PeerMohamed Ibramsha was appointed as the Chief Operating Officer – Operations since October 2014 and his current portfolio covers Operations Division, Business Process & Transformation Department, Security & Safety Department, Trade Finance Department, Treasury Processing & Settlement Department and Data Quality Department. He holds a Bachelor's Degree in Accountancy and is also a member of Malaysian Institute of Accountant and a Fellow Certified Practicing Accountant (FCPA) with CPA Australia. He has been with Bank Muamalat since November 2008 and before his current position, he was the Chief Financial Officer (CFO) of Bank Muamalat. Prior to this, he was the CFO of Alam Flora Sdn Bhd for approximately 2 years and CFO of Glenmarie Properties Sdn Bhd group of companies for approximately 10 years

Mashitah Haji Osman

Chief Operating Officer, Business Division

Mashitah joined Bank Muamalat in September 2014 as the Chief Operating Officer- Business overseeing the business operations and performance of Consumer, Business Banking, Investment Banking and Deposit. She holds a Masters Degree in Business Administration from University of Wales, United Kingdom and has over 28 years of experience in Investment Banking.

Prior to joining Bank Muamalat , Mashitah was with RHB Investment Bank Bhd (formerly known as RHB Sakura Merchant Bankers Bhd) where she was involved in a wide spectrum of debt raising activities and was responsible for setting up the Islamic Finance Department of the Bank which specialises in Islamic Debt Capital Market. Her involvement in private debt securities started in mid 1990's and she successfully arranged, structured and raised Bond and Sukuk worth over RM30.0 billion, some were landmark and award-winning transactions.

She left RHB Investment Bank Berhad and joined Bank Islam (Malaysia) Berhad in November 2006 to set up and head, as Director, the Corporate Investment Banking Division of the Bank, encompasses 3 distinct departments offering Corporate Finance, Debt Capital Market and Corporate Banking products and services. Under her stewardship, Bank Islam became the first Islamic Bank to successfully list company on the main board of Bursa Malaysia. Other equity transactions completed include, among others, Rights Issue, Bonus Issue, Dividend Reinvestment Plan and Merger & Acquisitions for corporates.

She was also a Director of Bank Islam Trust Company (Labuan) Ltd and Chairman of the Association of Islamic Banking Institution Malaysia's (AIBIM) Islamic Capital Market sub-committee.

Adinor Mohamed Yunus

Chief Risk Officer

Adinor Mohamed Yunus is currently the Chief Risk Officer with direct oversight of Risk Management, Credit Assessment and Retail Approving Center. He is the Chairman for Operational Risk Management Committee, Business Continuity Management Committee and attends the Board Audit Committee and Board Risk Management Committee. He also serves as a member of the Management Committee, Executive Risk Management Committee, IT Steering Committee, Asset Liability Management Committee and Management Audit Committee. As a permanent invitee of the Credit Committee and Investment Committee, he provides the necessary risk oversight and assurance over the decision-making process.

He has spent more than 20 years in the Treasury and Capital Markets at various banks in Kuala Lumpur and Jakarta. His last appointment was the Head of Group Treasury at Bank Pembangunan Malaysia Berhad, prior to joining Bank Muamalat in 2011.

He holds a Bachelor' of Business Administration (Accounting and Finance) and a Masters of Business Administration from Loyola University, USA

Haji Ismail Ibrahim

Executive Vice President, Credit Management Division

Haji Ismail Ibrahim joined Bank Muamalat as an Executive Vice President, CEO's Office in April 2012 and was subsequently redesignated to Executive Vice President, Operations on 1 February 2013 with direct oversight of Business Process & Transformation, Credit Operation, Document Management, Compliance, Treasury Processing & Settlement and Trade Finance Departments. He was redesignated to Executive Vice President, Credit Management Division since 9 September 2014. With this designation he oversees Credit Operations, Collection & Recovery, Document Management, Customer Service, Call Centre and IT Project Management.

Prior to joining Bank Muamalat, Haji Ismail was on the Board of Kuwait Finance House (Malaysia) Berhad as an Independent Non-Executive Director. He started his career in Agro Bank Malaysia Berhad (formerly known as Bank Pertanian Malaysia Berhad), and later moved to United Overseas Bank (Malaysia) Berhad and Affin Bank Berhad.

In 1992, he joined Public Bank Berhad as the Director, Credit Operations overseeing credit evaluation, credit administration and loan recovery. He was also the pioneer staff in the development of Islamic banking in Public Bank Berhad and played a key role in the establishment of Public Islamic Bank Berhad.

He was appointed as the Chief Executive Officer of Public Islamic Bank and remained on the post until his retirement in January 2011. Haji Ismail brings with him a wealth of 43 years of banking experience in areas of credit evaluation, loan recovery, credit administration, branch management and Islamic banking operation.

Syed Alwi Mohamed Sultan

Executive Vice President, Corporate Services Division

Syed Alwi is the Executive Vice President, Corporate Services Division at Bank Muamalat. The Corporate Services Division's scope covers all business aspects of the bank including consumer banking, business banking, treasury and investment banking with the responsibility to design, structure, innovate, implement, monitor and supervise all products, services, transactions and business offerings of the bank, including managing Shariah advisory services. The division has direct oversight of Product Development and Innovation Department and Shariah Department.

Syed Alwi also serves as a member of the Management Committee, Executive Risk Management Committee, Investment Committee, Management Audit Committee and Asset-Liability Committee (ALCO). He is the management representative in the Shariah Committee and has direct oversight on all Shariah governance matters. He also sits as a Board member of Muamalat Venture Sdn Bhd, a wholly owned subsidiary of Bank Muamalat involved in private equity and investments.

Prior to joining Bank Muamalat, Syed Alwi served as Managing Director and Head of Islamic Banking, Asia Pacific at BNP Paribas, Director of Islamic Origination at Standard Chartered Saadiq Malaysia Berhad and Vice President, Corporate Banking-Asia at The Islamic Bank of Asia Limited, Singapore. Syed Alwi has more than eighteen (18) years of working experience in the Islamic financial services industry, both as a consultant and a banker.

He is an Accounting graduate and also holds a MBA-Islamic Finance (First Class) from the International Islamic University Malaysia (IIUM).

Gary Chin

Executive Vice President, Information Communication Technology Division

Gary was the Executive Vice President of Information Communication Technology Division, Bank Muamalat. He holds a Bachelor of Science in Computer Science and Statistics from Sydney University in 1986 and Post Graduate Diploma in Electrical Engineering majoring in Communications. He was seconded to the CEO's office in November 2015 to lead the IT innovation team that oversees the key drivers for technological advancement of Bank Muamalat.

He is a leading expert in the IT Networking and Communication industry, in the APAC region. Technically competent with numerous ICT Engineering and Training certifications on most leading industry products, specialising in mobility, voice over IP, routing and switching technology.

Gary has more than 28 years in ICT with international exposure and technically certified and competent Consultant for many major Networking and Communications companies, with expertise in integrating data and voice networks.

Profile of Senior Management

Hafni Mohd Said

Executive Vice President, Finance Division

Hafni Mohd Said is currently the Executive Vice President (EVP) of Finance Division, Bank Muamalat. He holds a Bachelor of Commerce (Accounting) from Dalhousie University, Halifax, Canada and in 2008 he completed his Masters in Business Administration (Finance) from Universiti Putra Malaysia.

Prior to joining Bank Muamalat Malaysia Berhad, Hafni started his working career with RHB Bank Berhad as a Management Trainee upon completing his bachelor degree in 1992, and his last position at RHB Bank Berhad was as the Vice President, Head of Islamic Banking & Subsidiaries Audit Department.

Hafni joined Bank Muamalat Malaysia Berhad in July 2010 as the Chief Internal Auditor and has been given a new role in Finance Division of the Bank since October 2014. The operational functions involving tax management, regulatory and financial reporting, management of General Ledgers and management accounts, BASEL and liquidity reporting, financial planning and analysis, and reporting and monitoring of the Bank's strategies are currently among the functions under the purview of EVP, Finance.

Jamilah Abdul Sallam

Executive Vice President, Human Capital Division

Jamilah Abdul Sallam is the Executive Vice President of Human Capital Division of Bank Muamalat. She holds a Master's degree of Arts in Human Resources Management from University of Lincolnshire & Humberside, United Kingdom.

With more than 30 years of experience as a HR practitioner in financial services industry, Jamilah has in-depth knowledge in Human Resources Management. Her areas of expertise include Strategic HR Management, Organisational Development, Cultural Transformation and Change Management, Merger and Acquisition, Talent Management & Succession Planning, Compensation and Benefits Strategies, Performance Management, Employee Relations, Training and Leadership Development.

Prior to joining Bank Muamalat, Jamilah was the General Manager, Human Resources in Bank Islam Malaysia Berhad and Senior Vice President of Human Resources at RHB Investment Bank Berhad.

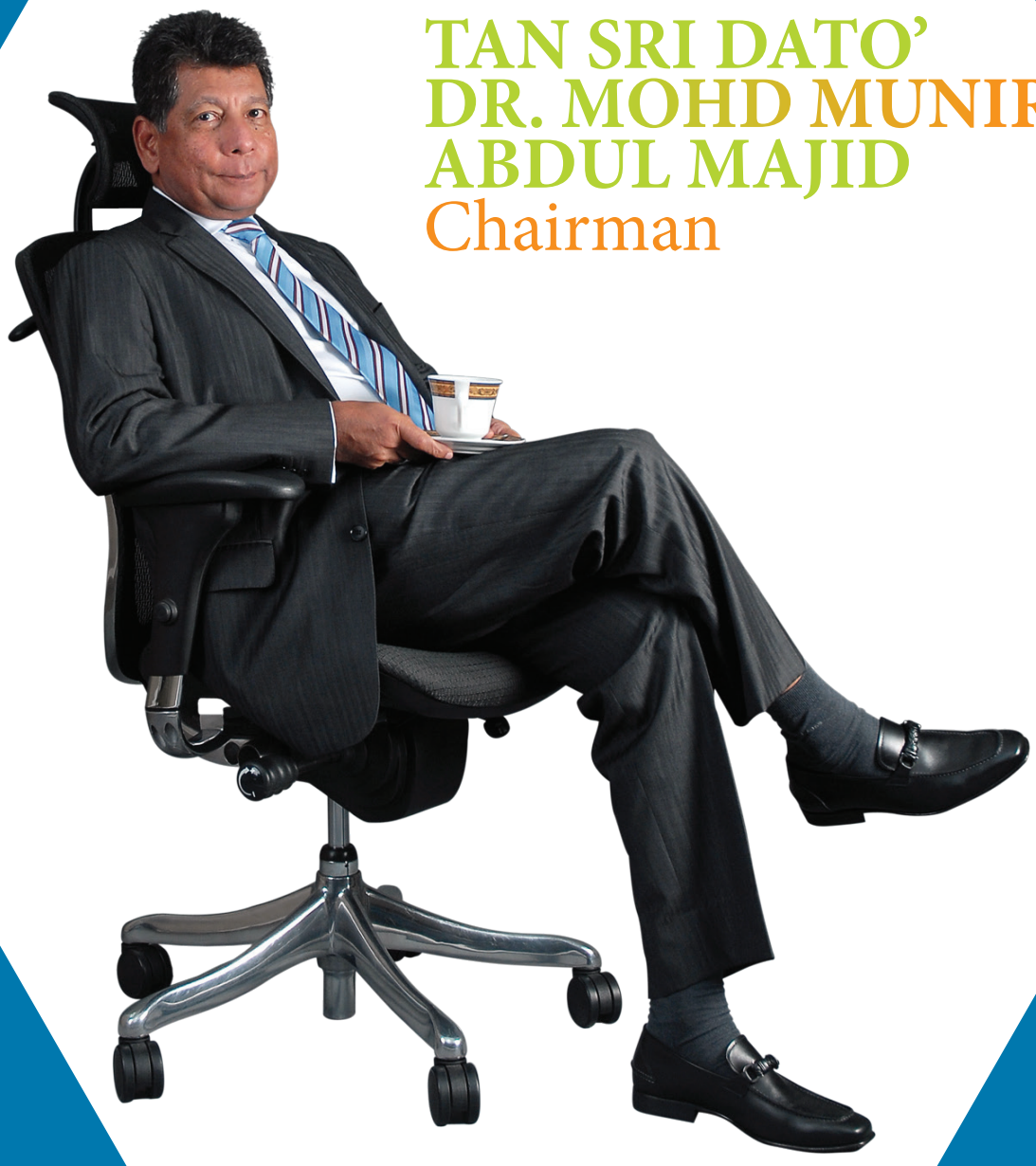
Muamalat

Ar-Rahnu

Harness your gold items and get immediate cash today with Muamalat Ar-Rahnu. Muamalat Ar-Rahnu offers high margin of advance up to 80% of the pledged gold items value besides low safekeeping fees. It is also based on four types of Shariah concept Qard, Wadiah Yad Dhamanah, Ujrah and Rahn.

Pledge Your Gold to Cash Earning Today

Chairman's Statement



TAN SRI DATO' DR. MOHD MUNIR ABDUL MAJID
Chairman

Dear Fellow Stakeholders,

I am delighted to share with you this report on the performance of Bank Muamalat Malaysia Berhad for the Financial Year ending March 31, 2016. The results were encouraging, considering a very challenging environment in the local and global financial markets in 2015.

The global economy in 2015 continued to show serious structural problems such as the Greek crisis, economic woes in China, slump in commodity prices, sluggish recovery in the eurozone and deflationary concerns in Japan, to name a few. There were also domestic political issues that affected investor sentiment especially foreign investors.

The US Federal Reserve decision to raise the benchmark interest rate added further pressure on the Ringgit, already retreating before falling oil prices and domestic political concerns, which declined to its lowest external value in more than 17 years against the US Dollar in September 2015. Consequently, Malaysia's foreign reserves fell to below US$100 billion by end of 2015.

Malaysia's economic growth in 2015 edged lower to 5.0% (2014: 6.0%), slowed down by moderate growth in private consumption as households adjusted to rising costs resulting from GST implementation, sharp fall in global commodity prices and weak external demand especially China. The national Budget tabled in October 2015 which was originally based on global oil prices at US$48 per barrel had to be revised with the oil price estimated to be between US$30-35 per barrel. However, Fitch Ratings' affirmation of an "A-" rating and "stable outlook" for Malaysia underlined the resilience of the economy and vindicated the fiscal consolidation measures of the government. Inflation declined to 2.1% in 2015 from 3.2% in 2014 due to the lower global energy and commodity prices which offset the upward adjustments to administered prices from the implementation of GST. The benchmark Overnight Policy Rate (OPR) remained at 3.25% (since July 2014) which ensured accommodative and stable monetary conditions to support the Malaysian economy.

The banking sector remained intensely competitive with the rising cost of funds which led to low margins. Tougher regulatory compliance requirements especially on liquidity standards and new accounting treatment on classifications of financial assets and financial liabilities are expected to have a dampening impact on credit growth and accumulation of debt. Nevertheless, the financial conditions in the Malaysian economy are expected to remain supportive of growth. Consumption growth will be supported by the growing number of households being set up among Malaysia's young population, strong employment and federal support to lower income groups, all of which should provide opportunities still for growth in the banking sector.

The Islamic financial sector grew by 11.4% on assets in 2014 to account for 26.8% of total assets in the banking system. Total financing registered at RM495 billion, representing 31.3% of the total loans, financing and advances in the banking system. In February 2016, the Investment Account Platform (IAP) was officially launched, marking a historic moment in the evolution of the global Islamic finance and highlights the continued leadership of Malaysia in pushing the boundaries of the industry. Bank Muamalat is proud to be part of the IAP initiative as a founding shareholder of Raeed Holdings Sdn. Bhd, the holding company of the IAP operator.

FINANCIAL RESULTS

Despite a rather mixed picture, I am pleased to report that Bank Muamalat did commendably well as it posted a substantial 49% improvement in Profit Before Tax (PBT) at RM170.7 million. This was on the back of a higher revenue of RM1.21 billion, a 14% increase from the revenue of the previous financial year. This was mainly driven by its stable financing growth as well as contributions from fee based income. The above results had a positive effect on most key financial ratios of the bank. The Return on Equity (RoE) edged higher to 6.9% as compared to 4.9% in the previous financial year and the Cost to Income Ratio (CIR) at 55.9% was a good improvement compared to 67.7% previously. The Gross Impaired Financing Ratio (GIF) was recorded at 2.21%, better than 2.48% from the last financial year.

Bank Muamalat's gross financing increased by 8.2% driven predominantly by a strong expansion in personal financing and a gradual growth in residential property assets. The financing portfolio stood at RM14.8 billion at the end of the financial year against RM13.7 billion the previous year.

The capital position of Bank Muamalat remained solid with a total Capital Ratio of 16% and Common Equity Tier 1 ratio of 13.80%, well above the minimum requirements under Basel III guidelines. Bank Muamalat projects further improvements to its asset quality as it puts in place a more robust end-to-end credit assessment infrastructure by strengthening underwriting standards, refining credit risk policies and enhancing its recovery processes.

Chairman's Statement

PROGRESS AND CHALLENGES

During the year, Bank Muamalat had successfully replaced all Mudharabah-based Savings and Current Accounts (CASA) into corresponding Wadiah-based accounts as part of a regulatory reclassification of deposit products as required under the Islamic Financial Services Act 2013 (IFSA). Following that, the bank conducted several deposit campaigns under the "Wang Besar!" slogan to diversify sources of deposit and to grow its customer base under the Fixed Term-i product.

In line with Bank Muamalat's strategy to garner a larger contribution from fee based businesses, Bank Muamalat launched the Muamalat Gold-i (MG-i) product during the financial year. The MG-i is offered by the Wealth Management business as an investment strategy and a wealth preservation strategy for our customers. Apart from MG-i, Bank Muamalat continued to strengthen and grow its Ar-Rahnu (pawn-broking) and Bureau de Change (BDC) businesses while looking at growing the retail presence of both these business operations in the next financial year.

Bank Muamalat has initiated the Investment Account business as a new business unit which is parked under the Investment Banking department. Bank Muamalat successfully launched its first venture under the Investment Account Platform (IAP) in April 2016, thus becoming the first sponsoring Bank of the IAP. This offers a new source of fee based income for Bank Muamalat and consolidates its strategy to diversify sources of revenue and growth.

In May 2015, Bank Muamalat officially launched its public Facebook page. This is part of Bank Muamalat's effort to reach their customers, improve customer service and to create better pathways towards gaining their loyalty. Bank Muamalat also introduced two other digitalised services through the launching of JomPay in October 2015 to facilitate easier participative bill payment and the commencement of FPX as a payment gateway in March 2016.

During the year, Bank Muamalat had offered a Voluntary Separation Scheme (VSS) to the staff. This scheme was motivated by several factors but was mainly a strategic cost management initiative for Bank Muamalat. About 150 staff members accepted the voluntary separation package and it was pleasant to see that the entire process was smooth, and had offered a win-win opportunity for both the employer and leaving employees. Bank Muamalat wishes them the very best in their future endeavours and will remain indebted for their contributions.

Finally, a few words on the purported merger exercise between Bank Muamalat and Malaysia Building Society Berhad (MBSB). The merger discussions began on October 1, 2015 for an initial 3-month period which was subsequently extended to end of January 2016. Had the merger taken place, the combined entity would have become the largest standalone Islamic bank in Malaysia, with the ability to compete with greater economies of scale. Unfortunately, both Bank Muamalat and MBSB mutually agreed to end the merger talks as both shareholders could not agree on the terms of the proposed merger.

PROSPECTS

The global environment is likely to remain challenging in 2016 with headline inflation being dragged down by low commodity prices and softening activities especially in advanced economies. The loose monetary policy of certain central banks to provide economic stimulus has only had limited effect mainly due to already high levels of debt in the global economy. Consequently, the Malaysian economy is projected to grow slower in 2016, between 4.0%-4.5%, supported by low unemployment rates and sufficient liquidity in the banking system for moderate credit growth. The banking sector will continue to experience intense competition for deposits and good credit quality clients which will exacerbate margin compression.

Consequently, Bank Muamalat has identified several strategic initiatives to face the challenges. The focus will be in the following areas;

First – Funding Diversification and Growth

Bank Muamalat will focus on funding diversification and CASA growth through product innovation and customer diversification strategies. Bank Muamalat will be introducing innovative deposit products, digitizing services, improving technology-enabled processes on deposit taking and offer tailor-made products across various customer segments in support of this strategy.

Second – Yield Management

Bank Muamalat will focus on improving its portfolio yield through calculated product bundling and cross selling initiatives across various customer segments. Bank Muamalat will intensify efforts to identify newer sources of fee based income through product and customer diversification, without impacting capital exposure, such as card-based services, variation to the investment account product, cash management solution, gold-based product offering, bancatakaful products, trade finance products, wealth

management solutions, treasury-based structured products and Investment banking advisory services. Bank Muamalat will also strengthen its underwriting standards, refining credit risk policies and enhancing its recovery processes to improve credit quality of assets and have a tight rein on provisions and impairments.

Third – Cost Management
Bank Muamalat will intensify efforts to improve its operational efficiencies to achieve cost improvements. Bank Muamalat will remain steadfast in diligently monitoring key cost drivers and in continuously identifying process improvement measures to achieve such improved operational efficiencies. Bank Muamalat will also embark on digitalisation strategies to introduce tools and applications for customers to perform banking transactions efficiently.

In conclusion, Bank Muamalat has embarked on a process improvement initiative of its customer service processes. This will be further enhanced by integrating with all relevant stakeholders to ensure that the customer relationship journey with Bank Muamalat is well managed and eventually ends up with the customer acting as our advocates. People are the key component of Bank Muamalat, thus we will invest in our people and engage with employees and unions towards creating a workplace where our employees can learn, grow and be fulfilled in their work with a balanced lifestyle. Finally, Bank Muamalat will continue to be a bank of the community, for the community which gives back to the community that serves through their corporate responsibility initiatives.

ACKNOWLEDGEMENT
In July 2015, Dato' Mohamed Hazlan Mohamed Hussin resigned from the board. We have benefited from his vast experience and we would like to thank him for his contributions.

I would like to take this opportunity to welcome Dato' Ahmad Fuaad Mohd Kenali as a member of the Board of Directors. His tenure as Non-Executive Director was effective beginning July 2015. We are fortunate to benefit from his experience of more than 20 years in the fields of finance, accounting and audit.

On behalf of the Board, I would like to sincerely express my gratitude to the management team and all members of staff at Bank Muamalat for their leadership, commitment and dedication in the mission to make Bank Muamalat the preferred Islamic financial institution and a premier financial services provider. I am counting on them for their continued contribution in the years ahead. I would also like to record my appreciation to my fellow Board members for their guidance, counsel, insights and support.

I wish to thank the relevant authorities, in particular Bank Negara Malaysia, the Securities Commission and the Ministry of Finance for their guidance and assistance.

I would also like to extend my appreciation to our customers for their continued support and loyalty. May Allah SWT bless our efforts and provide us with His continued sustenance.

Yours Sincerely,

Tan Sri Dato' Dr Mohd Munir Abdul Majid

From the CEO's Blog

Dato' Haji Mohd Redza Shah Abdul Wahid
Chief Executive Officer

June-15

Nobody's Child - The Plight of The Rohingyans

Remember the 1969 Karen Young hit song also popularised by the Beatles called Nobody's Child? It is a sad song of a blind orphan that nobody wanted because he had no eyesight whilst the other orphans were eventually adopted. The song starts like this ;

"As I was slowly passing..., an orphans' home one day
And stopped for a moment... just to watch the children play
Alone a boy was standin', and when I asked him why
He turned with eyes that could not see, and he began to cry"

The chorus then explains his tears;

"I'm nobody's child, I'm nobody's child
Just like a flower I'm growin' wild
No mummy's kisses and no daddy's smile
Nobody wants me, I'm nobody's child"

I guess this weekend I was that guy who was passing by, but the only difference was that I had the privilege to enter a no go area of a refugee detention camp near Kajang. As I stopped there standing, I watched my Muslim brothers sat in a large cell waiting to be attended by a group of 7 volunteer doctors and nurses who came at their own free will from My Care. Most in the detention centre were young and looked well; thanks to the responsible Immigration authorities who handled them well. However, internally, many had suffered from gastric, TB and weak bones.

As I struck the conversation with those around me, the story unfolds. Many nationalities come and go from here but the Rohingyan stays, he said. Their country doesn't recognize them and they throw their papers away coz they don't want to return to the killing fields of their homeland. So they are "Nobody's Child?" I remarked. "Yes!" he answered. Even the United Nations and the western world choose others but not them. Such is the plight of the Rohingyans, unwanted everywhere.

It is with this realisation and reading the horror of the mass graves and the floating boats in the Malacca Straits, that we have taken the decision to assist this unfortunate people wherever possible. Volunteer programmes will commence to assist the NGO medical teams going to the detention camps and we will work with other NGOs to provide opportunities for those released to be settled in to society.

Let's change the world we live in by making that 'nobody's child' to 'Everyone's Child'. After all, this world belongs to all humankind...

September-15

Commencement of Negotiation Between DRB-HICOM and Malaysia Building Society Berhad (MBSB)

We have been informed that today Bank Negara Malaysia has no objection in principle for DRB-HICOM to commence negotiation with MBSB for the proposed merger of MBSB and Bank Muamalat Malaysia Berhad (BMMB).

This is not a finalisation of a merger, as both parties will only begin negotiation after this. At this stage, no structure, terms or conditions have been finalised or is known, as the process is likely to take at least a few months.

Our business will remain as usual until we are notified of further development.

October-15

Merger Negotiations with MBSB

The merger negotiation(s) between Bank Muamalat and MBSB has commenced. The two particular areas of involvement by Bank Muamalat's personnel are in the area of due diligence and the business plan of which both of these exercises have started.

The management of information during this process is important in order to safeguard Bank Muamalat and comply with the Islamic Financial Services Act 2013. In this respect, only authorised persons/advisers have been granted this access by Bank Muamalat.

November-15

Seven Years On…!

The end of October 2015 marks my 84th month or the 7th year at Bank Muamalat. Personally, it has been quite an achievement to stay this long as the arrangement I had with my stakeholder was to be a covering CEO whilst a corporate exercise would ensue. Furthermore, I was always labeled as a non banker and whenever I disagreed or did not implement some of the things my senior management wanted to. This then brings me back to the day I was interviewed by BNM in September 2008 for the job. For 30 minutes, the conversation was about what to do and how to change Bank Muamalat. They were talking as if I was the CEO then, which really took me aback. Then I recall their final question, "You do have banking experience, don't you...?" I answered yes as I had served the BMMB board in 1999-2000 and have audited banks in my audit days. Two weeks later the approvals were out and my Muamalat journey began.

Winning the trust of the regulator was the biggest problem of Bank Muamalat plus implementing and executing plans to improve control and risk management were our central issues. Taking on the strategy of addressing the high NPL was made priority. With the reorganising of the Credit Dept, the NPL numbers fell rapidly from the high 8% to 3%. The profitability numbers also improved and we were earning well above the RM100m mark and in the year 2013, we achieved a high of RM235m PBT. Financing Assets have also almost doubled from RM7 billion to RM13.5 billion. The trust by the Regulators was somewhat won back almost 30 months after I took office.

I have always emphasised and will continue to emphasise, that we operate Bank Muamalat only because of one reason, that is the licence granted by us by the Central Bank under IFSA. Hence, winning the trust of the regulators and executing their concerns are key thrusts for all of us in our daily work at Bank Muamalat. We are part of the chain of the financial markets and must always be strong to mold that chain together.

Coming on to the Merger, lots of people ask me if I look forward to it? The answer is yes as I see exciting times ahead with a bigger and more recognisable entity. We have lived in the shadows of our other full fledged bank for the last 16 years. With better IT, Risk Management and Business infrastructure, it is also time to lead the markets. It is also time for an Islamic Bank to go regional just like our brother bank CIMB did. The fact that MBSB is not a bank and we are, signifies the fact that there is less duplication in terms of manpower and resources, which augurs well for the merger entity. Nevertheless, as a Bank, we will be responsible to ensure that assets and resources that are combined will make us stronger moving forward.

Whatever it is, it has been a very rewarding journey for me being in this Islamic Bank. My success is owed to all of you

From the CEO's Blog

for the effort that you have put in, terima kasih wargakerja Bank Muamalat. Moga Allah membalas segala usaha anda.... Ameen!

February-16

Moving Forward and Moving On – 'Patah Tumbuh – Hilang Berganti'

By now you may have read or heard about the announcement by our parent, DRB-HICOM Berhad, that after 4 months of due diligence and negotiations, the shareholders have finally decided that the merger will not proceed.

Now that the merger is not happening, the first question that comes to mind is, why did it not occur? My simple answer to that is because expectations are different. The main criteria that must exist to form a merger or acquisition is an entity which can add value in terms of business expansion or reduction of business costs.

So, it's back to the drawing board now and plans for the new budget of 2016/2017. A tough year lies ahead of us but with good liquidity and an RWCR of 15%, insyaAllah we will weather what lies ahead. We may be a small ship sailing in the big ocean but with a coordinated Captain and Crew working together, let's journey into taking Islamic Banking to the next level. Let's do it for the sake of the Ummah and prove to everyone that Bank Muamalat has a role and a place in Malaysian Banking. As the Malay saying goes ' Patah Tumbuh - Yang Hilang Berganti ". InsyaAllah, what is gone may be replaced with something better!

February-16

A Jaguh Kampung No More

Hardly any of us would have bothered to wake up in the early hours of the morning to watch the Moto3 GP nor most of us would have even known that there were 2 Malaysians competing in this World class race. As it was, that Sunday in Argentina turned out to be a significant day for Malaysian Sport and more importantly an inspiration for all of us Malaysians.

A 17 year old boy by the name of Khairul Idham Pawi had taken the Motor GP world by storm in winning the Moto3 GP race category. A kampung boy from Kampung Gajah who was destined to be a "rempit" didn't become one because his father intervened and channeled his ability in the right direction. Whilst his other friends continued vainly and harmfully in being a street menace, this boy unrelentlessy for the last 4 years was trying hard to qualify to be a GP rider. Finally when he broke ranks and managed to get to team Honda, he finshed 22nd in the Qatar race on March 22nd. Then he shocked the Moto3 GP World by winning on April 4th in Argentina by a resounding 26 seconds. Significantly and unnoticed, his collegue Adam Norrodin who was competing for a second place finish, fell on the last lap, got up pushed his bike to the finish line and still finished a credible 11th position. Their determination was amazing and it depicts the fact that it doesn't matter where you come from or how inferior your facilities or training standards are, it is your will power that can carry you to the top! This boy has indeed graduated and is " A Jaguh Kampung No More..."

As we reflect upon ourselves as the smallest high street bank in the country, we are probably labelled more like a Kampung Boy to many of our bigger banks. However, that should not deter us from wanting to succeed and breaking new barriers. Our Waqf Muamalat is much talked about by the International community as an example of how Corporate Social Resposibility in a Syariah way can be executed. More recently we were awarded by Retail Bank Asia as the most innovative provider of 3rd party insurance product, beating some other larger banks. Unexpectedly, our PFC Puan Nur Farazella from Kota Bahru won the highest generator of Family Takaful Product at the Malaysian Takaful Association awards ceremony last week. Insyallah, with the grace of the All Mighty, we may be the pioneer in the launch of the first Investment Account Product in the world, over the next month.

It just shows that there is talent and there are innovations within our bank. Identifying, nurturing and letting it excel is our challenge and it is the job of the heads to give them the platform and making them stand out. In an environment where we have the bigger banks having better cost of funds due to higher CASA, we need to re-engineer ourselves and be different to survive and do well in the marketplace. I see pockets of inspiration coming out of Bank Muamalat, we need to make them come out more and more. There is a Khairul Idham in most of us especially the young energised team of ours. Let's nurture them and certainly to the eyes of the public, we will be a "Jaguh Kampung No More".

February 2016

The Launch of Investment Account Platform

A group of six Malaysian Islamic Banks on Wednesday launched a shariah-compliant investment account platform that could shift the role of Islamic lenders to investment intermediaries from credit providers currently. The Investment Account Platform (IAP) will serve as a central marketplace to finance small and medium-sized businesses, with the Malaysian government backing the scheme with an initial RM150 million in funds.

The project is aimed to raise between RM200 million and RM300 million ($47.53 million to $71.29 million) through the IAP over the next two to three years. Its maiden project could be listed as early as next month, with future plans including listings in other currencies. Under the scheme, Islamic Banks vet businesses seeking funds, provide a secondary market for investors and in some cases underwrite the equity transactions. Under the government's Islamic Financial Services Act 2013, Islamic banks had to segregate Islamic deposits from investment accounts by July of last year, prompting them to diversify the financial products offered to customers.

The proportion of investment accounts to total funding for Islamic banks has risen to 10 percent as of December, from 7 percent in August. According to Tan Sri Dr. Zeti Akhtar, the IAP creates a differentiated product that presents a new source of income and funding profile. The IAP is also open to international investors, with the government placing no restrictions on inflows of foreign capital into the IAP, profits from which are exempt from income tax for the first three years. The six shareholding banks are Affin Holdings, Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad, Maybank Islamic, Bank Kerjasama Rakyat Malaysia and Bank Simpanan Nasional.

March 2016

7th Retail Banker International Asia Trailblazer Summit & Awards 2016

It's a historical day for Bank Muamalat as it received a global recognition through the Dynamic 3rd Party Partnership Award by Timetric at the 7th Annual Retail Banker International Asia Trailblazer Summit & Awards 2016 a recognition that Bank Muamalat has excelled above some other larger banks to win this award, a testament that the Bank is able to achieve great heights and compete with larger financial institution.

This award recognises the initiative by Wealth Management Department in developing strategic business alliance between Bank Muamalat Malaysia Berhad and iFast Capital Sdn. Bhd. which sees Bank Muamalat as being the pioneer in establishing the integrated wealth management platform.

This platform is a game changer initiative which has attracted customers to bank with us as it enables them to select TOP notch performing funds from reputable fund houses.

Through it, Bank Muamalat has also successfully delivered improvements in operational turnaround time due to standardised procedures; enhanced marketing and general support as all products are now channeled to a single party; reduced operational errors and inconsistencies and notably improved both customer experience and staff morale on the whole for the unit trust business.

MUAMALAT Gold-i

Muamalat Gold-i is a Shariah compliant gold product which offers you the opportunity to participate in the precious metal market of which the returns would be from the capital appreciation of your initial purchases.

Secure Your Future Wealth with Gold Today

FINE GO
9999

Business Division

Mashitah Haji Osman
Chief Operating Officer

All Business Divisions and Departments (BDDs) are Bank Muamalat's major profit and income centres which optimise capital use, generate revenue and manage costs. FY2016 was unquestionably the year on a slippery slope for Bank Muamalat in particular its BDDs given both domestic and global context and circumstances in the background from the socio-economic, business, political, institutional and regulatory perspectives.

Among the unfavourable developments caused by exogenous factors were sluggish momentum in the Euro zone and Japan; growth deceleration in developing economies due to China's slowdown and recession in Brazil and Russia; the global commodity crash and its devastating impact especially on the oil and gas industry; the US interest rate liftoff and high global financial market volatility; the Ringgit slide and rampant terrorist attacks on a global scale.

In FY2017, all these initiatives will continue to be undertaken, together with specific efforts planned by the respective Business Divisions and Departments (BDDs) individually to address any anticipated challenges and achieve any specified targets.

Closer to home, the operating environment for Bank Muamalat was particularly weighed down by the rising costs of living amidst the implementation of Goods and Services Tax (GST) and on-going subsidy rationalisation programme; labour market worries in the thick of raging job cuts and lackluster economic prospects; subdued public consumption and investment due to federal government's commitment to fiscal rectitude and balanced budget goals; moderation in private sector's consumption and investment as well as extremely intense competition for new financing customers and low-cost funding especially via Current Accounts and Savings Accounts (CASA).

All these drag factors exerted pressures in FY2016 and will continue to have adverse effects in the upcoming financial year on the customer affordability to contract new financings; customer capability to service existing financings; asset quality and non-performing financing situation and the financing margin. In response to the mounting adversity during the financial year under review, Bank Muamalat especially its BDDs adopted a proactive and pro-growth approach with the following strategic initiatives:

- Adequate re-pricing of existing and new financing products to minimise the financing margin squeeze;
- Business directional shift towards high yielding assets based on Risk-Adjusted Return on Capital (RAROC) and high fee-generating products;
- Launch of brand new and innovative fee-based income products for retail customers in particular gold related and debit card as well as aggressive marketing and promotional efforts for existing wealth management products such as Badal Haji, commercial and family Takaful, unit trusts and will writing services;
- Introduction of the Investment Account Platform (IAP),

a new fundraising avenue for commercial and corporate customers including SMEs and large companies that should assist the Bank Muamalat to efficiently manage its capital allocation and adhere to regulatory liquidity requirements;

- Establishment of the Deposit Department, a new dedicated department carved out from the Consumer Banking Division to lead deposit mobilisation and accumulation activities notably CASA through rigourous and aggressive campaigns and strategic plans in an effort to reduce funding costs and eventually, to widen the financing margin;
- Vigourous cross-selling drive within BDDs with well-designed and adequately rewarding incentive schemes;
- Striking a fine balance between income growth and capital preservation with heightened state of vigilance vis-à-vis asset quality and guidance from the Bank's Risk Appetite Framework (tolerance to risks, risk-return trade-offs, etc);
- Human capital enhancement and talent development with relevant training and knowledge acquisition programmes to raise the Bank Muamalat workforce quality especially those in the frontline and sales teams such as the Associate Qualification in Islamic Finance (AQIF) provided and issued by the Islamic Banking and Finance Institute Malaysia (IBFIM).

In FY2017, all these initiatives will continue to be undertaken, together with specific efforts planned by the respective BDDs individually to address any anticipated challenges and achieve any specified targets.

CONSUMER BANKING

Drag forces in the operational environment in FY2016 were more daunting for the Consumer Banking Division (CBD) compared to other divisions given the strong linkages between the prevailing economic climate and other type of retail-oriented business. Throughout FY2016, the consumer banking landscape in Malaysia was particularly tough owing to continuous financing spread compression on industry-wide "race to the bottom" for financing pricing as a result of intense competition; effects of on-going property cooling measures and the banking system's prudent credit policy to address the mounting household indebtedness.

Notwithstanding such adversity, CBD delivered decent performance in terms of profitability and revenue generation thanks to sustained growth in overall financings, deposit buildup and other fee-based activities. During the year under review, the CBD expanded its customer base and deepened relationship with customers across all segments through leading service delivery, innovative and cost-effective solutions, and various cutting-edge platforms. The emphasis on proximity and collaboration with customers in market niches has helped deliver a differentiated customer experience that sets Bank Muamalat apart from its competitors.

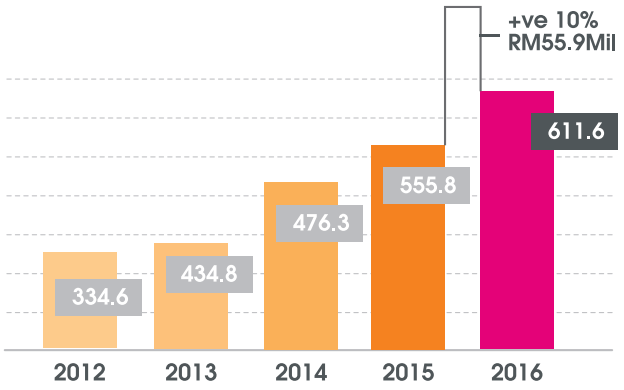
In FY2016, CBD will concentrate its efforts for each department as follows:

- Looking ahead, WMD will continue to introduce new and enhance existing products and services to meet the ever-evolving demand of increasingly discerning and sophisticated customers. Existing sales personnel are scheduled for further development programmes to upgrade and rebrand as Islamic Wealth Advisors.

    - Mortgage Financing - to improve financing quality and sales productivity especially in the prime and suburban areas while supporting existing customers;
    - Personal Financing - to raise financing quality and expand product range by enhancing or even introducing new personal financing products; to diversify revenue base and sustain high growth, targeting a wider pool of customers;
    - Auto Financing - to remain focused on creating and strengthening the customer base in the new passenger vehicle financing segment especially under the DRB Group;
    - Ar Rahnu - to expand the business to 10 more selected branches (from 30 currently) with the objective to increase Ar Rahnu's contribution further as Bank Muamalat's fee income.The long-term aim is to ensure the presence of Ar Rahnu business at all 60 branches nationwide.

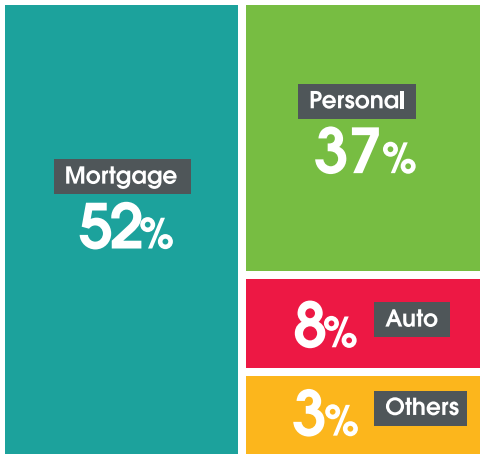
Business Division

Revenue (RM Million)



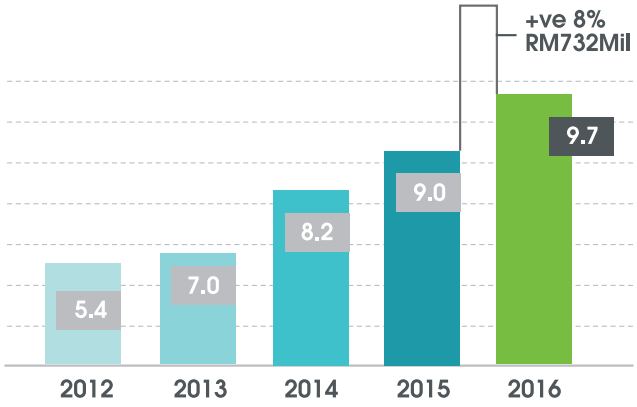
Overall, the CBD turned in a commendable income growth of 10% to RM611.6 million thanks to respectable gains in financings, deposits and fee income portfolio.

Consumer Financing Composition (%)

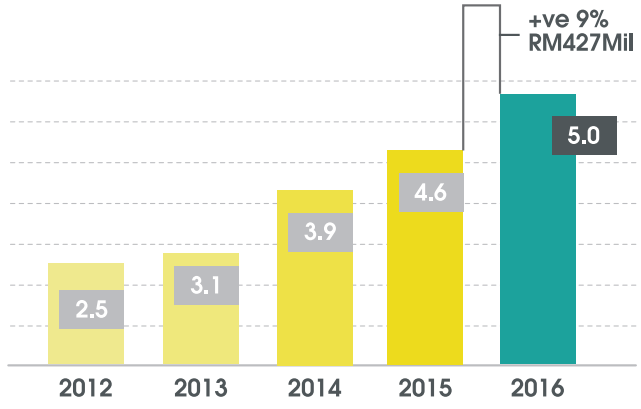


At RM9.71 billion, total consumer financing increased by 8% or RM732 million in FY2016, driven by the CBD's core segments, namely personal financing and residential mortgages, which grew 14% and 9% respectively.

Overall Consumer Financing (RM Billion)

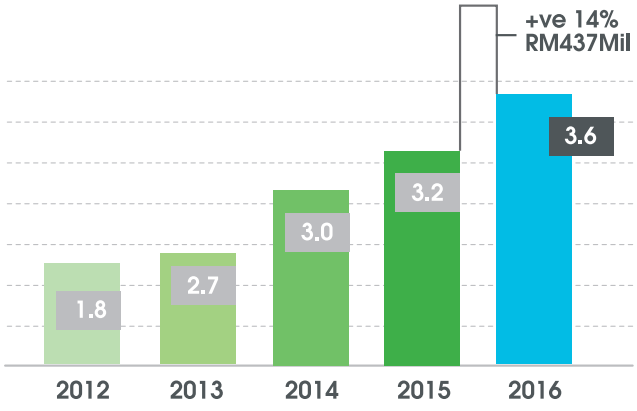


Mortgage Financing (RM Billion)



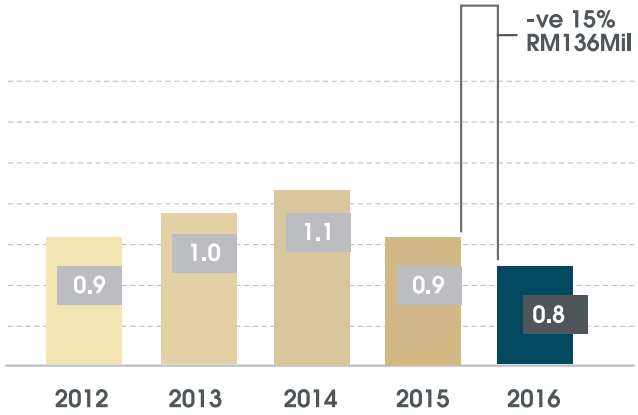
Despite the stiff competition and softer property market conditions, mortgage financing saw a 9% rise on the back of enhanced product offerings such as the SMART Mortgage 1Hutang with the extra cash feature to cater for debt consolidation, investment and house renovation. The mortgage financing portfolio stood at RM5.0 billion, accounting for 52% of the CBD's total gross financing. New home financing applications and approvals registered modest growth amidst highly competitive property financing market.

Personal Financing (RM Billion)



Against the backdrop of rising costs of living following the introduction of Goods & Services Tax (GST), stricter regulatory and risk management requirements in response to high household debt as well as continuous stiff market competition, Personal Financing remained Bank Muamalat's star performer with a phenomenal double-digit growth in FY2016. Thanks to highly marketable products and deduction at source advantage (96% of this segment's customers are civil servants), net outstanding personal financing increased by 14% or RM437 million to hit RM3.6 billion as at 31 March 2016. Personal financing also contributed 45% to the CBD's total revenue.

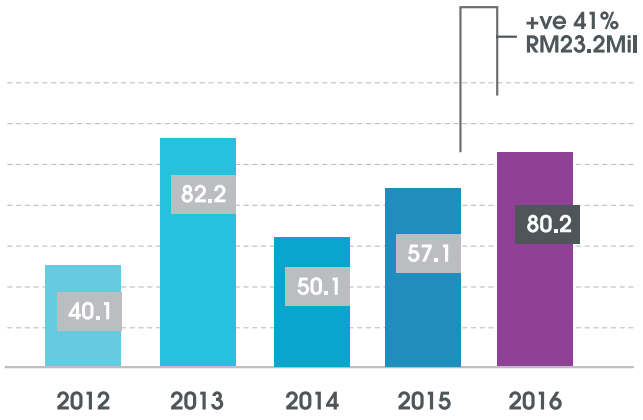
Automobile Financing (RM Billion)



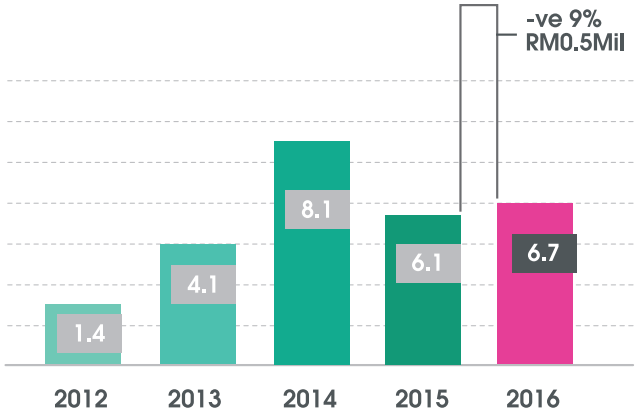
In contrast to home and personal financing, financing for the purchase of transport vehicles remained on a downtrend for two consecutive years – a further decrease of 15% or RM136 million to RM0.8 billion as at 31 March 2016. However, given an overly competitive market especially on pricing, this declining trend was not unexpected and largely in line with Bank Muamalat's strategy to rebalance the financing portfolio, focusing on more profitable business segments.

Business Division

Marhun Outstanding (RM Million)



Ar Rahnu Fee Income (RM Million)



As at 31 March 2016, the outstanding Ar-Rahnu Marhun stood at RM80.2 million, up 41% or RM23.2 million from a year ago. The safekeeping fee income rose 9% to RM6.7 million. Currently, there are 30 Ar-Rahnu outlets at our branches.

Micro Financing

Apart from focusing on staple consumer-centric products, it has been Bank Muamalat's strategy to expand its financing portfolio under the Corporate Social Responsibility (CSR) activities through micro-financing. This scheme has been specifically designed to provide Islamic financial solutions to the underserved or under-banked individuals for their small business undertakings. Currently, there are two types of micro financing products:

- BNM Micro Financing Fund Bazar Tok Guru Kota Bahru Kelantan. As at 31 March 2016, a total of 270 participants have outstanding financing worth RM5.18 million.

- Tabung Mawaddah Micro Financing Fund based on the Qardhul Hassan concept, targeted to assist the needy or poor individuals for a financing period of up to two years. The repayment plan is based on their affordability. As at 31 March 2016, a total of 125 participants have outstanding financing worth RM158K.

WEALTH MANAGEMENT

Being a department within the Consumer Banking Division (CBD), the Wealth Management Department (WMD) had to face almost similar challenges as the other CBD constituents in FY2016 in particular subpar economic expansion; escalating cost pressures on households and businesses in the aftermath of the Goods and Services Tax (GST) implementation and gradual subsidy removal; increasingly more stringent regulatory requirements and very prudent credit policy for the banking system as a whole amidst weighty household debt; financing margin squeeze reflecting heightened competition within the banking industry and cooling measures to curb property speculation.

Against all odds, the WMD's performance during the year under review was far from disappointing. For instance, its Muamalat Mutual-i (MMi) Campaign amassed some RM35 million worth of total investments from customers which can be broken down into RM21 million in unit trust investments and RM14 million in Fixed Term Accounts (FTAs). Via the WMD's bancatakaful activities, Bank Muamalat registered RM2.7 million of Annualised First Year Contribution (AFYC) for regular family Takaful business. Between 18 January and 31 March 2016, the WMD also sold 72.33 kg of gold, raking in some RM646,596.95 in corresponding income through 53 branches versus the initial target of involving only 3 branches. On the whole, WMD made RM6.7 million in fee income as at end-March 2016 with only 22 Islamic Wealth Advisors.

On 17 March 2016, Bank Muamalat outsmarted DBS Bank and Maybank Group Malaysia to win the prestigious and globally acclaimed Dynamic 3rd Party Partnership award by Timetric at the 7th Annual Retail Banker International Asia Trailblazer Summit & Awards 2016. This award serves as a recognition of all the efforts put in by the WMD and the strategic alliances forged with iFast Capital Sdn Bhd who sees Bank Muamalat as a pioneer in the field of integrated wealth management platforms. Such a platform helps to reduce the operational turnaround time thanks to standardised procedures; enhance the marketing of investment and provide general support to all products which are now channeled to a single party; minimise operational errors and inconsistencies and provide a boost to both customer experience and staff morale in the investment business. Slightly more than a week later, an Islamic Wealth Advisor from Kota Bharu branch emerged as the 1st runner-up for the Top Bancatakaful Producer under the Bank Sales Staff Category Award at the Malaysian Takaful Association (MTA) StarNite Award Night.

BUSINESS BANKING

FY2016 was a particularly challenging year for the Business Banking Division (BBD) against the backdrop of a moderating economy; increasingly keen competition within the industry for high-quality customers, talents and other resources; and rising cost pressures on multiple fronts while it had to ensure continued enhancement of shareholder value through asset consolidation and profitability-boosting changes in product focus. To achieve superior efficiency gains, an internal re-organisation involving three main departments, namely Corporate Banking, Commercial Banking and Regional Banking was implemented. Of particular significance, the SME Retail Business was integrated into the new Commercial Banking Department to synergise resources and augment cross-selling opportunities. This exercise also entailed talent-mapping and skills-matching initiative for efficient use of resources, which resulted in a workforce rightsizing to 65 staff from 93 previously.

The BBD navigated through the challenging year rather admirably considering its performance, notching improvements across the board while contributing to Bank Muamalat's asset quality and profitability goals. Notwithstanding Bank Muamalat's cautious and selective approach towards new financing applications as well as risk aversion vis-à-vis certain industries, the BBD turned in a respectable 10% increase in financing assets ex-SME Retail portfolio to RM4.78 billion. Including the SME Retail portfolio, a new addition to the BBD in FY2016, total financing assets amounted to RM4.84 billion. Out of these assets, the BBD made RM258 million in financing income, up 28% compared to RM202 million in FY2015 on the back of a higher average yield. Commendable showing in financing assets reflected the success of the BBD's overall strategy of strengthening bilateral financing relationships and ensuring more efficient capital utilisation while continuing to be on the lookout for opportunities in infrastructure, project and contract financings in order to book in high-quality long-term assets with minimal risks of non-completion. Moreover, its fee income also grew by 10% to RM9.7 million (FY2015: RM8.8 million).

In FY2016, the Corporate Banking Department remained the backbone of the BBD, accounting for 87% of its financing assets and 82% of financing income. The Commercial Banking was a distant second; making up 12% of the BBD's financing assets and 16% of financing income.

The BBD's sectoral spread remained fairly limited in FY2016. Corporate financing were mostly concentrated in Finance, Insurance, Real Estate and Business Services (42.9%), Manufacturing and Education, Healthcare and others. The major sectors for commercial financing were Finance, Insurance, Real Estate and Business Services, Construction and Transport, Storage and Communications. Similarly, SME Retail financings were mostly extended to Finance, Insurance, Real Estate and Business Services, Construction and Wholesale and Retail Trade.

Notwithstanding the high concentration of almost 43% of corporate financing in Finance, Insurance, Real Estate and Business Services, the Corporate Banking Department's exposure to real estate was only 27% in FY2016 as the BBD as a whole has maintained its selective and cautious approach as far as real estate is concerned, with specific emphasis on low-risk projects in the affordable residential segment and township development in regions with high growth potential in particular the Central region and Penang.

Despite a much trimmed and leaner workforce, the BBD managed to process and vet through some RM5.35 billion worth of financing applications in FY2016. Nonetheless, the low approval rate of 41% reflects Bank Muamalat prudent credit policy as a whole in response to the increasing slack in economic activities in general, widely observed since FY2015. While the financing utilisation rate decreased slightly to 66% (FY2015: 72%), the BBD is heartened by the steady downtrend in its Non-Performing Financing (NPF) ratio over the past few years, declining further to 2.72% in FY2016 (FY2015: 2.90%). In fact, the BBD's Delinquent Ratio

declined further to 0.18% in FY2016. Notwithstanding the declining utilisation rate, the higher average yield for the year could indicate improvement in the quality of approved financings effectively utilised.

Looking ahead, the BBD will carry through its capital preservation goals by safeguarding asset quality; concentrating on revenue generation and yield enhancement and improving capital utilisation efficiency. In FY2017, BBD will maintain its on-going focus on higher yielding products in terms of product types including construction and infrastructure, manufacturing, education, healthcare and consumer (especially food and beverages) in terms of sectoral exposure, a strategy that it strongly believes will help solidify the BBD's profitability while keeping deliquency and NPF ratios in check. Given the considerable amount of macro-challenges for the economy and the banking industry in general, it is only fair to expect a marginal but still commendable growth for financing assets in FY2017.

INVESTMENT BANKING

During the financial year under review, the investment banking industry was caught in an extremely challenging operating environment - subdued economic conditions and slackening general business trends which resulted in restrained deal flows and other new opportunities; over-reliance on limited sources of business opportunities, notably from Government-linked companies (GLCs) and top-tier corporates; ever-rising obstacles to secure mandates and increasingly competitive investment banking space, too dominated by larger investment banks, both local and foreign. The Investment Banking Department (IBD) also had to handle with care and ensure the success of takeover of the Musharakah joint venture portfolio, previously under the Strategic Liaison Management Office (SLMO), comprising two (2) business lines, namely the Ar-Rahnu (Islamic pawnbroking) and wholesale currency exchange.

Notwithstanding all odds in particular limited new deal flows, IBD managed to clock in a respectable showing, counting itself among major contributors to Bank Muamalat's financial achievements in FY2016. Among the main drivers of IBD's commendable performance were income recognition of its on-going investment in a regional fund; underwriting fees from Malakoff Corporation Berhad's Initial Public Offering (IPO); its share of profits on the Musharakah joint venture portfolio and income resulting from its private equity investment in an integrated transportation and logistics services provider (Transit Co).

In FY2016, the IB-led and Bank Muamalat's participation in the Investment Account Platform (IAP) initiative, a multi-bank on-line shared platform has enabled a variety of Islamic financial institutions to perform investment intermediary functions simultaneously. It also facilitated individual, corporate and institutional investors to carry out fundraising and re-channel their excess funds towards productive economic activities and viable business ventures as a financing option. IBD also helped Bank Muamalat to make history, becoming the first bank to successfully launch a fundraising exercise for a business venture on the IAP in April 2016.

Moving forward, given the rather dusky outlook in general for the operating environment in FY2017, exercising greater prudence and vigilance is a key success factor in the face of a multitude of uncertainties and downside risks. As such, IBD will continue to focus on advisory and other fee-generating activities while remaining on the lookout for good potential in investment activities, adequately adjusted and calibrated to risks. IBD will also continue to concentrate its efforts and resources on steering and supporting the IAP initiative while diversifying its revenue base with new income streams.

In the coming financial year, IBD is banking on substantial contributions to its revenue from the conclusion of an Islamic syndicated financing mandate for a telecommunications infrastructure services provider and capital appreciation potential upon conversion of its investment in Transit Co into quoted shares pursuant to the proposed IPO. At the same time, IBD can look forward to the conclusion of the maiden issuances of senior and subordinated Sukuk under Programmes jointly arranged by IBD for Bank Muamalat as well as income from additional investments in Ar-Rahnu joint venture business and the expansion of Musharakah joint ventures to property developers for Waqf and other property development projects.

In the face of various economic headwinds, increasingly wary market sentiment and stiff competition within the banking industry, Bank Muamalat's deposit mobilisation and accumulation activities were barely spared in FY2016. Throughout the financial year under review, taking cognisance of these challenges in the operating background, the Deposit Department (DD) had to adopt a more dynamic and aggressive approach in the extremely intense environment for Current Accounts, Savings Accounts (CASA), one of the banking industry's major low-cost funding avenues.

To acquire new and retain existing retail, business and public sector CASA customers, the DD had launched an array of campaigns, workshops and initiatives in particular Senang Lenang Menang II, Wang Besar I& II, Branch Network Deposit Drive, Corporate Wadi'ah Special (CWS), e-Payment and Currency Management Consultative Group (e-PCMCG), acquisition of billers for JomPAY and special FTA-i for Jabatan Akauntan Negara Malaysia (JANM), New CA and New FTA-i. The Deposit team was awarded with "Emerging Acquirer" award for JomPAY during the inaugural Malaysian e-payment Excellence Award (MEEA) organised by MyClear on 4th April 2016.

As a result, in FY2016, the Deposit Department recorded a spectacular 50% surge in CASA buildup, amounting to RM1.202 billion (FY2015: RM798 million), contributing a great deal to the 20% increase in total deposits held by businesses to RM3.04 billion (FY2015: 2.53 billion). Among the main drivers of this impressive feat were the branch network optimisation, Bank Muamalat's internet banking drive among corporate and business customers as well as the impetus provided by the growing importance and increasing roles played by DD as a whole especially on account of the Current Account mobilisation-related initiatives.

In the upcoming financial year, DD will continue to work closely with other divisions and/or departments in particular Consumer Banking, Business Banking, Investment Banking and Wealth Management as well as to launch series of campaign to further boost the growth of CASA. These collaborative efforts will shift the focus towards e-banking and other "FinTech" solutions; greater branch empowerment and independence towards building a sizeable deposit base; combining value propositions of a variety of products and services across notably financing and other fundraising options, cash management, advisory and investment areas and wealth management, among others in a special package offered to A-list customers to induce CASA mobilisation and buildup as well as nurturing and reinforcing relationships with the ministries and government departments or agencies both at the federal and state levels; among others.

Awang @ Musran bin Tawil @ Jawila
Head,
Senior Vice President,
Consumer Banking Division

Nor Hamidah Abu Bakar
Head,
Senior Vice President,
Business Banking Division

Nur Ain Ramli
Head,
Vice President,
Wealth Management
Department

Operations Division

PeerMohamed Ibramsha
Chief Operating Officer

Year 2016 is the 2nd phase of the banking system transformation programme whereby the focus has been on optimising, fine tuning and introduction of various delivery channels and a new payment gateway in fulfilling the business and customer requirements.

Information & Communication Technology (ICT) Division

Benefits Realisation

Bank Muamalat has gone through a successful core banking system migration to new MBS system in 2014. Year 2016 is the 2nd phase of the banking system transformation programme whereby the focus has been on optimising, fine tuning and introduction of various delivery channels and a new payment gateway in fulfilling the business and customer requirements. The following technological advancement has been achieved during this financial year:

Improvement in IT Infrastructure and IT Security

- Establishment of new state-of-the-art server room at Head Office;
- Refreshed Head Office core and floor network switches technology;
- Improvement in proactive security monitoring and perimeter defense with the installation of intelligent security monitoring tools with security operation center at data centers;
- Centralisation of the bank-wide authentication system and network services which contributed to the simplified IT infrastructure management, deployment and staff efficiencies;
- Continuous infrastructure optimisation by migrating legacy and setting up new systems under server virtualisation environment; and
- Improvement in internal processes through technology automation.

Delivery of New Projects and Delivery Channels

- New financing collection system;
- New third party agency monitoring system;
- JomPAY on Internet banking;
- Gold consignment system;
- Paperless board meeting system;
- On-going project implementation such as debit card, gold investment account, RENTAS migration, digital report and e-Statement system; and
- Continuous system improvement, enhancement and fine tuning.

Business Continuity and Disaster Recovery

Bank Muamalat has developed an exhaustive Disaster Recovery procedural management strategy to secure the live systems, which are vital to Bank Muamalat's business operations. Live switchover and switching back drill for the critical systems have been successfully conducted for few times this year.

Cost Management

- Retirement of old branch servers as a result of centralised infrastructure management;
- In-sourcing of Corporate and Internal Access Portal website content management;
- Replacement of email filtering system to new and cost effective solution; and
- Review data line usage and charges.

Other upcoming major initiatives

- Enhancement of 'Data Warehousing' solution to further streamline interaction with customers and to improve the management information capability of Bank Muamalat;
- Bank-wide 'Digital Strategy' to enable Bank Muamalat to transform various customers touch points to truly digital channels;
- Opening of new branches and outlets;
- Cost management and reduction through in-sourcing and smart partnership with vendors;
- Continuous staff development and training program;
- Enhancement of service delivery to improve user/ customer experience by the implementation of IT Service Management Model; and
- Bank-wide IP telephony implementation to reduce operational cost.

Business Process & Transformation Department

The Elevated Journey of Bank Muamalat Continuous Improvement (CI) Programme to Innovative Team Excellence Program (ITEP).

Bank Muamalat has signed a Memorandum of Understanding (MOU) with Malaysia Productivity Corporation (MPC) as to commemorate the elevated journey of Continuous Improvement (CI) Programme to Innovative Team Excellence Programme (ITEP). The main objectives of the MOU were to intensify the cooperation and exchanges of continuous improvement knowledge, best practical experiences, industrial benchmarking and know-how in implementing the 'Industrial Collaboration for LEAN Management' programme and 'Auditing and Certification for Quality Environment/5S' programme.

Aside to this, Bank Muamalat has also been recognised as a Gold Achiever for DRB-HICOM Management System (HMS) among other DRB-HICOM subsidiary companies witnessed by YBhg Dato' Sri Syed Faisal Albar – Group Managing Director, DRB-HICOM Group during DRB ICC/ QIT 2015. Bank Muamalat has also been awarded a Platinum rating for its 5S Workplace Organisational Excellence initiative for this financial year.

In January 2016, Business Process & Transformation Department (BP&T) had organised a simple yet inspiring BMMB Annual Quality Convention and Award for FY2015-2016. This event was intended to celebrate and reward Bank Muamalat's staff for their performance and achievement in completing their process improvement projects. During the convention, the top teams presented their projects to the external panel judges, leading for Bank Muamalat to crown its Annual Grand Winner. Overall, Bank Muamalat was able to record RM10 million worth of benefits from 97 process improvement projects. Bank Muamalat was also honoured with the presence of YBhg Dato' Mohd Razali Hussain, Director-General, Malaysia Productivity Corporation, during the event.

Operations Division

ISO 9001:2008 Quality Management System

ISO 9001:2008 QUALITY MANAGEMENT SYSTEM, started as part of the journey towards continuous improvement and organisational excellence. This initiative covers two scopes of certification: (i) end-to-end application process (new and additional) for corporate business financing and, (ii) review and formalisation of documents (Policy/ Standard Operating Procedures/ User Guides). The departments involved in this initiative are Operation and Process Change Section, Business Process & Transformation Department, Business Banking Division, Credit Assessment Department, Legal Department and Credit Operations Department. Stage 1 Audit by SIRIM was completed on 7 March 2016 and Stage 2 Certification Audit was on 26 and 27 April 2016. Bank Muamalat was recommended for certification after these audit sessions.

Centre of Excellence

CENTRE OF EXCELLENCE

Centre of Excellence (CoE) was established in September 2015 to provide a platform whereby identified leaders or team members across the organisation can come together to collaborate, innovate and create in delivering quantum leap initiatives for Bank Muamalat.

This centre will be providing an avenue for the identified staff of Bank Muamalat to execute improvement, undergo transformation and drive innovation in order to support the strategic intent and objectives.

CoE focuses on three main pillars in meeting its purpose to "Drive Radical Change in Vision to Excellence". The main pillars are:

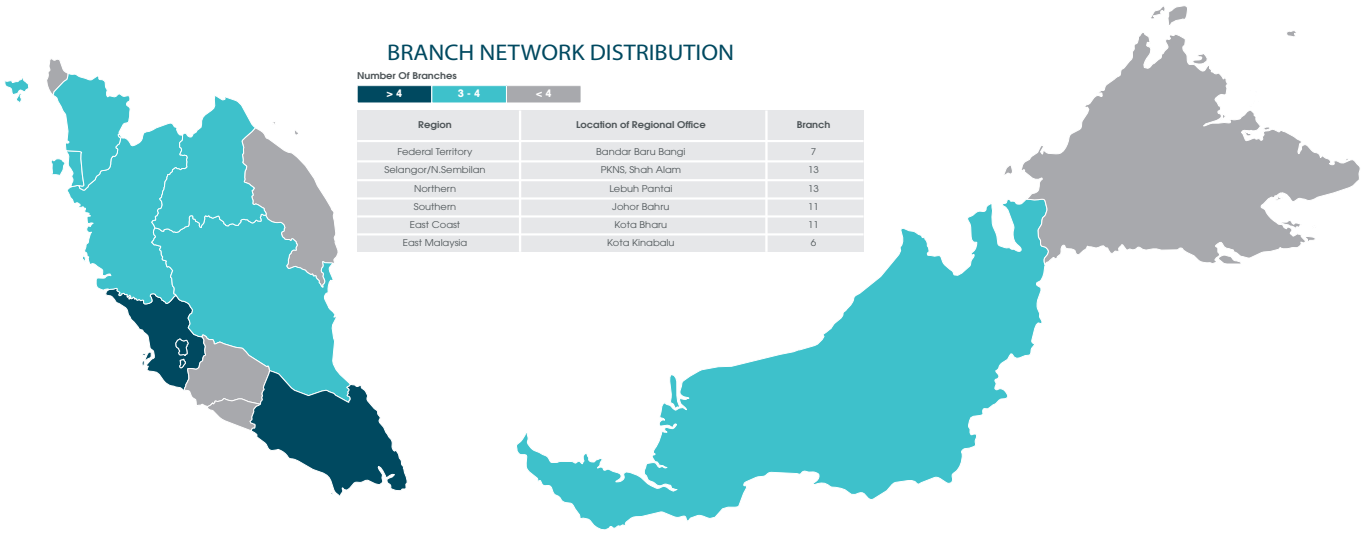
- Transformation on Business Approach and Methodologies – model and reengineering
- Transformation on Operational Approach and Methodologies – model and process reengineering
- Transformation on People Approach and Methodologies – culture and social engineering

These main pillars are supported by technology and infrastructure as an enabler. Its roadmap aims to drive Bank Muamalat to be a bank beyond imagination. Three key initiatives are currently ongoing to kick-off the programme and many more will follow.

Operations Division

Operations Division

"To Become the Preferred Islamic Financial Service Provider" as the mission statement, Bank Muamalat reaches out to its customers via 61 branches with over 300 self-service terminals in Malaysia. Bank Muamalat continues to drive operational excellence, improve operational efficiency and productivity, streamlining and optimising the branches nationwide, managing competent and productive manpower, improving existing processes and strengthening the operational compliance and risk management practices.



Region	Location of Regional Office	Branch
Federal Territory	Bandar Baru Bangi	7
Selangor/N.Sembilan	PKNS, Shah Alam	13
Northern	Lebuh Pantai	13
Southern	Johor Bahru	11
East Coast	Kota Bharu	11
East Malaysia	Kota Kinabalu	6

Operations Division (OD) continuously improves the service standard, average waiting and serving time, and mystery shopper survey. These are to ensure smooth customer experience at branches and to increase the service efficiency.

OD focuses on improving existing processes and standardising processes to ensure front-to-back automation improves overall productivity. Processes are to be simplified, controlled checks, and taking into consideration all mitigating steps. Furthermore, few processes will be automated in order to improve customer engagement and experience.

OD embarks in effectively and efficiently the strategy of streamlining branch network distribution to maximise the headcount resources. Branch network distribution is to be as effective as a profit center and thus maximise the sales service roles. Moreover, OD will continue to drive operational efficiencies with the centralisation of processing activities at Head Office.

Another significant priority is managing cost-to-income ratio via branch network optimisation, relocation and closure of branches with overlapping customer service areas.

Our Priorities in 2016

- Improve customer service and experience at branch network
- Process efficiency and effectiveness
- Streamline branch network distribution
- Manage cost-to-income ratio

OD has successfully implemented a streamlined process to reduce cost at back office operations. There were few initiatives taken such as elimination of acid test with new technology for Ar Rahnu business, elimination of printing of customer information form, elimination of night shift center, off-premise ATM/CDM reconciliation, elimination of financing processes at branches and branch monthly reporting, simplified financing processes and improved turn around time (TAT) for account opening. OD also focuses on improving customer experience at branches by implementing service ambassadors at branches. The branch staff members have contributed over 90 ideas and initiatives in improving operational processes.

OD improved and realigned the branch network business model to four categories, namely. Type A, Type B, Type C and mini branch. The categories of branches are based on branch profitability and staff composition. Additionally, OD has successfully established two Bureau de Change (BDC) outlets at KLIA and KLIA2.

In 2015, OD focused on optimising the headcount and re-deployed, where necessary, with proper training. OD has increased the number of sales staff by re-deploying internal back-office staff. Other than internal training, OD also extended their coaching and training to external trainings programme which resulted in 113 Branch Managers becoming and Assistant Branch Managers, the pioneer batch to pass the Associate Qualification in Islamic Finance (AQIF).

Further significant service improvements were the centralisation of back-office processes at branches including centralisation of bulk financing payment at payment center, audit confirmation, D-cheques checking and all administration functions on financing at branches. The centralisation process had successfully improved the overall efficiency and productivity.

Key Highlights in 2015

- Customer experience-back-office process transformation
- Realignment of business model at branch network
- Managing staff efficiency
- Branch centralisation activities at Head Office

Noor Hayati Abu Yaziz
Head,
Senior Vice President,
Business Process &
Transformation Department

Noor Azean Abd Aziz
Head,
Senior Vice President,
Operations Division

Haslina Mohamed Sharifutdin
Head,
Senior Assistant Vice President,
Data Quality Department

Credit Management Division

Haji Ismail Ibrahim
Executive Vice President

Bank Muamalat's newly established outbound Customer Care takes a proactive role in updating customers on new campaign and promotion. Customers are also regularly updated on their financing application, approval and disbursement status.

Harnessing Technology to Improve Processes

Bank Muamalat continues to enhance processes on delinquent and impaired financing accounts with the launching of new collection module known as Juris Collect.

This module is equipped with artificial intelligence to extract customer's information for purpose of managing delinquencies allocation of cases to collection agents and managing effectiveness of collection agents performance.

Simultaneously, Bank Muamalat has also taken a proactive step to detect early warning sign of potential problem accounts.

This measure is to assist genuine customers facing potential problem in their repayment for workout solution to prevent their account turning delinquent.

In July 2015, Bank Muamalat has successfully implemented a web-based online Financing Document System ("FDS") for Home Financing. It is a collaborative application solution between the Bank and designated solicitors that undertake financing documentation for the Bank.

This application is an automated tracking system to monitor the progress of financing and security documentation from the issue of letter of instruction to the solicitors until the perfection of all financing and return of security documents from the solicitors. This solution also incorporates automated straight through processing on settlement of Bank's legal documentation fees and charges to the solicitor's accounts. With the application, it has improved efficiency and facilitates faster turnaround time in the perfection of home financing documentation which results in faster disbursement of funds.

Towards Digitalisation

The blueprint on Transformation Towards Paperless Operation (TTPO) was approved in 2013 to eliminate paper-driven processes in order to improve efficiency.

As part of Bank Muamalat's Enterprise Content Management (ECM) strategy, the initiative involves re-engineering of several business processes and adopting digitalised enabling technologies. With full implementation of ECM,

Bank Muamalat's personnel will be able to have easy access to digitalised documents to view, retrieve and to route documents bankwide.

Digitalising financing documents was the first major step towards Bank Muamalat's paperless operations. More than 80% of the financing documents have been scanned since the implementation 5 years ago. Images are stored at the central repository for easy tracking and retrieval.

Digitalisation enables our staff to provide faster and better service to our customers.

Much in Little

For FY2016, Bank Muamalat continues to emphasise on improving customer service in order to achieve positive customer experience. We endeavour to provide fast response to all enquiries and feedback at all touch points through our Contact Centre, which is now known as Customer Care.

Customer Care reaches another milestone in this financial year. Commencing 1 December 2015, the operating hours of Customer Care has been extended to 24 hours daily, 7 days a week. We also maintain our 24 hours turnaround time in responding to customers at various critical touch points such as social network, website, e-mail, internet banking, etc. All complaints received are set to be resolved within an average of 2 working days.

Bank Muamalat's newly established outbound Customer Care takes a proactive role in updating customers on new campaign and promotion. Customers are also regularly updated on their financing application, approval and disbursement status.

Mystery Shopping Programme (MSP) continues to be an important measurement of service of main touch points. Bank Muamalat has continuously conducted MSP for the last 5 years, the feedback of which form the basis to further improve Bank Muamalat's service delivery.

To ensure that Bank Muamalat's customers continue to receive good customer service, we introduce Guest Experience Officers at branches with high volume counter transactions. These staff specialised in providing personalised service to customers in order to promote pleasant banking experience for customers.

Bank Muamalat aspires to become the bank of choice for consumers in terms of service excellence and will continue to make our service an enriching experience for everyone.

Muhamad Radzuan Ab Rahman
Head,
Senior Vice President, Consumer Financing Supervision & Recovery Department

Ng Sow Fong @ Angie Ng Sow Foong
Head,
Senior Vice President,
Credit Operation Department

Azihan Othman
Head,
Assistant Vice President,
Customer Service & Document Management Department

Mostapa Othman
Head,
Vice President,
Business Financing Recovery Department

Corporate Services Division

Syed Alwi Mohamed Sultan
Executive Vice President

The investment account product is another inventive and innovative product segment that is a form of creative disruption to credit intermediation role of banks. There are interesting developments around this product segment which Bank Muamalat hopes to bring to market during this financial year.

The Corporate Services Division has the responsibility to design, structure, innovate, implement, monitor and supervise the end-to-end process of all product development and service offerings of Bank Muamalat. The Division also manages all Shariah governance matters of Bank Muamalat including Shariah research, advisory and secretarial and liaison functions with the Shariah Committee. The scope of the Division's mandate covers all business aspects of Bank Muamalat including consumer banking, business banking, investment banking, trade finance, Musharakah property investment including the investment account products, including day-to-day operational matters concerning Shariah compliance and governance. The mandate of the Division can be traced back to the successful launch of the new core banking system – the Muamalat Banking System (MBS) - in June 2014, which allowed Bank Muamalat to redesign service deliveries, upgrade and innovate products and services to deliver customer-focused financial solutions in search of opportunities to improve revenue growth and profitability.

Housed under the Corporate Services Division are the Product Development and Innovation Department (PDID), headed by Mr. Shamsudin Mazlan and the Shariah Department (SD), headed by Ustaz Mohd Izuwan Mahyudin. The unique set up of having these two departments under one roof is to improve the time-to-market in introducing new products or to effect changes to existing products as well as to handle all Shariah related issues. It also enables Bank Muamalat to promote sound risk management practices in managing and controlling product risk and Shariah risk by ensuring a robust process that involves close engagement with the respective management committees, Shariah Committee and the Board-level risk management committee.

During the financial year-end 31 March 2016, Bank Muamalat successfully implemented the Transition Exercise which effectively replaced all Mudharabah-based Savings and Current Accounts into corresponding Wadiah-based accounts. This was done pursuant to the Islamic Financial Services Act 2013 (IFSA) and the reclassification of deposit products as provided under the IFSA. Following that, Bank Muamalat conducted several deposit campaigns under the "Wang Besar!" slogan with the emphasis to diversify sources of deposit and to grow our customer base. Bank Muamalat is also excited to see the development initiatives on deposit

products that is hoped to result in several new product launches that will take place in the new financial year.

In line with Bank Muamalat's strategy to garner larger contribution from fee based businesses, Bank Muamalat launched the Muamalat Gold-i (MG-i) product during the financial year. The MG-i is offered by the Wealth Management business as an investment strategy and a wealth preservation strategy for our customers. This is an exciting initiative by Bank Muamalat and Bank Muamalat intends to penetrate further into this product segment by developing greater variety of products to suit different customer segments.

Another important milestone for Bank Muamalat is the Investment Account Platform (IAP), which was launched on 17 February 2016 by the Governor of BNM, Tan Sri Dr. Zeti Akhtar Aziz. It marked a historic moment in the evolution of the global Islamic finance industry and showcases the continued leadership of Malaysia in pushing the boundaries of the industry. The IAP is regarded as the world's first bank-intermediated Shariah compliant financial technology (FinTech) platform. Bank Muamalat is proudly a founding shareholder of this enterprise.

The IAP is a bank-intermediated platform, as such Bank Muamalat, acts as the sponsoring bank for the business ventures and also provides an investment intermediation for the investors. To facilitate this investor-intermediation function, Bank Muamalat has developed the Wakalah Restricted Investment Account product. The investment account product is another inventive and innovative product segment that is a form of creative disruption to credit intermediation role of banks. There are interesting developments around this product segment which Bank Muamalat hopes to bring to market during this financial year. Bank Muamalat also launched the Dual Currency Investment (DCI-i) product, which is a Structured Product designed for high networth individuals. DCI-i is a currency-linked note that offers the option of exposure to an alternate currency which is different from the principal investment currency and confers a fixed rate coupon payment. This product is part of a plan to broaden the repertoire of Structured Product solutions of Bank Muamalat.

The Islamic banking industry remains intensely competitive with rising cost of funds creating a low margin environment amid weaker global economic sentiments. As a result, it is imperative for Bank Muamalat to be proactive and steadfast in its focus on strategies to ensure sustained growth through product innovation, income diversification while improving the bank-customer relationship towards creating pathways to more loyal and profitable client relationships.

All the above initiatives have been a joint effort by the entire workforce of Bank Muamalat who came together to equally share the burden of bringing each product to life from the stage of conception to inception. Many thanks to all.

Though Bank Muamalat has come a long way, yet Bank Muamalat still has a long way to go.

Shamsudin Mazlan
Head,
Senior Assistant Vice President,
Product Development
Department

Mohd Izuwan Mahyudin
Head,
Assistant Vice President,
Shariah Department

Finance Division

Hafni Mohd Said
Executive Vice President

Finance Division has been structured to include the functions of managing the Group's tax-related matters, regulatory and corporate financial reporting, Basel and liquidity regulatory reporting, budgeting and financial planning, analytical reporting, tracking and status updating on Management's initiatives, payments, and General Ledger-related matters. In smoothening the oversight and supervision of its day-to-day operations, Finance Division is being segregated into two (2) departments, namely, Finance and Accounts, and Corporate Planning.

For the financial year's budget, Finance Division has been mandated to promote cost management and yield management in the Group's year-end targets and business directions. Both strategies have been agreed upon by the Management to facilitate the Group in moving forward and achieving better results on its return on equity and profit before tax for the year, with expectation of uncertainties and turbulent financial market during the financial year.

As such, with assistance of all stakeholders (business and support functions), revenue targets have been set around Risk-Adjusted Return On Capital (RAROC) approach and expenditures (including capital expenditures and operating expenditures) have been budgeted based on priority and need-to basis as well as income-generation expenditures.

With focus of business functions now tailored and skewed to re-pricing and asset quality financing with good margin spread, coupled with aggressive and productive deposit-taking campaigns, Bank Muamalat yield margins have improved for the financial year. Bank Muamalat has also managed to contain its overheads and operational costs to be below the budgeted figures, largely due to initiatives taken by Bank Muamalat in reorganising its resources and improving its procedural and process flows. In addition, sharing of the various interim reports on results of analytical assessments and reviews carried out by Finance Division has helped the Management to initiate several cost cutting measures as well as assisted business functions to explore new target customers.

Monthly updates and discussions with other stakeholders on Bank Muamalat's financial performance as against budgets and past year's performance have helped triggered proactive actions by stakeholders in managing shortfalls. This practice has given the Management sufficient time in providing clearer directions on the next action plans including change of directions for the Bank to achieve its financial year-end targets.

Apart from the mentioned activities, which Finance Division too played its part actively, data cleansing and reconciliation activities on post-MBS (Muamalat Banking System) have

rigorously and regularly been carried out by Finance Division with the assistance of other stakeholders involved. Formulas, models, data and numbers need to be re-confirmed and reconciled to ensure positions and numbers since core banking system integration in June 2014 are reliable and duly accounted for. This has been a continuous activity for Finance Division, which saw General Ledger account reversals due to suspense accounts reconciliation, as well as provisioning and write-offs being made substantially during the financial year impacting Bank Muamalat Statement of Financial Position and Income Statements. The commendable part of engaging this exercise is that it has helped produced better and more accurate targeted numbers and ratios for Bank Muamalat effective financial planning.

With the new core banking system in place, Finance Division now has a more in-depth data which helps to carry out a more robust analytical review in producing more effective reports to the Management and Board of Directors. Finance Division has managed to revise several of its dashboard reporting format used for the purpose of regular reporting to the Management and other stakeholders. Nevertheless, as the data cleansing and maintenance is currently an ongoing process, it shall be a challenge for Finance Division to have a consistent and complete data in producing a more holistic and accurate financial analysis in the near future.

During the financial year, several enhancements have been made to Bank Muamalat's existing GST system to address minor issues encountered by Finance Division, whilst implementation of Bank Muamalat's Account Payable System has successfully been extended bank-wide to have a holistic and better monitoring and tracking mechanism in terms of payment process.

Project participation has also been one of the activities undertaken by Finance Division during the financial year. In general, the main role of Finance Division in project participation is to confirm on the tax implications, accounting entries, accounting standards and approaches, and regulatory reporting requirements. In months to come and up until early 2018, Finance Division will be focusing its effort in terms of project participation on implementation of the latest MFRS9 – Financial Instruments as well as system development in regards to Bank Negara Malaysia's reporting requirements.

Going forward, Finance Division shall continue to assist other stakeholders with presentation of more relevant and value-added financial information, optimistically with improved quality of data. With the anticipation of more processes to be automated and system-driven, the regulatory reporting and data extraction should be more effective and efficient in time to come.

Noor Lela Asmawi
Head,
Senior Vice President,
Finance and Accounts
Department

Norlymalis Jazzuir Kamarudin
Head,
Senior Vice President,
Corporate Planning
Department

Human Capital Division

Jamilah Abdul Sallam
Executive Vice President

Bank Muamalat recognises that leaders and employees are key differentiators in achieving the strategy and provide the bank with a sustainable competitive advantage. Bank Muamalat is committed in identifying, attracting and retaining inspired and self motivated people to ensure that the Bank has the best talent to deliver business results. Bank Muamalat focuses on structured people developmental programmes to build the people leadership and performance capabilities in order to strengthen business resilience.

ADVANCING AS THE WINNING ORGANISATION

Bank Muamalat's achievements during the year would not have been realised without the relentless efforts, support and unwavering commitment of the employees. As Bank Muamalat continue to grow and expand its business, nurturing the 1,720 strong workforce towards a high performance culture is crucial in achieving outstanding performance. Bank Muamalat's Human Capital Development initiative continues to focus on harvesting and nurturing talents and to provide the employees with individual professional development journey and help them progress in their careers.

To ensure continuous improvements within the organisation, Bank Muamalat remains committed to people development with an average of 4 training days being recorded per staff. In 2015, a total of approximately RM4 million was invested in training and re-training 7,901 employees. The various trainings and re-trainings are categorised as follows:-

Course Category	No. of Participants
Regulatory	1724
Leadership Skills	1640
Product Knowledge	1623
Business Process Management	1608
Credit / Financing	380
System Application Training	358
Soft Skills	286
General Knowledge Program	169
Banking Operations	113
Grand Total	**7901**

CORPORATE CLIMATE SURVEY

During the financial year under review, Bank Muamalat conducted employee survey to assess employees' commitment and opinions on other aspects of working at Bank Muamalat such as strategy, corporate culture, customer service, leadership, benefits and rewards and employment matters. More than 75% of the employees gave their views on the organisation's strengths and areas to focus on. The results highlighted numerous areas of excellence in Bank Muamalat's current culture and employees engagement levels. The overall scores remained at high level of 4 out of 5 as a maximum score.

RIGHT SIZING STRATEGY

In 2015, to manage our cost effectively and to ensure long term sustainability of the business, we carefully re-examined our cost base and the way in which we operate. Bank Muamalat introduced numerous cost saving measures within human resources which included among others freeze on the recruitment of new employees and Voluntary Separation Scheme (VSS). More than 350 employees applied for the VSS. Bank Muamalat achieved a net of 8% reduction in headcount. This staff restructuring cost was approximately RM20 million. Employees who were affected by the VSS exercise were provided with professional counseling and financial planning advice prior to their departure.

PEOPLE DEVELOPMENT

Bank Muamalat is committed towards providing challenging, yet fulfilling career opportunities for our employees, allowing them to attain personal growth and development. Bank Muamalat believes in developing our people by 'Growing Our Own Timber'. Our aim is to be a 'Centre' of Banking talent, a place where the staff can learn and grow, while making a difference at work. Bank Muamalat is committed to developing the staff, empowering them and building a strong-values-led culture with them.

Bank Muamalat's emphasis on talent development continues as a number of Human Resource initiatives were rolled out to improve the way Bank Muamalat manage the career development and growth of the staff, as well as ways through which their capability skills and competencies can be further enhanced.

Bank Muamalat's programme include an Upward Mobility Scheme for the executive and non-executive employees in terms of skills, productivity and career opportunities. Through internal mobility programme, the staff are able to broaden their exposure across business as they grow with Bank Muamalat. More than two-third of vacant positions were filled internally in 2015. Bank Muamalat senior leaders are also committed to building a strong leadership culture in Bank Muamalat and taking active role in nurturing talents. Bank Muamalat has put in place a talent development programme to build a pipeline of potential leaders. Two (2) employees were enrolled for the C-suite Leadership Programmes organised by DRB-HICOM. A total of 113 employees comprise of Regional Heads, Branch Managers and Assistant Branch Managers had passed the Associate Qualification in Islamic Finance (AQIF) examination organised by Islamic Banking & Financial Institute Malaysia (IBFIM). Sixteen (16) employees from several divisions had successfully completed the Shariah Audit Certification Programme organised by Universiti Sains Islam Malaysia (USIM).

PERFORMANCE MANAGEMENT

Bank Muamalat has further refined its performance management system to incentivise and drive better productivity among the employees. Key Performance and Rate-based indicators are set to provide clear goals to every individual. The reward and remuneration system is constantly being reviewed to recognise hard work and talent, as Bank Muamalat is intent on inspiring the people towards greater achievements in productivity, service and inculcating industrial relations. Bank Muamalat aims to further develop a 'Culture of Excellence' to keep the employees motivated, inspired and productive.

Muamalat Invest Sdn. Bhd.

Sharifatul Hanizah Said Ali
Chief Executive Officer

Muamalat Invest Sdn. Bhd. ("MISB"), a wholly owned subsidiary of Bank Muamalat Malaysia Berhad ("Bank Muamalat"), was incorporated on 22 April 1996 with a paid up capital of RM10 million. MISB was accorded an Islamic Fund Management license in September 2010.

MISB provides Shariah compliant investment management services which include:-

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

For FY 2016, MISB continued to grow its Assets under Management (AUM) to approximately RM3.12 billion from RM2.68 billion in FY 2015. This translates to an increase of approximately 16% year-on-year. Investments also continued to be made into building infrastructure and resources in order to position itself as a key player in the wholesale Islamic capital market space.

As at March 2016, MISB through its series of Islamic wholesale funds has captured around 9% of the total Islamic wholesale fund Net Asset Value (NAV) based on Summary of Statistic-Wholesale Funds in Malaysia issued by Securities Commission Malaysia.

MISB continues to embark on efforts to diversify asset classes for products offered and it is expected to launch a series of sukuk funds later this year catering to the Islamic wholesale institutional and corporate investors.

Muamalat Venture Sdn. Bhd. (MVSB)

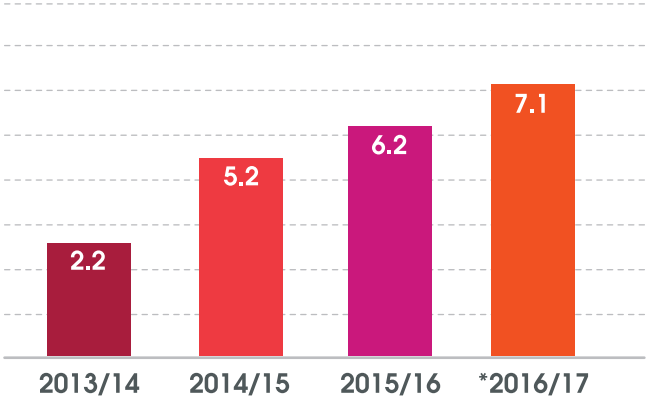
Bank Muamalat Malaysia Berhad through its subsidiary Muamalat Venture Sdn Bhd (MVSB) under the supervision of Strategic Liaison Management Office (SLMO) started Musyarakah Mutanaqisah venture with the first partner known as Permodalan Kelantan Berhad (PKB). PKB is well known for its involvement in Islamic Pawn Broking activity or Ar-Rahnu. The arrangement was made through its first branch in Jelawat. As of date, there are 12 PKB branches involved in Musyarakah arrangement with MVSB with 8 PKB branches in Kelantan; Jelawat, Wakaf Che Yeh , Pasir Mas, Tanah Merah, Pasir Puteh, Guchil, Gua Musang, Kota Bahru and 4 PKB branches in Sabah which are Sandakan, Putatan, Api-Api and Tawau.

The positive achievements shown by this venture led to a further expansion of Ar Rahnu venture with PKB by the inclusion of 2 more branches in Sabah i.e Beaufort and Kota Belud for the new Financial Year (FY) 2016/2017.

Apart from the joint venture mentioned above, MVSB also has a Musyarakah arrangement with Metro Exchange Sdn Bhd. ("MEX") which is actively involved in Wholesale Money Exchange business. The company supplies the currency to local banks and Bureau de Change (BDC) as well as operates Retail Money Exchange outlets. MEX is currently the supplier currency for our Bureau de Change (BDC) in KLIA and KLIA2.

The overall performance of the Joint Ventures arrangement seen to be growing with an average annualised return on investment (ROI) of 11% to 12%.

PROFITS FOR ALL VENTURE (RM in Million)
* Forecast



Moving forward, MVSB will strive to further improve Bank Muamalat's income through Musyarakah Joint Venture arrangement.

Current year profit had improved to RM6.2 million from RM5.2 million in previous year. We are targeting to achieve RM7.1 million in FY2017. The robust growth, which was shown by venture partners has prompted MVSB to continue its Musyarakah venture by looking ahead with new potential business partners.

Musharakah Property Investment Department (MPID)

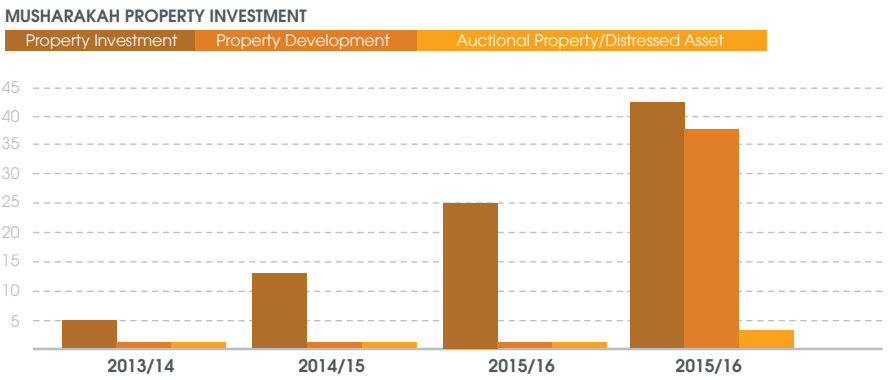
Zahrul Azmi Zakaria @ Atan
Senior Assistance Vice President

Musharakah Property Investment Department or MPID was established in April 2011. Bank Muamalat's areas of expertise include Joint Venture (JV) or Musharakah initiatives specifically in Property Investment, Commercial & Waqf Land Development, managing Auction and Distressed Assets.

To date, Bank Muamalat has recorded a remarkable achievement with a total investment of RM25.94million, mainly in Property Investment activities within the Klang Valley and the East Coast of Peninsular Malaysia. The Capital Value Appreciation ("CVA") of the above properties averaged between 7.5% and 8.5% per annum.

Presently Bank Muamalat is moving forward with the plan to collaborate with UDA Holding Berhad on the development of Waqf & Commercial Land, whereby Ipoh, Perak and Astana, Kuching, Sarawak offer the best potential for such investments. Bank Muamalat is also aggressively looking into investments that offer very favorable Guaranteed Rental Returns ('GRR'). Nevertheless, Bank Muamalat will also be focusing on another niche investment activities on Auction or Distressed Assets. Bank Muamalat will still be on continuous alert to monitor potentials available in such areas.

InsyaAllah, Bank Muamalat will carry on with the strive to perform well in our forte and to maximise business opportunities on cross selling with other business units, in order to unleash our full potential and capability for the benefit of Bank Muamalat.



Tabung Mawaddah

Micro Financing

While focusing on the consumer-focused products, Bank Muamalat continues to expand its financing portfolio under the Corporate Social Responsibility (CSR) initiative through Micro Financing scheme. It is specifically designed to provide Islamic financial solution to selected individuals for the business purposes. This Micro Financing can be brokendown into two funding portfolios:

- BNM Micro Financing Fund - eligible for Civil/ Army pensioner, Army's wife, FELCRA settler and entrepreneurs at Bazar Tok Guru Kota Bahru Kelantan and for FY2016, Bank Muamalat has expended its customers base with the collaboration with Persatuan Per niaga Pasar Siti Khadijah Kelantan with an objective to help them to expand their existing business with minimal document requirements. As at March 2016, we have already encountered 270 individuals with total financing outstanding amount of RM5.18 million with less than 0.01% delinquent account.

- Tabung Mawaddah Micro Financing Fund – offered under the concept of Qardhul Hassan, which targeted to assist the needy or poor individuals. For this financial year, Bank Muamalat has made two collaboration with Jabatan Kebajikan Masyarakat Negeri Perak and Persatuan INSAN Istimewa Kelantan (INSANI) by offering its members financing to those who are about to start a new business or expand their existing business with minimum of RM1,000 and maximum up to RM10,000. The repayment plan is based on their affordability and the durability of tenor is up to 2 years. As at March 2016, a total of 125 participants have outstanding financing worth RM158,000.

Tabung Mawaddah

Tabung Mawaddah (TM) Committee has been in operation since 2002, dedicated to aid and implement charitable activities to 8 Asnaf recipients (Fakir, Miskin, Amil, Muallaf, Riqab, Gharimin, Fisabillah and Musafir) and non-asnaf recipients. TM is funded by zakat and alms (sadaqah) sources contributed by Bank Muamalat and the staff.

The objectives of TM Committee's establishment are:

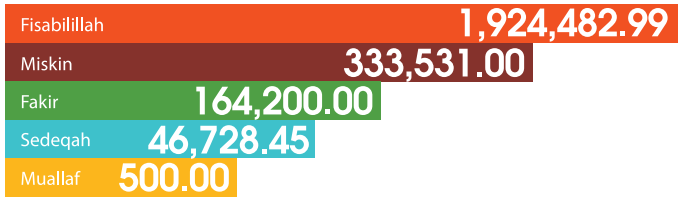
- to provide assistance and financial aid to the needy;
- to ensure that each donation, charity and alms reach the targeted groups;
- to carry out Bank Muamalat's corporate social responsibilities to assist the society on the basis of Maslahah Ammah;
- to instill the spirit and caring nature of Malaysian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

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

- Food for homeless programme;
- Micro credit scheme to aid small entrepreneurs;
- Masih Ada Yang Sayang (MAYs) community programmes;
- Programme Dakwah Serantau, Yayasan Amal Malaysia; and
- Monthly aid to the 8 Asnaf recipients.

The size of TM fund distributed and the trend of TM aids applications for FY2016 are described as below:

ASNAF



Wakaf Selangor Muamalat

Wakaf Selangor Muamalat ("WSM") has been in the market for 3 years since its inception on 27 September 2012. Since then, WSM received overwhelming response from the public. For FY2016, total wakaf fund collected was RM10,682,566.33 while total collection for FY2016 alone was RM4,378,892.44. For FY2016, WSM through its Joint Management Committee ("JMC") between Bank Muamalat and Perbadanan Wakaf Selangor ("PWS") has approved RM3,852,625.22 and disbursed RM2,075,657.51 in wakaf projects.

Chart 1: Monthly collection of WSM Fund from April 2015 to March 2016

2015		2016	
APR	145,165.19	566,295.66	JAN
MAY	297,868.09	509,832.13	FEB
JUNE	247,601.49	371,109.96	MAR
JULY	692,769.26		
AUG	145,346.02		
SEPT	109,826.51		
OCT	163,238.59		
NOV	134,982.52		
DEC	994,857.02		

No	Beneficiaries of WSM Aid	Type of Aid	Value in RM
1	Hospital Serdang, Selangor	Reclining Chair	16,920.00
2	Rumah Ehsan Kuala Kubu Bharu, Selangor	Ambulance van	168,063.00
3	Hidayah Centre, Kota Kinabalu, Sabah	Van	110,650.00
4	Maahad Tahfiz Sains Alor Setar, Kedah	School Van	104,290.02
5	Sekolah Rendah Islam (SERI) Al Ummah, Manjung, Perak	School Building	65,040.00
6	Hospital Kajang, Selangor	Medical Equipment	68,635.00
7	Hospital Sultanah Aminah, Johor Bahru, Johor	Ultrasound Machine	97,997.00
8	Sekolah Al-Fateh Putra Heights, Selangor	Classroom equipment	40,539.20
9	SK Pandamaran Jaya Klang, Selangor	Canteen table & bench	16,000.00
10	SMUA Darul Ulum, Tanah Merah, Kelantan	School Building	468,587.00
11	Sekolah Menengah Tahfiz Harapan, Jenjarom, Selangor	Canteen & Female surau	71,600.00
	Total contribution		**1,228,321.22**

Rumah Ehsan Kuala Kubu Bharu, Selangor

Maahad Tahfiz Sains Alor Setar, Kedah

Hospital Sultanah Aminah, Johor Bharu, Johor

Hospital Kajang, Selangor

Sekolah Menengah Tahfiz Harapan, Jenjarom, Selangor

Sekolah Al – Fateh Putra Heights, Selangor

Sekolah Rendah Islam (SERI) Al Ummah, Manjung, Perak

SMUA Darul Ulum, Tanah Merah, Kelantan

Corporate Responsibility

Corporate Responsibility (CR) forms an integral part of our financial business culture in our pursuit of business excellence. CR is a company's obligation to be accountable to all its stakeholders in its operations and activities, with the primary aim of achieving sustainable development not only in the economical but also in the social and environmental realms.

CR is a magical tool that propels a business to improve its corporate image and clout for acceptance and visibility by the public and society. After all, CR contributions are perceived as philanthropic gestures that will not even put a dent on the bottom line of a business. For Bank Muamalat, CR is the heart of the business and our aim is to strive to operate responsibly towards the environment, society and our own employees.

Below are some of the event highlights that was organised by Bank Muamalat Malaysia Berhad in year 2015:-

CR @ COMMUNITY

Bank Muamalat donated a multipurpose van to "Majlis Bandaraya Shah Alam (MBSA)"

Shah Alam, 28 January 2015-Bank Muamalat Malaysia Berhad through its philanthropic arm Tabung Mawaddah donated a van for hearses and multifunction purposes. The van was handed over by Y.Bhg. Dato' Haji Mohd Redza Shah Abdul Wahid to Y.Bhg. Dato' Haji Ahmad Zaharin Mohd Saad, the Mayor of Shah Alam.

Wakaf Selangor Muamalat: Mobile Clinic Relief Mission

Gua Musang, 10 to 14 January 2015-Wakaf Selangor Muamalat mobile clinic organised a relief mission to Gua Musang. The mission is to provide clinical services to flood victims. This relief mission is a joint effort between Wakaf Selangor Muamalat and KPJ Damansara Hospital. It involves 26 volunteers and treated 300 flood victims. The team was blessed with a surprise visit by YAB Dato Ahmad Maslan, Deputy Minister of Finance, who was visiting the flood victims in the area.

CSR Programme at Pekan Kubur Panjang, Alor Setar

Kubur Panjang, Alor Setar, 14 February 2015-Bank Muamalat through its philantrophic arms Tabung Mawaddah and ROKEB (Bank Muamalat Big Bike Club) held a CR programme and zakat distribution at Masjid Jamek Sultan Abdul Halim, Pekan Kubur Panjang, Alor Setar and Tarbiah Al Awladiah Islamic School. The purpose of the CR programme is to give zakat of RM500 to the 105 zakat recepients surrounding the area of Pendang, Pokok Sena, Alor Setar, Baling, Yan and Kuala Nerang. The Bank also donated RM1,000 to the Tarbiah Al Awladiah Islamic School.

Bank Muamalat Malaysia Berhad donated a van to Masjid Jamek Tan Sri Ainuddin Wahid

Nusajaya, Johor, 6 March 2015-Bank Muamalat Malaysia Berhad through its philantrophic arm Tabung Mawaddah have donated a van for hearses and multifunction purposes. The van was handed over by Y.Bhg Dato' Haji Mohd Redza Shah Abdul Wahid to Encik Mohd Nor bin Hj Salim and witnessed by YB Dr Hj Zaini Hj Abu Bakar, Nusajaya Representative.

WSM Donated Medical Equipment to Rumah Ehsan

Kuala Kubu Baru, 9 April 2015-Wakaf Selangor Muamalat as part of its continuous mission, donated medical equipments and bath trolley to Rumah Ehsan, Kuala Kubu Bharu. Rumah Ehsan is a hospice for the senior citizen. This event was attended by Y.Bhg Ustaz Mohd Hafiz Fauzi as a representative of Wakaf Selangor Muamalat. The donation of the medical equipments is amounting to RM15,160.

Bank Muamalat Malaysia Berhad donated a van to Pusat Dakwah Jeli

Jeli, Kelantan, 16 May 2015-Bank Muamalat Malaysia Berhad donated a van to Pusat Dakwah Jeli for multifunction purposes. Y.Bhg Tan Sri Dato' Dr. Mohd Munir Abdul Majid on behalf of Bank Muamalat Malaysia Berhad handed over the van to YB Dato' Seri Mustapa Mohamed, Jeli Representative. The van is estimated around RM80,000 which will be used for its day-to-day operation.

Back to School Free Market for the Orphanage

Menara Bumiputra, 23 November 2015-Bank Muamalat Malaysia Berhad once again organised a Back to School Free Market programme for the orphanages The items donated are in the form of school uniform, school equipment, socks, shoes and other back to school items. Around 193 orphan children as well as children of staff earning less than RM3,000 participated in this programme. The orphanage homes involved in the programme are Rumah Permata Rohani, Rumah Baitul Kasih and Rumah Baitul Barokah.

CR @ WORKPLACE

Bank Muamalat Malaysia Berhad Raya Gathering: "Nostalgia Raya 60an"

Menara Bumiputra, 29 July 2015-A raya celebration among the Head Office staff was held at Menara Bumiputra. This is a yearly event intended to instill a close knit ukhwah among the staff and the Management. This year the theme is "Nostalgia Raya 60an". Some of the food served were ketupat, rendang, nasi dagang, tauhu bakar, mee rebus, ice cream, fruits and etc. During this event, the committee organised contests to make it more exciting, and the winners are:-

Best Stall

1st Place

The group comprises Shariah Department, Dakwah, Wakaf & Zakat Department, Corporate Secretariat Department, Business Banking Division, and Regional Business Department.

2nd Place

The group comprises Consumer Banking Division, Consumer Business Development Department, Human Capital Division, and Internal Audit Department.

3rd Place

The group comprises MIS and MCRC Central.

Best Dressed (the 60s Theme)

Best Dressed Man

Syed Lutfi Syed Noh
(Consumer Business Development Department)

Best Dressed Ladies

Marsheliza Ismail
(Consumer Business Development Department)

Yummylicious Stall

1st Place

Menu
Pisang Goreng Cheese and Nasi Dagang
The group comprises Credit Operations Department, SME, Retail Business Document Management Department, Muamalat Invest Sdn Bhd and Association of Islamic Banking Institutions Malaysia.

2nd Place

Menu
Grilled Chicken, Spaghetti with Mushroom, Lasagna, Creamy Mushroom with Garlic Bread, Potato Salad, Fruit Salad and Coleslaw)
The group comprises Procurement Department, Business Process & Transformation Department, Security & Safety Department, Musyarakah Investment Department, Administration & Services Department, Chief Operating Officer, Cybernetics Department, Channel Management Department and Spick Kuala Lumpur.

Other games were also introduced on that day, which include:-
Congkak, Batu Seremban, Teng-Teng, Baling Tin.

Corporate Responsibility

Calendar of Events

02-Apr-15	Stakeholder Engagement Day
18-Apr-15	Golf Muhibbah with ATM
18-Apr-15	Anugerah Anak-Anak Cemerlang DRB-Hicom Group
14-May-15	Forum Perdana at Sungai Petani
16-May-15	Wakaf Selangor Muamalat: Van Donation to Mahaad Tahfiz di Jeli
16-May-15	Doa Selamat at Jalan Syed Yahya Petra Branch
25-May-15	Friendly visit by the Lord Mayor of England
28-May-15	MOU with Telaga Biru: Sunnah Mu Amalan Ku
29-May-15	5S Big Day
03-Jun-15	Wakaf Selangor Muamalat: Seri Al Ummah
11-Jun-15	Branch Launch: Port Dickson Branch
19-Jun-15	Lambaian Kaabah
20-Jun-15	Iftar with Anak-Anak Yatim dan Anak Istimewa at Sime Darby Convention Centre
23-Jun-15	Bubur Distribution
25-Jun-15	Iftar with Mahaad Tahfiz and Orphanage at Glenmarie Golf and Country Club - Fast & Furious 2
01-Jul-15	Iftar with Homeless at Masjid Jamek
02-Jul-15	Iftar with Red Crescent
07-Jul-15	Badal Haji Launch
09-Jul-15	Prepacked Food with the Rohingya
12-Aug-15	Corporate Raya
18-Aug-15	BMMB Raya
08-Sep-15	Food distribution to Rohingya
22-Sep-15	Wakaf Selangor Muamalat: Penyerahan Ambulan ke Rumah Ehsan Kuala Kubu Bharu
08-Oct-15	Forum Perdana: AIBIM
23-Nov-15	Charity Free Market
27-Nov-15	Reflexology & Donate
1-3 Dec-15	KLIFF
17-Dec-15	Back to School for Staff
13-Jan-16	Donation of Waqf Van to Hidayah Centre Sabah
12-Jan-16	WSM visit to Institut Tahfiz Al-Quran Sultanal Hasanal Bolkiah
20-Jan-16	Blood Donation & Health Screening Programme
1-Feb-16	Wakaf Selangor Muamalat: Donation of Ultrasound Machine to Hospital Sultanah Aminah, Johor Bahru
25-Feb-16	Wakaf Selangor Muamalat: Donation of Classroom Equipment to Sekolah AL-Fatih Putra Heights
27-Feb-16	CSR Programme with Pertubuhan Kebajikan dan Pendidikan Permata Rohani
8-Mar-16	Wakaf Selangor Muamalat Donation to Sekolah Menengah Tahfiz Harapan
17-Mar-16	"Boboi Boy The Movie" with Underprivileged & Special Children

DEWAN BESAR PDJ

Al-Quran
JOHAN QARI
RM300.00
Al-Quran
JOHAN QARI
RM300.00
Al-Quran
KETIGA QARI

ATM
PRISM

QUICK, CONVENIENT AND SECURE

%
RM

Statement
on Corporate Governance

The Board of Bank Muamalat acknowledges that good corporate governance practices form the cornerstone of an effective and responsible organisation. The Board is fully committed to the recommendations of the Malaysian Code of Corporate Governance (the Revised Code) as well as the Guidelines on Corporate Governance for Licensed Islamic Banks (Revised BNM/GP1-i) issued by BNM.

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

BOARD OF DIRECTORS

Board Structure, Composition and Processes

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

The Board currently comprises 10 members, 1 CEO/Executive Director and 9 Non-Executive Directors, of which 5 are Independent Directors. The Non-Independent Non-Executive Directors are the representatives of the shareholders namely DRB-HICOM Berhad and Khazanah Nasional Berhad. The current composition of the Board is in compliance with the Revised BNM/GP1-I as more than one-third of the Board members are Independent Directors.

The Non-Executive Directors do not participate in the day-to-day management of Bank Muamalat and do not engage in any business dealing or other relationship with Bank Muamalat in order for them to be capable of exercising independent judgement and act in the best interest of Bank Muamalat and its shareholders.

A brief profile of each member of the Director is presented on pages 14 to 24 of this Annual Report.

Directors' Code of Ethics

The Directors continue to observe a code of ethics based on the code of conduct expected of Directors of financial institutions as set out in the BNM/GP7- Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry and the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Roles & Responsibilities of the Board

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

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

The key duties of the Board include the following:-

- Review and approve strategies, business plans and significant policies and monitor management's performance in implementing them

- Set corporate values and clear lines of responsibility and accountability that are communicated throughout the organisation
- Ensure competent management
- Ensure that the operation of the Islamic bank are conducted prudently, and within the framework of relevant laws and policies
- Ensures that the Islamic bank established comprehensive risk management policies, process and infrastructure, to manage the various types of risks
- Institute comprehensive policies, process and infrastructure to ensure Shariah compliance in all aspects of the Islamic bank's operations, products and activities
- Set up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit function, covering the financial, management and Shariah Audit
- Establish procedures to avoid self-serving practices and conflicts of interest including dealing of any form with related entities
- Ensure protection of the interests of the depositors, particularly investment account holders
- Establish and ensure the effective functioning of various board committees
- Ensure the Islamic bank has a beneficial influence on the economic well-being of its community
- Ensure development, implementation and maintain an effective oversight over Bank Muamalat's Data Management and MIS Framework and ensure that the MIS Framework is aligned with business and risk strategies of the Bank
- Ensure establishment and adherence to the internal policies governing risk concentrations by reviewing it annually. The independent review is to be conducted regularly to verify compliance to the prudential limit and standards set by Bank Muamalat as well as the established internal policies.
- Ensure approval and oversight of Bank Muamalat's capital management framework and its related policies, processes and strategies.
- Ensure approval of capital allocation on risk-adjusted basis appropriate levels of capital is maintained in line with the approved Risk Appetite and risk profile.
- Ensure approval of proposed issuance, call or redemption of any capital instruments and ordinary shares and for proposed dividend payments and reinvestment.

Board Meetings and Access to Information

Bank Muamalat's Board Meetings are scheduled in advance before the end of the financial year, specifically before the end of the calendar year, so as to allow members of the Board to plan ahead and fit the coming years' Board and Board Committees meetings into their respective schedules.

The Board meets every month with additional meetings convened as and when urgent issues and/or important decisions are required to be taken between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

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

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

Statement
on Corporate Governance

The Board convened 13 meetings for the financial year ended 31 March 2016 and the attendance of each director in office during the financial year is set out below:-

Directors	Number of meetings		
	Held	Attended	%
Tan Sri Dato' Dr Mohd Munir Abdul Majid (Chairman/Independent Non-Executive Director)	13	13	100
Dato' Sri Che Khalib Mohamad Noh (Non-Independent Non-Executive Director)	13	11	85
Dato' Mohamed Hazlan Mohamed Hussain (Non-Independent Non-Executive Director) *resigned w.e.f. 29 July 2015	5	4	80
Dato' Ahmad Fuaad Mohd Kenali (Non-Independent Non-Executive Director) *resigned w.e.f. 28 July 2016	8	8	100
Dato' Haji Mohd Redza Shah Abdul Wahid (Executive Director/Chief Executive Officer)	13	13	100
Dato' Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	13	13	100
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director)	13	11	85
Tengku Dato' Seri Hasmuddin Tengku Othman (Independent Non-Executive Director)	13	11	85
Dato' Azmi Abdullah (Independent Non-Executive Director)	13	13	100
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director)	13	12	92
Dr. Azura Othman (Independent Non-Executive Director) *appointed w.e.f. 24 April 2015	13	13	100

Training Programme for Directors

The Board assumes the responsibility to further enhance the skills and knowledge of the members on the relevant new laws and regulations and changing commercial risks, as well as to keep abreast with developments in the financial services industry. Each director attends at least one training programme, which is to be specifically identified by Bank Muamalat for its directors during the financial year.

Board Appointment Process

Bank Muamalat is governed by the Revised BNM/GP1-i in respect of the appointment of new directors and the re-appointment of its existing directors upon the expiry of their respective tenures of office as approved by BNM. All appointment of directors is subject to the approval by BNM.

The primary responsibility of the directors' appointment/re-appointment has been delegated to the Board Nomination Committee. The Board Nomination Committee comprises exclusively of non-executive directors, with the Chairman and the majority of whom are independent. In line with the Revised BNM/GP1-i, the Board Nomination Committee recommends to the Board suitable candidates for directorships and appointment of key senior personnel of the Bank and relevant subsidiaries. The Board Nomination Committee also ensures candidates satisfy the relevant requirements on the skills and core competencies

of a director and are deemed fit and proper to be appointed as director in accordance with the Fit and Proper criteria.
The Board Nomination Committee has, during the year under review evaluated and recommended the appointment of the following directors:

i. Dr. Azura Othman as an independent non-executive director;
ii. Dato' Ahmad Fuaad Mohd Kenali as a non-independent non-executive director.

The Board considers that the recent appointment of the above directors who brings their own unique skills, experiences and knowledge in the commercial sector with exposures in the financial related industry will ensure that the critical competencies gaps identified by the Board are appropriately addressed and provide fresh insights that would help Bank Muamalat overcome challenges ahead.

Re-election of Directors

In accordance with Bank Muamalat's Articles of Association, all directors are subject to retirement by rotation at due intervals of rotation. Being eligible they may offer themselves for re-election, a process that enables the shareholders to vote them back into office.

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

Annual Board Assessment

One of the broad responsibilities of the Board Nomination Committee is to provide a formal and transparent procedure for the assessment of effectiveness of individual directors and the Board as a whole. In line with the Revised BNM/GP1-i and for this purpose, the Board Nomination Committee conducted and established clear selection criteria, processes and procedures to assess each director's ability to contribute to the effective decision making of the Board. In addition, assessment would also be undertaken to gauge the effectiveness of the relevant Board Committees.

The annual board assessment exercise was primarily based upon the answers to a customised questionnaire which was prepared internally. The Board Nomination Committee upon its recent annual review carried out is satisfied that the size of Bank Muamalat's Board is optimum and there is an appropriate mix of knowledge, aptitude and core competencies in the composition of the Board. All the Directors comply with the "fit and proper" criteria as established by BNM in the Revised BNM/GP1-i.

BOARD COMMITTEES

The Board has established several Board Committees whose compositions and terms of reference are in accordance with the Revised BNM/GP1-i as well as best practices prescribed by the Revised Code.

The Board Committees in the Bank are as follows:-

1. Board Audit Committee

The Board Audit Committee comprises exclusively Non-Executive Directors of the Board, responsible to fulfill the oversight function in relation to the adequacy and integrity of system of internal controls and financial reporting, risk management and compliance with internal policies, procedures and external applicable rules and regulations.

The Board Audit Committee is authorised by the Board to investigate any activities within its Terms of Reference and has unrestricted access to both the internal and external auditors and Senior Management team of Bank Muamalat.

The composition of the Board Audit Committee and the attendance of the meetings held in the year under review are as follows:-

Members of Audit Committee	Number of meetings		
	Held	Attended	%
Tengku Dato' Seri Hasmuddin Tengku Othman (Chairman/Independent Non-Executive Director)	16	16	100
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director)	16	16	100
Dato' Azmi Abdullah (Independent Non-Executive Director)	16	16	100
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director)	16	16	100
Dr. Azura Othman (Independent Non-Executive Director) *appointed w.e.f. 24 April 2015	16	16	100

The objectives and activities carried out by the Board Audit Committee during the year under review are summarised in the Statement of Internal Control as stated in page 100 to 101 of this Annual Report.

2. Board Nomination Committee

The Board Nomination Committee provides a formal and transparent procedure for the appointment of directors, CEO and members of Shariah Committee as well as assessment of effectiveness of board as a whole, Shariah Committee members and performance of CEO and key senior management officers.

The Board Nomination Committee comprises Non-Executive Directors and the Chairman who is independent. Meetings are held as and when required for the Board Nomination Committee to deliberate on related matters. The members of the Nomination Committee and the attendance for the year under review are as follows:-

Members of Board Nomination Committee	Number of meetings		
	Held	Attended	%
Tengku Dato' Seri Hasmuddin Tengku Othman (Chairman/Independent Non-Executive Director)	6	6	100
Dato' Sri Che Khalib Mohamad Noh (Non-Independent Non-Executive Director)	6	3	50
Dato' Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	6	6	100
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director)	6	6	100
Dato' Azmi Abdullah (Independent Non-Executive Director)	6	6	100

The primary duties and responsibilities of the Nomination Committee are as follows:-

- Establishes minimum requirements for the Board that is, the required mix of skills, experience, qualification and other core competencies required of a director. The Board Nomination Committee is also responsible for establishing minimum requirements for the CEO.
- Recommends and assesses the nominees for directorship, board committee members, and Shariah Committee members as well as the CEO.
- Oversees the overall composition of the Board, in terms of the appropriate size and skills, and balance between executive directors, non-executive directors and independent directors through annual review.
- Recommends to the Board the removal of a director/CEO/Shariah Committee member from the Board/management/committee if the director/CEO/Shariah Committee member is ineffective, errant and negligent in discharging his responsibilities.
- Establishes a mechanism for the annual formal assessment on the effectiveness of the board as a whole, assessment of the performance individual directors, the performance of the CEO and other key senior management officers (Executive Vice President (EVP) and above).
- Oversees the appointment, management succession planning and performance evaluation of key senior management officers.
- Recommends to the board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities.

3. Board Remuneration Committee

The Board Remuneration Committee provides a formal and transparent procedure for developing a remuneration policy for Directors, CEO and key senior management officers and ensuring that Bank Muamalat's compensation package is competitive and consistent with its culture, objectives and strategies.

In addition, the Board Remuneration Committee is also responsible for developing remuneration policy for the Shariah Committee members that commensurate with their roles and responsibilities. The Board Remuneration Committee will then recommend the proposed remuneration package to the Board for its approval.

The composition and the attendance for the year under review of the Board Remuneration Committee are as follows:-

Members of Board Remuneration Committee	Number of meetings		
	Held	Attended	%
Dato' Azmi Abdullah (Chairman/Independent Non-Executive Director)	5	5	100
Dato' Sri Che Khalib Mohamad Noh (Non-Independent Non-Executive Director)	5	3	60
Dato' Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	5	5	100
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director)	5	5	100
Tengku Dato' Seri Hasmuddin Tengku Othman (Independent Non-Executive Director)	5	5	100

The specific responsibilities of the Board Remuneration Committee include amongst others, the following:-

- Provide a formal and transparent procedure for developing the remuneration for directors, board committee members, CEO, Shariah committee and key senior management officers and to ensure that their compensation is competitive and consistent with Bank Muamalat's culture, objectives and strategy.
- Recommend to the Board on the policies, strategies and framework for the Bank in relation to the remuneration, rewards and benefits.
- Recommend the remuneration of the Shariah Committee members for the full board's approval. The remuneration shall commensurate and reflect the roles and responsibilities of the Shariah Committee.

4. Board Risk Management Committee

The Board Risk Management Committee is authorised to oversee Management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning. In addition, the Board Risk Management Committee is also responsible for ensuring that a comprehensive risk management infrastructure is in place for managing the risk associated with Mudharabah and Musharakah financing or investments.

The composition and the attendance for the year under review of the Board Risk Management Committee are as follows:-

Members of Board Risk Management Committee	Number of meetings		
	Held	Attended	%
Dato' Azmi Abdullah (Chairman/Independent Non-Executive Director)	15	15	100
Dato' Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	15	14	93
Haji Abdul Jabbar Abdul Majid (Non-Independent Non-Executive Director)	15	15	100
Tengku Dato' Seri Hasmuddin Tengku Othman (Independent Non-Executive Director)	15	14	93
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director)	15	13	87

The objectives and activities carried out by the Board Risk Management Committee during the year under review are summarised in the Risk Management Statement as stated in page 102 to 109 of this Annual Report.

5. Shariah Committee

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

Further details of this Shariah Committee are set out on page 26 to 28 of this Annual Report.

6. Internal Audit and Control Activities

The Board has the overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations and compliance with laws and regulations, as well as internal procedures and guidelines.

The Statement on Internal Control and activities of Bank Muamalat are summarised on page 100 to 101 of this Annual Report.

7. Related Party Transactions

The details of related party transactions of Bank Muamalat are disclosed on pages 228 to 229 under the Audited Financial Statement for the financial year ended 31 March 2016 of this Annual Report.

8. Management Reports

At every Board meeting, a progress report on on-going projects of Bank Muamalat pertaining to products and services, information technology, recruitment, human resource, policies and procedures, regulatory requirement as well as income and expenses are submitted to the Board for review.

9. Corporate Responsibility

As part of its shared values, Bank Muamalat is continuously developing and strengthening its relationship with the community. Through its Corporate Responsibility initiatives, Bank Muamalat willingly gives back to the community not just in monetary terms but also through the provision of products, services as well as educating the public on the importance of Islamic financial services through a series of 'ceramahs'.

Further details of the Corporate Responsibility Initiatives are set out on Pages 84 to 87 of this Annual Report.

Statement
on Internal Controls

THE STATEMENT ON INTERNAL CONTROLS IS MADE PURSUANT TO BEST PRACTICES AS DEFINED BY MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 BY SECURITIES COMMISSION TO INCLUDE IN ITS ANNUAL REPORT A STATEMENT ABOUT THE STATE OF ITS INTERNAL CONTROL. THE STATEMENT IS CRUCIAL AS IT OUTLINES THE PROCESSES TO BE ADOPTED BY THE BOARD IN REVIEWING THE ADEQUACY AND EFFECTIVENESS OF INTERNAL CONTROL SYSTEM OF BANK MUAMALAT.

RESPONSIBILITY

The Board recognises the importance of maintaining a sound system of internal controls and risk management practices as well as reviewing their adequacy and effectiveness to safeguard shareholders value. Robust and dynamic risk management and internal controls are vital in ensuring stability of the business in facing rapid changes of business operations today. The Board reviews and is ultimately responsible for the adequacy and integrity of the internal control systems in Bank Muamalat in addressing business and operational risks.

The Board diligently exercises overall responsibility in ensuring that Bank Muamalat's system of internal controls is adequate and effective to manage the risk profiles within Bank Muamalat's risk appetite. It is pertinent to note that, such a system is designed to manage Bank Muamalat's key areas of risks within an acceptable risk appetite, rather than to guarantee total elimination of risk of failure to achieve Bank Muamalat's objectives and goals. As such, the system of internal controls can only provide reasonable rather than absolute assurance of effectiveness against material misstatements of financial information or against fraud or financial losses. The concept of reasonable assurance also acknowledges that the control procedures cost should not exceed the expected benefits.

The Board is of the opinion that, for the period under review up to the issuance date of the annual report and financial statements, the system of internal controls in place at Bank Muamalat is appropriate and adequate to safeguard the stakeholders' interest and its assets. The control structure and process which have been instituted throughout Bank Muamalat are reviewed and enhanced from time to time as to suit the changes in Bank Muamalat's business environment and risk appetite. As at the date of approval of this statement, the improvement of the internal controls system remained in place.

The role of Management includes:

- Identifying and evaluating the risk faced, and the achievement of business objectives and strategies;

- Formulating relevant policies and procedures to manage these risks;
- Designing, implementing, and monitoring a sound system of internal controls;
- Implementing the policies approved by the Board; and
- Reporting in a timely manner to the Board any changes to the risks and corrective actions taken.

Internal Audit Function

- Internal Audit Department ("IAD") conducts independent audits and provide reasonable assurance and value-added recommendations on the adequacy and effectiveness of the system of internal controls and financial reporting, and compliance with internal policies and procedures, and external applicable rules and regulations. They evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach. Audit reviews are carried out using risk-based approach on units, branches, and key business processes based on annual audit plan approved by the Board Audit Committee ('BAC") taking into consideration Bank Muamalat's objectives, business and regulatory environment, and input of the Senior Management, Shariah Committee, and the Board.
- The Management Audit Committee ("MAC") is a management committee chaired by the Executive Vice President, Finance Division comprising senior level representatives of Bank Muamalat from a broad range of business and support units. The MAC meets regularly to deliberate on the findings of all audit reports and decide on the appropriate action required to resolve the audit issues. Minutes of the MAC meeting are then tabled to the Management Committee ("MANCO") meeting.
- The BAC meets on a scheduled basis to review the findings, recommendations, and action plans reported by IAD, Management, External Auditors, and Regulatory Authorities. It has the authority and is empowered by the Board to review the adequacy and effectiveness of Bank Muamalat's internal control system. It also reviews the internal audit function and the scope of the annual audit plan and frequency of the internal audit activities. Minutes of the BAC meeting are then tabled to the Board.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements incorporated by the Board, which contributes to an effective internal controls system includes:

Organisation Structure

Establishment of a formalised organisation structure that provides clear demarcation of reporting and responsibility for ensuring proper assignment of authorities, segregation of duties, and accountability towards Bank Muamalat.

Business Plan and Budget

Annual business plan and budget are prepared and submitted to the Board for approval, where performance achievements are reviewed against the targeted results on monthly basis to allow corrective actions to be taken to mitigate risks. The Board reviews regular reports from the Management on the key financial and operating statistics, as well as legal and regulatory matters.

Policies and Procedures

The Board approves any changes or updates to Bank Muamalat's policies. Bank Muamalat's policies and procedures are established and formalised to ensure compliance with internal controls and the relevant laws and regulations, which are set out in the respective manuals, guidelines, and directives issued by Bank Muamalat and the regulatory authorities that updated from time to time.

Defined authority limits have been established for each level within Bank Muamalat to approve acquisition and disposals of assets, approval of credit items, writing off operational and credit items, as well as approving expenses.

In regards to Bank Muamalat's commitment towards its Whistle Blowing Policy, the Board has established Muamalat Ethics Line to enable employees to raise concerns in a responsible manner regarding any unprofessional or unethical conduct, and to have such concerns properly investigated. All disclosures under this Policy will be managed by a third party appointed by Bank Muamalat and will be treated as strictly confidential.

Statement
on Risk Management

Bank Muamalat's management of risk is undertaken in an integrated approach, which essentially looks at a broad spectrum of risks inherent in Bank Muamalat's business operations and manages them under an established governance and oversight structure.

Bank Muamalat encounters various forms of risks that are inherent to its business activities, among them are credit, market, liquidity, operational, strategic and business risks. As a full-fledged Islamic Financial Institutions (IFI), Bank Muamalat also faces the risk of Shariah non-compliance, an important and unique risk faced by all IFIs. Failure to effectively manage these risks could potentially lead to dire consequences such as financial losses, regulatory breaches and adverse public perception that may give rise to crisis of confidence.

In view of the above, these risks have to be managed in a structured and comprehensive manner and to assist in the risk identification and management process; Bank Muamalat performs ongoing analysis of its risk profile against current and projected operating conditions. Appropriate risk management strategies are then formulated and implemented under an established governance structure to ensure prompt monitoring, review and response.

Bank Muamalat's risk management framework has become an important tool in strategic decision-making. It supports the formulation of strategic and business objectives by aligning them to the approved risk appetite and ensuring sound financial and capital position.

BUSINESS CONDITIONS

The financial services industry continues to face challenges in the form of rising funding and operational costs, volatility in local and global markets, and changes in consumer demand and preferences. Amidst weaker consumer sentiments and slower financing growth, financial institutions continue to rationalize their systems and processes to meet regulatory requirements and strengthen overall liquidity and capital levels.

In 2015, Malaysian financial institutions continue to demonstrate strong financial positions, which are supported by sound governance and risk management practices. Coupled with high quality capital and liquidity buffers accumulated over the years, financial institutions remained resilient against the heightened volatility and more challenging business conditions during the year.

While aggregate household asset-to-debt ratio has been consistently maintained at above two times over the past five years, leverage levels were noticeably higher among the lower income households. Thus, BNM's focus would continue to be on lowering the debt levels for these households to provide a buffer against unexpected events and rising costs. Nonetheless, risks to financial stability is expected to be manageable as potential losses from household financing even under assumptions of severe stress conditions remain well within banks' capital buffers.

BNM[1] is also expected to remain vigilant over developments in the household, property and business sectors[2] with focus on sound credit standards and risk management practices among banks as well as large non-bank financiers. Domestic and external headwinds continue to challenge businesses and households, thus making it more important for financial institutions to intensify their risk management and actively identify and manage customers that may be affected in this environment.

In line with the global move to further strengthen the financial services industry and ensure economic and financial stability, BNM has introduced the new capital and liquidity standards with effect from 1 January 2013. The reform measures, as described in the BNM's CAFIB guidelines, is being implemented under a gradual phase-in transitional arrangement until its full compliance date in year 2019.

As the emphasis of the new liquidity requirement is on the maintenance of quality deposit levels to support the financial institutions' business activities, competition for stable deposits has since intensified leading to rising cost of funds. Among the measures taken to increase its sources of stable funding and reduce reliance on wholesale deposits, Bank Muamalat has intensified the acquisition of retail deposits through deposit drive campaigns and building on the DRB group synergy to tap for deposits from within group companies and employees.

Another critical component of the regulatory reforms is the new capital standards. Aimed at enhancing the financial

[1]BNM : Risk Developments And Assessment Of Financial Stability in 2015
[2]Executive Summary-Financial Stability And Payment System Report 2015

institutions'[3] capital position and ability to absorb losses under adverse conditions, the new standards require the banks to hold higher level of quality capital instruments and substantial capital buffers. As these would lead to higher cost of capital, Bank Muamalat has implemented a strategic action plan which includes optimisation of capital use, realignment of business direction and management of its risk profile.

In addition to above, Bank Muamalat, along with other IFIs, is also striving to comply with the requirements of the new Islamic Financial Services Act 2013 (IFSA)[4]. The IFSA, which came into force in June 2013, is a comprehensive legal framework that amalgamates the previous legislative acts and other related BNM guidelines on banking and takaful. It is aimed at strengthening and promoting the country as a major Islamic financial hub and has brought about significant changes to the local banking scene. It integrates corporate and Shariah governance, in alignment with global best practices, and enforces them as a substantive law.

Under the IFSA, IFIs are required to comply with the Shariah and operational standards issued by BNM and other applicable regulatory bodies, which essentially covers all facets of the IFIs' business objectives, operations and product offerings. One of the key elements of the IFSA is the enforcement of end-to-end Shariah compliance in every aspect of the IFIs' operations. In business dealings, IFIs are required to ensure that all Shariah contracts comply with the Shariah rules and principles and sufficiently reflect the underlying risks and rewards of the financial transactions.

Pursuant to the IFSA, IFIs are required to distinguish their deposit products from investments, thus pushing for greater diversification of their product offerings and services. Deposits previously structured under mudharabah concept are considered as investments and has to be segregated from other types of deposits. The move is seen as providing greater flexibility and opportunity for IFIs to broaden and diversify its product structures and explore possibilities for more capital relief in the form of specific asset-backed investment accounts.

Bank Muamalat has initiated a review of its products, services and processes to ensure compliance to the regulatory requirements and has accordingly developed alternative deposit products as well as investment accounts for its customers. While the transition of deposit accounts are expected to be smooth, introduction of the new investment accounts is projected to undergo a gradual familiarisation and acceptance phase, particularly as the market has to be accustomed to the non-capital protected feature of the investment products.

MANAGING RISKS

Bank Muamalat's risk management framework comprises a formal oversight structure supported by policies which outlines the applicable principles, processes, control mechanisms and methodologies to manage risks. The governance and oversight structure specify clear responsibilities for risk management activities as well the reporting requirement and ongoing monitoring of these activities.

Risk management strategies are formulated and implemented to ensure that risks are effectively addressed and managed. Risk strategies are also developed with the aim of balancing risks with business objectives and ensuring that the growth plans are well supported by a defined and effective risk infrastructure.

Among the key strategies are to establish a comprehensive risk infrastructure and a risk assessment and monitoring framework. The risk assessment framework is a systematic and ongoing process of identifying, evaluating, monitoring, managing and responding to existing and emerging risks in line with Bank Muamalat's business objectives as well as changes in the operating and regulatory environments.

Embedded in the risk infrastructure is the risk management approach and processes where through these processes, Bank Muamalat is able to identify and measure significant risks, define its risk appetite, and finally, formulate appropriate strategies to manage and mitigate them.

[3]The Capital Adequacy Framework for Islamic Banks (CAFIB) and its related documents, which modeled after the BCBS's revised capital and liquidity reform measure (generally referred to as BASEL III reform packege).

[4]The Islamic Financial Services Act 2013 repeals the Islamic Banking Act 1983 and the Takaful Act 1984 and incorporates elements from the Payment System Act 2003 and the Exchange Control Act 1953.

Statement
on Risk Management

Another important risk management element is the existence of a strong risk culture. Bank Muamalat aims to cultivate and internalise this positive and proactive approach towards addressing risk through an ongoing process of awareness-building, educating, and open communication with the various stakeholders within the organisation. Constant engagement is maintained between the risk management team and the business units to facilitate and foster greater understanding and cooperation towards better risk management.

RISK GOVERNANCE

Bank Muamalat's risk governance structure is based on a distributed function approach, where risk governance and management is taken under three distinct lines of defence.

The first line of defence in managing risks lies within the business units where risks are directly undertaken and assumed in the day-to-day business activities and operation. As front-liners, the business units are responsible for carrying out the established processes for identifying, mitigating and managing risks within their respective environment in alignment with Bank Muamalat's strategic targets.

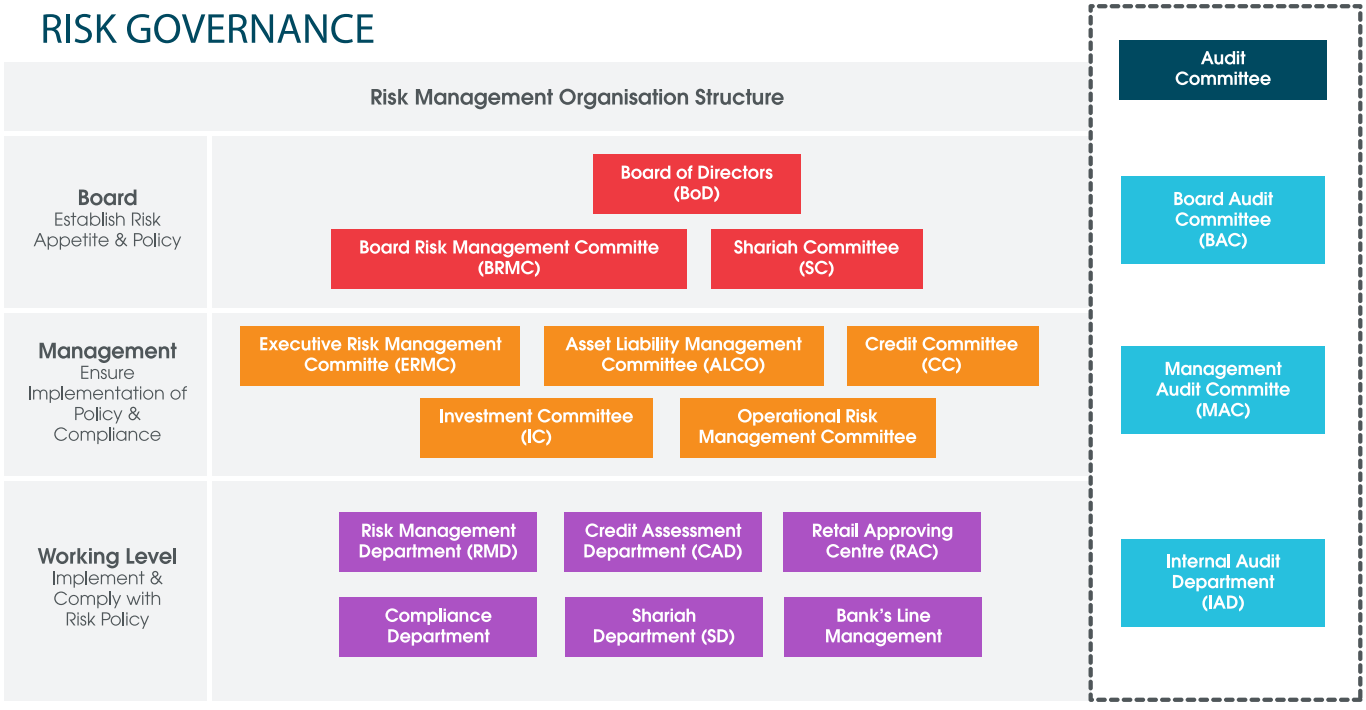
The second line of defence, which comprises the risk management control functions and compliance, ensures the independent oversight and management of all material risks undertaken by Bank Muamalat. The risk management function provides specialised resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control. It also provides the control function, which monitors the risks by using various key indicators and reports, guided by the established risk appetite and tolerance limits.

Finally, the third line of defence, which involves internal audit, provides the independent review and assurance on the adequacy of the risk management processes and effectiveness of the first two lines of defence in fulfilling their mandates.

RISK MANAGEMENT ORGANISATION STRUCTURE

The risk governance structure comprises board and management level committees as well as risk control units, which are guided by a reporting hierarchy to enforce the overall governance and oversight of Bank Muamalat's risks. Each committee and control unit has its own defined responsibilities and delegated authorities.

The Board holds the ultimate responsibility for the overall risk governance and management. This includes determination



of risk strategies, defining the risk appetite and ensuring effective of control and monitoring of risks. The Board is also responsible for ensuring the risk management structure is clearly defined and performs effectively.

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

The BRMC is a board-level forum that focuses and deliberates on all risk management issues. The committee oversees and ensures the effective management of risks and enforcement of the approved risk tolerances and limits. It is also responsible for the review and assessment of the existing risk management framework for its adequacy and for ensuring that a robust infrastructure and systems as well as resources are in place to monitor risk and capital positions.

Shariah compliance management is enforced by the Board through the SC. The SC functions independently from the Board and is tasked with the responsibility of understanding Shariah issues in all activities assumed by Bank Muamalat. The SC also serves as advisory to the Board and the management team on all Shariah matters. Shariah management and compliance has to be closely aligned to ensure Bank Muamalat has a full view of all risks and is able to put in place an integrated and end-to-end Shariah compliance management.

At the management level, specialised risk committees have been set up to oversee specific risk areas and perform the control functions. These cover the asset-liability management, credit evaluation and management, investment management, and operational risk management. To support the above committees, a dedicated Risk Management Department has been formed to carry out the day-to-day risk management functions, independent from business lines and targets.

RISK APPETITE

Bank Muamalat's risk appetite framework comprises a governance structure and a set of risk appetite statements (RAS) which are outlined based on the stakeholders' expectation. It serves as a foundation for Bank Muamalat's risk culture and sets out the principles and policies to guide business activities and decision making process towards achieving an optimal balance between risk and return.

The RAS incorporates Bank Muamalat's key performance indicators such as earnings volatility, liquidity and capital ratios. At the strategic level, Bank Muamalat's tolerance for earnings volatility and liquidity are clearly stated to facilitate appropriate governance and oversight. Tolerance on liquidity is set based on thresholds on key liquidity ratios. The risk appetite also defines Bank Muamalat's risk capacity in terms of the capital levels required to support its business activities as well as the capital buffers deemed adequate to meet regulatory and strategic requirements.

Regarded as a key cornerstone of the risk management framework, Bank Muamalat formulates strategic and business plans in alignment with the Board-approved risk appetite statements. Aside for business planning, the RAS is also applied in developing risk management strategies. As it provides the basis for Bank Muamalat's risk-taking boundaries, risk tolerance limits and measures are formulated based on the approved risk appetite and serve as a reference point for all risk taking and monitoring activities. In the event a risk boundary is approached or breached, the tolerance limit will trigger the appropriate actions needed to address the situation. The business-level RAS are jointly developed with the business lines and the actual performance are measured and monitored against the risk appetite on a regular basis.

CAPITAL MANAGEMENT

Bank Muamalat's capital strategies and approach in managing capital risk is embedded in the capital management framework. Developed in accordance with the capital standards as outlined in the BNM's CAFIB guidelines, Bank Muamalat's capital management framework adopts forward-looking and risk-based approaches and principles.

The main capital management objective is to ensure that capital resources are efficiently used while striving for business and strategic targets. To achieve this, Bank Muamalat assesses its capital requirements and develops an annual capital plan. The plan contains a capital forecast covering a three-year planning cycle to ensure that sufficient

Statement
on Risk Management

capital is maintained to meet business needs and to support the risks associated with these activities.

To assess the capital requirement, Bank Muamalat applies the regulatory Standardised Approach for credit and market risks and the Basic Indicator Approach for operational risk for the measurement and quantification of its risk-weighted assets. As prescribed under the ICAAP, other possible major risks that are not covered under these measurement approaches are also assessed to determine further capital requirement, if any.

Bank Muamalat's capital position is closely monitored against the capital plans and internal capital targets to ensure that they remain within set targets or to trigger preemptive or remedial actions, if deemed necessary. Bank Muamalat conducts regular stress tests to evaluate the impact of specific macro-economic and risk factors on its capital adequacy levels and for formulation of appropriate capital management strategies.

Stress testing is performed to identify early warning signs and potential risk events that may adversely impact Bank Muamalat's risk profile and business direction. It is also used to determine the appropriate capital buffers needed to be maintained to ensure that Bank Muamalat does not breach the minimum regulatory ratios under actual and stressed scenarios.

The capital planning and management framework is also used to ensure that adequate capital buffer is held under normal and projected adverse conditions. Hence, the annual capital plan addresses any capital issuance requirements, capital instrument composition and maturity profile, and capital crisis contingency planning.

INTERNAL CAPITAL ASSESSMENT ADEQUACY PROCESS (ICAAP)

The capital management framework documents the key capital management policies, principles, processes and responsibilities that are to be applied in capital planning and management as well as for capital adequacy assessment as required under the Internal Capital Adequacy Assessment Process (ICAAP).

Capital planning and management is integrated with risk management where the comprehensive risk assessment conducted on all risk areas is used in the capital adequacy assessment to study its impact on Bank Muamalat's capital standing. The risk and capital assessment entails the identification of material risks inherent in business activities and the effectiveness of controls put in place to mitigate and manage these risks.

In the ICAAP, which is conducted in conjunction with the strategic and business planning process, Bank Muamalat determines the level of capital to be allocated for business growth, in line with the targeted profit and Risk Adjusted Return on Capital (RAROC), and the required capital buffers. Additionally, internal capital targets are set in the annual capital plan and used as an ongoing monitoring and management mechanism to ensure capital levels are maintained at the approved levels.

CREDIT RISK MANAGEMENT

Credit risk is defined as the risk of a financial loss if any customer or counterparty fails to meet its obligations to Bank Muamalat as they fall due. It is a primary source of risk to Bank Muamalat, arising mainly from retail and wholesale financing exposures which form the bulk of Bank Muamalat's assets. It covers all financing exposures, including guarantees and irrevocable undrawn facilities, and financial assets, such as investment securities held in Bank Muamalat's banking book. To a lesser degree, Bank Muamalat is also exposed to other forms of credit risk, such as those arising from settlement balances with market counterparties.

To manage credit risk, Bank Muamalat has put in place an established and comprehensive framework comprising of policies, processes, measurement methodologies, and an oversight structure. Credit underwriting and management is governed by a set of credit-related policies, namely the Credit Risk Policy (CRP) and Guidelines to Credit Risk Policies (GCRP), and related operating procedures. They outline Bank Muamalat's policies on credit risk such as financing underwriting standards, pricing policy, risk rating, approving authority limits, prudential limits, risk mitigation, review process, rehabilitation and restructuring, and provisioning for impaired financing. The policies are reviewed and updated regularly to ensure its continued relevance and effectiveness.

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

Bank Muamalat monitors and manages the credit exposures based on concentration and portfolio segments to ensure that they are kept within the approved risk appetite and risk tolerance levels. Monthly exposure review and analytical reports are produced and tabled to the risk management committees for deliberation. The reports also provide the basis for formulation of risk management strategies and policies.

Exposures to delinquent and problematic financing are managed by an independent department that focuses and specialises on restructuring and recovery activities. A set of early warning triggers are used to identify potentially distressed financing accounts and to facilitate initiation of remedial actions. The exposure is actively monitored to ensure delinquency is kept within tolerable limits.

MARKET RISK & ASSET-LIABILITY MANAGEMENT

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

Asset-Liability Management (ALM) refers to the coordinated management of the of the Bank Muamalat's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on Bank Muamalat overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Bank Muamalat.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile that is consistent with Bank's strategic and business plan.

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

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

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

RATE OF RETURN RISK

Rate of return risk refers to the variability of Bank Muamalat assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. Such changes can adversely affect both Bank Muamalat's earnings and its economic value.

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

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

Statement
on Risk Management

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

LIQUIDITY RISK

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

In view of this, it is Bank Muamalat priority to manage and maintain a stable source of financial resources towards fulfilling the above expectation. Bank Muamalat, through active balance sheet management, ensures that sufficient cash and liquid assets availability are in place to meet the short and long term obligations as they fall due.

For ongoing management and monitoring of the liquidity and funding positions, Bank Muamalat establishes risk tolerances and limits within applicable risk appetite metrics, monthly reporting of its asset, liability and liquidity positions and a comprehensive liquidity crisis contingency plan and action framework.

The primary focus of Bank Muamalat's liquidity management is to assess all cash inflows against outflows to identify the potential for any net shortfall going forward. This includes funding requirements for off-balance sheet commitments. Bank Muamalat pays particular attention to its ability to cover any shortfall in liquidity for up to 1-month time period followed by a medium-term assessment of liquidity of up to one year. The measurement and limits used to monitor and manage the liquidity risk are as prescribed under the BNM's liquidity framework, namely the New Liquidity Framework (NLF), Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). To mitigate the risk, Bank Muamalat employs a funding diversification strategy and establishes a liquidity contingency plan.

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

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people, and systems, and/or from various external events. The objective of Operational Risk Management (ORM) is to effectively manage risks to minimise possible financial losses arising from these operational lapses.

In relation to operational risk management, the key risk organs which plays a critical role in the overall integrated risk management framework are the Operational Risk Management unit, Operational Risk Management Committee (ORMC), Internal Audit, Compliance and the business lines.

The management of operational risks is targeted at preventing risk events and damages (by in-process and managerial controls), handling critical situations (via contingency plans and business continuity management (BCM)) and mitigating potential losses (collaterals). These are achieved partly by instituting appropriate process and management controls and implementing clear and comprehensive contingency plans and business continuity management (BCM). By establishing and operating a system of control procedures that commensurate with its risks, Bank Muamalat limits its exposures to an acceptable level in accordance with its risk appetite.

The MORiS is a web-based application that is used as a tool in risk identification and assessment, acts as a centralised loss incidents database and tracks risk exposure against established key risk indicators (KRI) over time.

SHARIAH RISK MANAGEMENT

Shariah non-compliance risk is defined as the risk that arises from Bank Muamalat's failure to comply with the Shariah rules and principles as determined by the Shariah Committee (SC) of Bank Muamalat and relevant Shariah regulatory councils or committees.

To manage Shariah risk, Bank Muamalat has established the Shariah Risk Management Unit (SRMU) as part of its integrated risk management framework, in accordance with BNM's regulatory requirement as outlined under the Shariah Governance Framework (SGF).

Main responsibilities of the SRMU include formulation of policies and guidelines on Shariah risk management and identification and assessment of Shariah non-compliance risks in business operations, activities, products and services. Other functions performed by the SRMU are as follows:

- Assess effectiveness of existing controls and recommend appropriate controls or mitigation plan;
- Assess new and existing products, services and operating procedures from Shariah risk perspective;
- Monitor for possible Shariah non-compliance risk and report to the Board, Shariah Committee and management;
- Identify potential income or profit arising from business operations and activities that could not be recognised as a halal (lawful in Shariah) income to Bank Muamalat due to non-adherence with Shariah requirements;
- Formulate procedures on cleansing of non-halal income and monitor the de-recognition process; and
- Conduct training and awareness programme on Shariah risk to inculcate a Shariah compliance risk culture.

Risk mitigation for Shariah inherent risks covers efforts taken to reduce the probability/likelihood or consequences of a threat. Shariah risk may be avoided when Bank Muamalat refuses to accept the risk event by not engaging in the Shariah non-compliance activities that would lead to financial loss due to Shariah non-compliant income.

Policy on Management of Shariah Non-Compliant Income (SNCI) is formulated pursuant to the BNM Shariah Governance Framework for IFI, which define the principles and practices to be applied by Bank Muamalat in managing its SNCI.

STRATEGIC AND REPUTATIONAL RISK MANAGEMENT

Strategic risk is defined as the risk of unexpected negative developments in Bank Muamalat's results stemming from its fundamental strategic and business decisions and how well these strategies are executed. Reputational risk is the risk of loss arising from negative perception of Bank Muamalat's image by the public and its stakeholders, which could adversely impact shareholder value.

In assessing strategic risk, Bank Muamalat needs to look at risks associated with its current and future business plans and strategies and identify situations in which risk can be potential threat to the strategic plan. These may include plans for entering into new businesses, expansion of existing products and services, and enhancement or replacement of infrastructure, such as those involving information technology, networking and outsourcing. The strategic risk assessment is an ongoing process and not just a one-time exercise.

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

To ensure that the organisation is ready to respond to a potential risk event, the Group has to assess the internal capability to manage the reputation risk and understand the external impact of the risk event materialising. Managing reputational risk is therefore the responsibility of all individuals within the organisation, particularly those who are directly involved in making commercial decisions in their respective functions or business lines.

Statement
on Compliance

Bank Muamalat recognises that compliance risk and obligations have to be managed proactively and effectively, with the culture of compliance embedded across all business activities of Bank Muamalat.

As with any other financial services provider, Bank Muamalat is exposed to the risk of impairment to its business model, reputation and financial condition from failure to comply with laws, regulations, internal policies and procedures, as well as, the expectations of stakeholders. This encompasses the compliance risk faced by Bank Muamalat. In operating its business as a compliant Islamic financial services provider, Bank Muamalat upholds the adoption and practice of good corporate governance. These principles serve as an important guide for Bank Muamalat as it continuously evolves to meet the growing demands of compliance best practices.

Compliance is the collective responsibility of the respective Board, Senior Management and each and every staff of Bank Muamalat. Furthermore, there is a dedicated officer and compliance team in each of the applicable entity. Hence, everyone concerned is expected to promote self-regulation and be accountable for his or her own activities while maintaining ethical principles and behaviour in everything that he or she does.

The Board, CEO and Senior Management have adopted the Compliance Policy and Compliance Charter built on the following principles:

- Commitment to comply with the relevant legal and regulatory requirements;
- Dedicated compliance function coordinates the management of Bank Muamalat's compliance risk;
- Implement a Compliance Risk Management Program across Bank Muamalat to ensure effective operations of Compliance Policy; and
- Embedding the Compliance Policy within the operations of Bank Muamalat, thus making compliance risk management an integral parts of Bank Muamalat's business activities.

The Board and Senior management of Bank Muamalat further pledges to ensure the implementation of the following drivers of effective compliance culture:

Leadership principle

- Full commitment by all staff in ensuring compliance risk and regulatory requirement are effectively administered; and
- Sufficient provision and appropriate resources for the Compliance Risk Management Programme.

Culture principle

- Compliance culture is consciously promoted bank-wide; and
- All staff is continuously engaged to ensure they inculcate compliance awareness and discharge their duties effectively to ensure their respective units comply with regulatory and internal requirements.

Training and Communication Principle

- Compliance knowledge and awareness are constantly reinforced and communicated; and
- Compliance competency and training needs are recognized and addressed.

Compliance Risk Identification & Assessment Principle

- Red flags and compliance risks are proactively identified; and
- Early warning system i.e. self auditing is in place to identify compliance requirements.

Compliance Management and Mitigation Principle

- Effective policies, processes and internal controls are in the place to mitigate compliance risk; and
- Policies and procedures communicated to ensure that they are comprehended.

Compliance Monitoring Principle

- Performance of compliance controls and compliance programme are monitored, measured and reported; and
- Compliance programme are reviewed on a regular basis and constantly enhanced.

Compliance Reporting and Resolution Principle

- Appropriate methods are established and maintained to identify, capture, escalate, analyse and respond to issues or contravention associated with compliance requirements.

ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM (AML/CFT)

Bank Muamalat also explicitly recognises the importance of maintaining continuous efforts and initiatives in assisting the Government and BNM in combating illicit and money laundering activities, as well as financing of terrorism activities through the use of the banking system. With infrastructure and processes in place, Bank Muamalat has demonstrated its full commitment and support in ensuring compliance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2011 (AMLA) as one of the responsible Reporting Institution. The building blocks of the infrastructure are the Policy on AMLA and the Internal Guidelines that sets out the following:

- Roles, responsibilities, and accountabilities of all staff in combating money laundering and terrorism activities;
- Regular education and training to instil staff awareness on the importance of AMLA so as to assist in preventing and detecting suspicious activities;
- Customer Due Diligence process to proactively identified and profile the customers based on selected key criteria;
- Use of subscribed database and management information system for on-going screening of customers transactions to facilitate timely detection and reporting of the suspicious activities to Financial Intelligence & Enforcement Department and BNM;
- Assist the enforcement agencies in providing required information and suspicious transaction in a timely manner;
- Maintain record keeping of all identification and transactions details in accordance with statutory requirements;
- Avenue to escalate and deliberate issues surrounding AMLA on monthly basis with the Board and Senior Management, and to reaffirm the commitment and enhance the oversight function;
- Regular independent review by internal and external parties to assess the adequacy, effectiveness of the internal controls and state of compliance with the policy and guidelines; and
- Strict enforcement of appropriate disciplinary action based on established disciplinary procedures on staff that are found to have contravened with such policy and guidelines.

All entities, business units and branches within Bank Muamalat are strongly committed in complying with the Policy on AMLA and internal guidelines as well as the applicable regulations and legislations.

Code of Conduct
& Ethical Principles

Bank Muamalat is committed to maintaining the highest standards of conduct at the workplace and in business engagements. Our business must be conducted fairly, professionally, impartially and in full compliance of Shariah principles.

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

- Uphold good reputation and public confidence by providing 100% Shariah Compliant products and services as a preferred Islamic financial service provider;
- Treat all stakeholders which include the employees, business partners, customers and communities with full respect and dignity and appreciate the diversity of our workforce;
- Adhere to all rules and regulation including Statutory Regulatory Requirements, Shariah Principles as well as Bank Muamalat's internal policy and guidelines;
- Protects all customers' information from improper disclosure, abuse or loss. However, the customer information may be made available to third parties with the written consent of the respective customer or when disclosure is authorised by Governmental or judicial bodies or agencies or our regulators, but Bank Muamalat will only do so under proper authority;
- Work in a professional manner for the benefit of customers during the relationship, whereby Bank Muamalat is responsible for the protection of the financial interests of the customer; and
- Do the right thing at all times without compromise and as a preferred Islamic financing provider, Bank Muamalat is very clear, truthful and accurate in what we say and do.

As a custodian of public fund, Bank Muamalat is committed to protect and monitor consumer deposits/savings and other similar financial assets through the development of robust control systems to reduce fraud, embezzlement or misuse. Consequent to this, Bank Muamalat has invested in a more efficient core banking system with high level of efficiency and operations effectiveness.

Financial
Statements

contents

114 Directors' Report

123 Statement by Directors

123 Statutory Declaration

124 Report of the Shariah Committee

125 Independent Auditors' Report

127 Consolidated Statement of Financial Position

131 Income Statements

132 Statements of Comprehensive Income

133 Consolidated Statement of Changes in Equity

134 Statements of Changes in Equity

135 Statements of Cash Flows

139 Notes to the Financial Statements

Financial Statements

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 2016.

Principal activities

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

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

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

Results

	Group RM'000	Bank RM'000
Profit before zakat and taxation	**167,233**	**167,876**
Zakat	**(4,375)**	**(4,197)**
Taxation	**(30,949)**	**(29,259)**
Profit for the year	**131,909**	**134,420**

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

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

Dividend

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

Directors

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

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Haji Abdul Jabbar Abdul Majid
Tengku Dato' Seri Hasmuddin Tengku Othman
Dato' Haji Mohd Redza Shah Abdul Wahid
Dato' Haji Mohd Izani Ghani
Dato' Azmi Abdullah
Dato' Haji Kamil Khalid Ariff
Dato' Sri Che Khalib Mohamad Noh
Dr. Azura Othman
Dato' Ahmad Fuaad Mohd Kenali (appointed on 29 July 2015)
Dato' Mohamed Hazlan Mohamed Hussain (resigned on 29 July 2015)

Directors' interests

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

	Number of ordinary shares of RM1.00 each			
	As at 1.4.2015	**Acquired**	**Disposal**	**As at 31.3.2016**
Interest in DRB-HICOM Berhad, holding company:				
Dato' Sri Che Khalib Mohamad Noh	3,500	-	-	3,500

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

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 31 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.

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.

Other statutory information (cont'd.)

(d) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and

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

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

There are no significant events during the year.

The Bank redeemed the existing RM400.0 million subordinated sukuk on 15 June 2016. The redemption was funded through setting up of a RM1.0 billion Sukuk programme.

The new sukuk programme will have loss absorption features to meet Basel III criteria and qualifies as Tier 2 Capital.

Business review 2015/2016

The Group recorded a profit before zakat and taxation of RM167.2 million, an increase of 37%, as compared to the RM122.0 million posted in the previous corresponding year. Its twelve (12) months revenue continue to grow by 12.9% with gross income recorded at RM1.2 billion and the total net income increased by 2.5% to RM533.0 million.

This improvement in total net income was primarily caused by the higher financing income and higher income from securities, however, these are offset by higher allowance for impairment on financing in addition to the higher income attributable to depositors and higher allowance for impairment on investment, as compared to a writeback in the previous year.

Personnel expenses and other overheads and expenditures were registered at RM345.1 million, a decline of 8.5% as compared against RM377.2 million in previous corresponding year. This was the result of the Group's continuous initiatives on cost improvement to ensure sustainable business performance.

The overall total financing of customers has expanded to RM14.5 billion from RM13.4 billion, or 8.2% growth, resulting in an increase in the Group's total assets as at 31 March 2016 to RM22.6 billion from RM22.4 billion recorded in the last financial year.

Prospects

Global economic activities remained subdued in 2015 as the recovery process continued to be hindered by a constant sharp fall in crude oil and other major commodity prices, tepid global trade, moderate growth in emerging economies as well as heightened volatilities in global financial markets. Although growth stayed uneven notably in emerging and developing economies, global growth is poised to recover modestly; supported by anticipation of stabilising crude oil and commodity prices as well as further improvement in the US economy.

Despite the challenging external environment in 2015, the Malaysian economy grew by 5.0% (2014: 6.0%) mainly from modest expansion in external demand cushioned by resilient growth in domestic demand. The banking sector in tandem continued to experience low margins due to intense competition as well as heightened volatility in the market. Although operating conditions will remain challenging, the financial sector is anticipated to remain healthy with sound risk management, ample liquidity and strong capital buffers.

On the back of a very challenging environment in the local and global financial markets in 2015, the Bank will continue to pursue moderate asset growth, strengthening its existing business whilst focusing on yield management and cost efficiencies through the development and enhancement of its digital and transactional banking initiatives, product innovation, customer diversification and customer service improvements towards enhancing shareholder's value.

Rating by external rating agencies

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Received
Rating Agency Malaysia Berhad	May 2016	Long term	A2
		Short term	P1
		Subordinated Bond	A3
		Outlook	Stable

Disclosure of Shariah Committee

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

(a) To discharge their duties and responsibilities as Shariah Committee member in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee member, 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 rulings.

(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.

Disclosure of Shariah Committee (cont'd.)

(f) To provide the necessary assistance to the related parties of the Bank and its subsidiaries such as its legal counsel, auditor or consultant who may seek advice on Shariah matters from the Shariah Committee.

(g) To advise the Bank and its subsidiaries to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC of BNM) on Shariah matters that could not be resolved.

(h) To provide written Shariah opinions in circumstances where the Bank makes reference to the SAC of BNM for further deliberation, or where the Bank submits applications to the Shariah Committee for new product approval.

(i) To provide the Bank and its subsidiaries with guidelines and advice on Shariah matters to ensure that the Bank's overall activities are in line with Shariah rulings.

(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 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 decision.

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 2016, the Bank has allocated an amount of RM4.2 million as provision for zakat.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 June 2016.

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

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

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

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

We, Tan Sri Dato' Dr. Mohd Munir Abdul Majid and Dato' Haji Mohd Redza Shah Abdul Wahid, being two (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 13 to 189 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2016 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 16 June 2016.

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

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

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

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

I, 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 13 to 189 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
above named Hafni Mohd Said
at Kuala Lumpur in Federal Territory
on

Hafni Mohd Said

Before me,

Commissioner for Oaths

Report of the Shariah Committee

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

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the year ended 31 March 2016. 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 financial institution conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank 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:

1. the contracts, transactions and dealings entered into by the Bank during the year ended 31 March 2016 that we have reviewed are in compliance with the Shariah principles, save and except for the matters that we identified that required improvements and the earnings that have been realised from sources or by means prohibited by the Shariah rules and principles as shown below.

2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

3. all earnings that have been realised from sources or by means prohibited by the Shariah principles have been identified and excluded from the Bank's income and were disposed for charitable causes; and

4. the calculation and distribution of zakat is in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Muamalat Malaysia Berhad, to the best of our knowledge, do hereby confirm that the operations of the Bank for the year ended 31 March 2016 have been conducted in conformity with the Shariah principles.

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

Azizi Che Seman
Chairman of Shariah Committee

Engku Ahmad Fadzil Engku Ali
Member of Shariah Committee

Kuala Lumpur, Malaysia

Independent auditors' report to the members of
Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 March 2016 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 189.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

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

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

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

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Muhammad Syarizal bin Abdul Rahim
No. 3157/01/17(J)
Chartered Accountant

Consolidated statement of financial position as at 31 March 2016 (22 Jamadil Akhir 1437H)

	Note	Group 2016 RM'000	2015 RM'000
Assets			
Cash and short-term funds	4 (a)	**1,008,391**	1,115,809
Cash and placements with financial institutions	4 (b)	**60,710**	111,135
Financial investments designated at fair value through profit or loss	5 (a)	**186,355**	118,657
Financial investments available-for-sale	5 (b)	**5,700,165**	6,435,479
Financial investments held-to-maturity	5 (c)	**140,608**	139,042
Islamic derivative financial assets	6	**40,601**	44,378
Financing of customers	7	**14,512,877**	13,414,670
Other assets	9	**71,909**	96,462
Statutory deposit with Bank Negara Malaysia	10	**703,261**	757,721
Investment properties	12	**32,529**	8,047
Intangible assets	13	**121,121**	127,179
Property, plant and equipment	14	**58,127**	69,218
Prepaid land lease payments	15	**235**	239
Total assets		**22,636,889**	22,438,036
Liabilities			
Deposits from customers	17	**19,643,428**	19,544,549
Deposits and placements of banks and other financial institutions	18	**442,252**	408,836
Bills and acceptances payable	19	**29,350**	67,723
Islamic derivative financial liabilities	6	**49,359**	46,193
Other liabilities	20	**64,981**	86,538
Provision for zakat and taxation	21	**4,935**	4,501
Deferred tax liabilities	16	**568**	18,947
Subordinated sukuk	22	**406,079**	406,055
Total liabilities		**20,640,952**	20,583,342

Consolidated statement of financial position as at 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

	Note	Group 2016 RM'000	2015 RM'000
Shareholders' equity			
Share capital	23	**1,195,000**	1,195,000
Reserves	24	**800,937**	659,694
Total shareholders' equity		**1,995,937**	1,854,694
Total liabilities and shareholders' equity		**22,636,889**	22,438,036
Commitments and contingencies	41	**8,014,896**	9,455,310
Capital adequacy *	46		
CET 1 capital ratio		**13.85%**	13.33%
Total capital ratio		**16.08%**	16.12%

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

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

Statement of financial position as at 31 March 2016 (22 Jamadil Akhir 1437H)

	Note	Bank 2016 RM'000	Bank 2015 RM'000
Assets			
Cash and short-term funds	4 (a)	**1,008,391**	1,115,809
Cash and placements with financial institutions	4 (b)	**60,710**	111,135
Financial investments designated at fair value through profit or loss	5 (a)	**177,322**	114,557
Financial investments available-for-sale	5 (b)	**5,700,012**	6,435,479
Financial investments held-to-maturity	5 (c)	**140,608**	139,042
Islamic derivative financial assets	6	**40,601**	44,378
Financing of customers	7	**14,522,194**	13,425,853
Other assets	9	**77,236**	95,713
Statutory deposit with Bank Negara Malaysia	10	**703,261**	757,721
Investment in subsidiaries	11	**8,055**	6,384
Investment properties	12	**32,529**	8,047
Intangible assets	13	**120,563**	126,426
Property, plant and equipment	14	**58,050**	69,103
Prepaid land lease payments	15	**235**	239
Total assets		**22,649,767**	22,449,886
Liabilities			
Deposits from customers	17	**19,664,220**	19,566,609
Deposits and placements of banks and other financial institutions	18	**442,252**	408,836
Bills and acceptances payable	19	**29,350**	67,723
Islamic derivative financial liabilities	6	**49,359**	46,193
Other liabilities	20	**64,657**	87,071
Provision for zakat and taxation	21	**4,512**	3,436
Deferred tax liabilities	16	**568**	18,947
Subordinated sukuk	22	**406,079**	406,055
Total liabilities		**20,660,997**	20,604,870

Statement of financial position as at 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

	Note	Bank 2016 RM'000	Bank 2015 RM'000
Shareholders' equity			
Share capital	23	**1,195,000**	1,195,000
Reserves	24	**793,770**	650,016
Total shareholders' equity		**1,988,770**	1,845,016
Total liabilities and shareholders' equity		**22,649,767**	22,449,886
Commitments and contingencies	41	**8,014,896**	9,455,310
Capital adequacy *	46		
CET 1 capital ratio		**13.76%**	13.27%
Total capital ratio		**15.99%**	16.07%

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

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

Statements of profit or loss
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H)

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Income derived from investment of depositors' funds and others	25	**1,110,382**	1,004,210	**1,110,382**	1,004,210
Income derived from investment of shareholders' funds	26	**99,646**	68,026	**90,609**	58,117
Allowance for impairment on financing	27	**(59,322)**	(37,915)	**(53,322)**	(37,915)
Provision for commitments and contingencies	20(a)	**(2,870)**	(750)	**(2,870)**	(750)
Impairment (loss)/writeback on investments	28	**(22,790)**	22,004	**(21,119)**	22,004
Other expenses directly attributable to the investment of the depositors and shareholders' funds		**(5,564)**	(7,614)	**(5,564)**	(7,614)
Total distributable income		**1,119,482**	1,047,961	**1,118,116**	1,038,052
Income attributable to depositors	29	**(586,500)**	(528,198)	**(586,967)**	(528,378)
Total net income		**532,982**	519,763	**531,149**	509,674
Personnel expenses	30	**(183,500)**	(219,569)	**(180,753)**	(217,721)
Other overheads and expenditures	33	**(161,626)**	(157,628)	**(161,897)**	(157,029)
Finance cost	34	**(20,623)**	(20,600)	**(20,623)**	(20,600)
Profit before zakat and taxation		**167,233**	121,966	**167,876**	114,324
Zakat	35	**(4,375)**	(3,453)	**(4,197)**	(3,161)
Taxation	36	**(30,949)**	(29,233)	**(29,259)**	(27,348)
Profit for the year		**131,909**	89,280	**134,420**	83,815
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	37	**11.04**	7.47		

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

Statements of other comprehensive income
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H)

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Profit for the year		**131,909**	89,280	**134,420**	83,815
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net unrealised gain on revaluation of financial investments available-for-sale		**14,187**	26,292	**14,187**	26,292
Income tax relating to net gain on financial investments available-for-sale	16	**(3,383)**	(6,657)	**(3,383)**	(6,657)
Exchange fluctuation reserve		**(1,470)**	203	**(1,470)**	203
Other comprehensive income for the year, net of tax		**9,334**	19,838	**9,334**	19,838
Total comprehensive income for the year		**141,243**	109,118	**143,754**	103,653

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

Consolidated statement of changes in equity
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H)

	Non-distributable				Distributable	
Group	**Ordinary shares RM'000**	**Statutory reserve* RM'000**	**Exchange fluctuation reserve RM'000**	**Available-for-sale reserve RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 April 2015	**1,195,000**	**515,612**	**(584)**	**(10,592)**	**155,258**	**1,854,694**
Profit for the year	**-**	**-**	**-**	**-**	**131,909**	**131,909**
Other comprehensive income for the year	**-**	**-**	**(1,470)**	**10,804**	**-**	**9,334**
Total comprehensive income for the year	**-**	**-**	**(1,470)**	**10,804**	**131,909**	**141,243**
Transfer to statutory reserve	**-**	**67,210**	**-**	**-**	**(67,210)**	**-**
At 31 March 2016	**1,195,000**	**582,822**	**(2,054)**	**212**	**219,957**	**1,995,937**
At 1 April 2014	1,195,000	473,705	(787)	(30,227)	107,885	1,745,576
Profit for the year	-	-	-	-	89,280	89,280
Other comprehensive income for the year	-	-	203	19,635	-	19,838
Total comprehensive income for the year	-	-	203	19,635	89,280	109,118
Transfer to statutory reserve	-	41,907	-	-	(41,907)	-
At 31 March 2015	1,195,000	515,612	(584)	(10,592)	155,258	1,854,694

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

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

Statement of changes in equity
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H)

	Non-distributable				Distributable	
Bank	**Ordinary shares RM'000**	**Statutory reserve* RM'000**	**Exchange fluctuation reserve RM'000**	**Available-for-sale reserve RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 April 2015	**1,195,000**	**514,015**	**(584)**	**(10,592)**	**147,177**	**1,845,016**
Profit for the year	**-**	**-**	**-**	**-**	**134,420**	**134,420**
Other comprehensive income for the year	**-**	**-**	**(1,470)**	**10,804**	**-**	**9,334**
Total comprehensive income for the year	**-**	**-**	**(1,470)**	**10,804**	**134,420**	**143,754**
Transfer to statutory reserve	**-**	**67,210**	**-**	**-**	**(67,210)**	**-**
At 31 March 2016	**1,195,000**	**581,225**	**(2,054)**	**212**	**214,387**	**1,988,770**
At 1 April 2014	1,195,000	472,108	(787)	(30,227)	105,269	1,741,363
Profit for the year	-	-	-	-	83,815	83,815
Other comprehensive income for the year	-	-	203	19,635	-	19,838
Total comprehensive income for the year	-	-	203	19,635	83,815	103,653
Transfer to statutory reserve	-	41,907	-	-	(41,907)	-
At 31 March 2015	1,195,000	514,015	(584)	(10,592)	147,177	1,845,016

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

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

Statements of cash flows
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H)

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Cash flows from operating activities					
Profit before zakat and taxation		**167,233**	121,966	**167,876**	114,324
Adjustment for:					
Amortisation of prepaid land lease payment	33	**4**	4	**4**	4
Amortisation of intangible assets	33	**23,312**	13,160	**23,117**	12,978
Depreciation of property, plant and equipment	33	**20,302**	20,877	**20,264**	20,841
Gain on sale of property, plant and equipment	26	**(232)**	(3)	**(232)**	(3)
Gain on sale of foreclosed properties	26	**-**	(8,256)	**-**	(8,256)
Property, plant and equipment written off	33	**20**	20	**20**	20
Amortisation of premium less accretion of discount	25 & 26	**848**	2,431	**848**	2,431
Net gain from sale of financial investments available-for-sale	25 & 26	**(10,250)**	(10,928)	**(10,250)**	(10,928)
Net gain from sale of financial investments designated at fair value through profit or loss	25 & 26	**(617)**	(4,420)	**(617)**	(4,420)
Net gain on revaluation of foreign exchange transaction	26	**(9,653)**	(23,425)	**(9,653)**	(23,425)
Net loss/(gain) from foreign exchange derivatives	26	**3,822**	(10,727)	**3,822**	(10,727)
Unrealised loss on revaluation of Islamic profit rate swap	26	**3,097**	28,431	**3,097**	28,431
Unrealised gain on revaluation of hedged items	26	**(4,470)**	-	**(4,470)**	-
Gain from derecognition of fair value of hedged items	26	**(7,052)**	(1,772)	**(7,052)**	(1,772)
Impairment loss/(writeback) on investment securities	28	**22,790**	(22,004)	**22,790**	(22,004)

Statements of cash flows
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Cash flows from operating activities (cont'd.)					
Impairment writeback on investment in a subsidiary	28	**-**	-	**(1,671)**	-
Fair value adjustments of investment properties	26	**(1,644)**	-	**(1,644)**	-
Net allowance for impairment on financing	27	**68,165**	74,357	**68,165**	74,357
Financing written off	27	**18,321**	1,229	**18,321**	1,229
Provision for commitments and contingencies	20(a)	**2,870**	750	**2,870**	750
Finance cost	34	**20,623**	20,600	**20,623**	20,600
Gross dividend income	26	**(1,614)**	(1,612)	**(1,612)**	(1,612)
Operating profit before working capital changes		**315,875**	200,678	**314,616**	192,818
(Increase)/decrease in operating assets:					
Islamic derivative financial assets		**(13,948)**	(42,047)	**(13,948)**	(42,047)
Financial investments portfolio		**(37,527)**	(2,103)	**(37,527)**	(2,103)
Financing of customers		**(1,183,385)**	(1,588,792)	**(1,176,586)**	(1,595,592)
Statutory deposit with Bank Negara Malaysia		**54,460**	(109,000)	**54,460**	(109,000)
Other assets		**22,187**	49,536	**16,108**	49,722
Increase/(decrease) in operating liabilities:					
Deposits from customers		**98,879**	1,915,321	**97,611**	1,927,949
Deposits and placements of banks and other financial institutions		**33,416**	307,762	**33,416**	307,762
Islamic derivative financial liabilities		**13,973**	42,048	**13,973**	42,048
Bills and acceptances payable		**(38,373)**	(37,281)	**(38,373)**	(37,281)
Other liabilities		**(31,412)**	28,027	**(32,269)**	28,528
Cash (used in)/generated from operations		**(765,855)**	764,149	**(768,519)**	762,804

Statements of cash flows
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Cash flows from operating activities (cont'd.)					
Zakat paid		**(3,347)**	(5,206)	**(3,121)**	(5,137)
Tax paid		**(32,387)**	(30,910)	**(30,101)**	(29,730)
Net cash (used in)/ generated from operating activities		**(801,589)**	728,033	**(801,741)**	727,937
Cash flows from investing activities					
Proceeds from disposal of investment in securities		**7,273,089**	10,660,564	**7,273,089**	10,660,564
Purchase of financial investment in securities		**(6,561,266)**	(11,133,124)	**(6,561,112)**	(11,133,124)
Proceeds from disposal of property, plant and equipment		**242**	4	**242**	4
Purchase of property, plant and equipment	14	**(9,241)**	(13,689)	**(9,241)**	(13,675)
Purchase of intangible assets	13	**(17,254)**	(74,856)	**(17,254)**	(74,774)
Purchase of investment properties	12	**(22,838)**	(8,047)	**(22,838)**	(8,047)
Dividend income		**1,614**	1,612	**1,612**	1,612
Net cash generated from/ (used in) investing activities		**664,346**	(567,536)	**664,498**	(567,440)
Cash flows from financing activities					
Dividend paid on Islamic subordinated sukuk		**(20,600)**	(20,600)	**(20,600)**	(20,600)
Net cash used in financing activities		**(20,600)**	(20,600)	**(20,600)**	(20,600)

Statements of cash flows
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

	Note	Group		Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net (decrease)/increase in cash and cash equivalents		**(157,843)**	139,897	**(157,843)**	139,897
Cash and cash equivalents at beginning of year		**1,226,944**	1,087,047	**1,226,944**	1,087,047
Cash and cash equivalents at end of year		**1,069,101**	1,226,944	**1,069,101**	1,226,944
Cash and cash equivalents consist of:					
Cash and short term funds	4 (a)	**1,008,391**	1,115,809	**1,008,391**	1,115,809
Cash and placements with financial institutions	4 (b)	**60,710**	111,135	**60,710**	111,135
		1,069,101	1,226,944	**1,069,101**	1,226,944

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

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H)

1. Corporate information

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 June 2016.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Bank and its subsidiaries ("the Group") have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 1965 in Malaysia.

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

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

Certain comparative figures in the notes to the financial statements have been reclassified to confirm to current year's presentation.

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

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 2016.

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 above-mentioned 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.

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 losses 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.

2. Significant accounting policies (cont'd.)

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

(b) Financial assets

(i) Initial recognition and subsequent measurement

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

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

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 FVTPL

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

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 FVTPL (cont'd.)

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different bases, or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the Group is provided internally on that basis to the entity's key management personnel.

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

(2) Financing and receivables

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

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 investments HTM

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

Subsequent to initial recognition, financial investments HTM are measured at amortised cost using effective profit 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 statement of profit or loss.

(4) Financial investments AFS

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

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

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

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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) Financial investments AFS (cont'd.)

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

Dividends on an equity AFS instruments are recognised in the statement of profit or loss when the Group's and 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; and/or

- The Group and the Bank have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:

    - The Group and the Bank have transferred substantially all the risks and rewards of the asset, or

    - The Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the financial asset.

When the Group and the Bank have transferred its rights to receive cash flows from a financial asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the financial asset, the financial asset is recognised to the extent of the 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.

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

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

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

(1) Financing and receivables

Classification of financing and receivable as impaired

Financing and receivable are classified as impaired when:

- principal or profit or both are past due for three (3) months or more;

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

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

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 (cont'd.)

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

Impairment Process – Individual Assessment

The Group and the Bank would 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 statement of profit or loss.

Impairment Process – Collective Assessment

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

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

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

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

Impairment Process – Collective Assessment (cont'd.)

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

Impairment Process – Written off accounts

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

(2) Financial investments AFS

For financial investments AFS, the Group and the Bank would 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. The Group and the Bank treats "significant" generally as 25% and "prolonged" generally as twelve (12) months.

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 (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 statement of profit or loss is removed from equity and recognised in statement of profit or loss.

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

For unquoted equity securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the statement 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 related to an event occurring after the impairment was recognised, to the extent that the financial assets carrying amount does not exceed its amortised cost at the reversal date. The reversal is recognised in the statement of profit or loss.

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

(iv) Determination of fair value

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

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

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

(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 other financial liabilities.

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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

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

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

(2) Other financial liabilities

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

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

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

(b) Islamic debt securities

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

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) Other financial liabilities (cont'd.)

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

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

Subsequent to initial recognition, Islamic debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the 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.

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 instruments such as profit rate swap, cross currency swaps and forward foreign exchange contracts.

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception for non-option derivatives and equivalent to the market premium paid or received for purchased or written options. The derivatives are subsequently remeasured 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 use derivative instruments to manage exposures to profit rate, foreign currency and credit risks. In order to manage particular risks, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

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.)

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.

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 relationship as at the financial year end.

(e) Foreclosed properties

Foreclosed properties are those properties acquired in full or partial satisfaction of financings 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.

2. Significant accounting policies (cont'd.)

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

(f) Investment properties (cont'd.)

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 uses alternative valuation methods such as recent prices of less active markets or discounted cash flow projections. Changes in fair values are recorded in statement of profit or loss in the year in which they arise.

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

(g) Intangible assets

Intangible assets include computer software and software under development.

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

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(g) Intangible assets (cont'd.)

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

Computer software	3 to 10 years

(h) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group 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.

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.

(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 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.

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 (cont'd.)

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

(iii) Operating lease

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

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

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

(j) Foreign currencies

(i) Functional and presentation currency

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

2. Significant accounting policies (cont'd.)

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

(j) Foreign currencies (cont'd.)

(ii) Foreign currency transactions and balances

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

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

(iii) Foreign operations

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

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

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

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 statement 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 statement of profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2. Significant accounting policies (cont'd.)

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

(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 maturing less than three (3) months that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(n) Contingent liabilities and contingent assets

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

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

(o) Employee benefits

(i) Short term benefits

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

(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 statement of profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”).

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 instruments measured at amortised cost, profit bearing financial assets classified as AFS and financial instruments designated at FVTPL, profit income or expense is recorded using the effective profit rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, payment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but not future credit losses.

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 be paid in lump sum or instalment basis within an agreed period of time at a price which includes a profit margin agreed by both parties. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(2) Ijarah Thumma Al-Bai'

Contract of 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 (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.

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.)

(2) Ijarah Thumma Al-Bai' (cont'd.)

Financing income is recognised on effective profit rate basis over the lease term.

(3) Bai' Inah

Contract of 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

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 Bank's Commodity Murabahah term deposit product is based on the contract of Murabahah and Tawarruq. The commodity trading fee incurred in the Tawarruq arrangement is borne by the Bank and is recognised as an expense in the statement of profit or loss as incurred.

(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 recognition is upon realising the capital gain on sale of the securities or debt certificates.

(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 agreed 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.

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 a 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 statement of profit or loss as incurred. Profit distributed is based on the expected profit rate, which is quoted to the customer on the placement date.

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) Rahnu

In Ar-Rahnu transaction, a valuable asset such as gold 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-Rahnu, 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.

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 statement 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 calculated based on 2.5% of the shareholders' funds growth method.

(s) Fair value measurement

The Group and the Bank measures financial instruments such as financial assets at FVTPL, financial investments 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.

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 to by the Group and the Bank.

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

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

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

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 would 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 43.

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (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 2015, 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 2015.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans:	
Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 2014

The application of these amendments and annual improvements have had no material impact on the disclosures or the amounts recognised in the Group's and the Bank's financial statements.

2.5 Significant changes in regulatory requirements

Revised Bank Negara Malaysia's ("BNM") Policy Document on Classification and Impairment Provisions for Loans/Financing

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing. This policy applies to banking institutions in Malaysia that covers licensed Islamic bank, licensed bank and licensed investment bank. The issuance of this revised policy document has superseded two (2) guidelines issued by BNM previously, namely Classification and Impairment Provisions for Loans/Financing dated 9 November 2011 and Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves dated 4 February 2014.

The requirements in the revised BNM Policy Document are effective from 1 January 2015, except for the following:

(a) The requirement to classify loans/financing described in Paragraph 9 of the revised BNM Policy Document as restructured and rescheduled ("R&R") in BNM's Central Credit Reference Information System ("CCRIS"), which is effective on or after 1 April 2015; and

(b) The requirement for a banking institution to maintain, in aggregate, collective impairment provisions and regulatory reserves of not less than 1.2% of total outstanding loans/financing, net of individual impairment provisions, which is effective beginning 31 December 2015.

The Bank has been complying with the above requirements since their respective effective dates.

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") but are not yet effective for the Group and the Bank. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments	1 January 2018
MFRS 16 Leases	1 January 2019

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

The application of these standards are not expected to have any material impact on the disclosures or the amounts recognised in the Group's and the Bank's financial statements, except for the following:

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The Group and the Bank are currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new 5-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. the Group and the Bank are currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 16 Leases

MFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, a lessee treats all leases in a similar way as a finance lease under MFRS 117.

2. Significant accounting policies (cont'd.)

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

MFRS 16 Leases (cont'd.)

Leases are “capitalised” by recognising the present value of the lease as “right-of-use assets”, with a corresponding lease liability. Such assets and liabilities should be distinguished from other assets and liabilities either by separate presentation in the statement of financial position or by disclosure in the notes to the financial statements.

The Group and the Bank are currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

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:

Judgments

In the process of applying the Group's accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3.1 Impairment of financial investments ("AFS") and ("HTM") (Notes 5(b), 5(c) and 28)

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 judgment. In making this judgment, the Group and the Bank evaluate, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

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

Judgments (cont'd.)

In the process of applying the Group's accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements: (cont'd.)

3.2 Impairment losses on financing of customers (Notes 8 and 27)

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

3.3 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 judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group and the Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group and the Bank. Such changes are reflected in the assumptions when they occur.

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

Estimates and assumptions (cont'd.)

3.4 Fair value estimation of financial investment AFS (Note 5(b)) and derivative financial instruments (Note 6)

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

3.5 Impairment losses on financing of customers (Notes 8 and 27)

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).

3.6 Taxation (Note 36)

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

4. (a) Cash and short-term funds

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Cash and balances with banks and other financial institutions	**186,501**	322,084
Money at call and interbank placements with remaining maturity not exceeding one month	**821,890**	793,725
	1,008,391	1,115,809

(b) Cash and placements with financial institutions

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Licensed Islamic banks	**60,710**	111,135

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 March 2016 for the Group and the Bank was 2.4% per annum and 78 days respectively (31 March 2015: 3.3% per annum and 87 days).

5. Financial investments

(a) Financial investments designated at FVTPL

	2016	**2015**
	RM'000	**RM'000**
Group		
Private equity funds	**187,055**	119,354
Malaysian government investment certificates	**-**	2
Islamic private debt securities in Malaysia	**-**	1
	187,055	119,357
Accumulated impairment loss	**(700)**	(700)
	186,355	118,657
Bank		
Private equity fund	**177,322**	114,554
Malaysian government investment certificates	**-**	2
Islamic private debt securities in Malaysia	**-**	1
	177,322	114,557

5. Financial investments (cont'd.)

(b) Available-for-sale

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian government investment certificates	**2,871,545**	2,968,370	**2,871,545**	2,968,370
Quoted securities in Malaysia:				
Quoted shares	**90,353**	67,581	**90,200**	67,581
Quoted securities outside Malaysia:				
Quoted shares	**21,679**	-	**21,679**	-
Unquoted securities:				
Islamic private debt securities in Malaysia	**2,604,315**	3,273,616	**2,604,315**	3,273,616
Cagamas bonds	**61,222**	149,626	**61,222**	149,626
Foreign Islamic private debt securities and sukuk	**33,345**	35,438	**33,345**	35,438
	2,698,882	3,458,680	**2,698,882**	3,458,680
Accumulated impairment loss	**(87,352)**	(64,358)	**(87,352)**	(64,358)
	5,595,107	6,430,273	**5,594,954**	6,430,273
At cost				
Money market instruments:				
Negotiable Islamic debt certificates	**99,677**	-	**99,677**	-
Unquoted securities:				
Shares in Malaysia	**5,381**	5,206	**5,381**	5,206
Total financial investments available-for-sale	**5,700,165**	6,435,479	**5,700,012**	6,435,479

(c) Held-to-maturity

	Group and Bank	
	2016 RM'000	2015 RM'000
At amortised cost		
Unquoted Islamic private debt securities in Malaysia	**140,608**	139,042

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.

	2016			2015		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
Group and Bank	**RM'000**	**Assets RM'000**	**Liabilities RM'000**	**RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading derivatives:						
Foreign exchange contracts:						
- Currency forwards						
Less than one year	**680,222**	**21,123**	**(19,656)**	388,499	33,163	(1,166)
- Currency swaps						
Less than one year	**580,728**	**19,123**	**(15,238)**	1,489,564	10,901	(33,758)
- Currency spot						
Less than one year	**72,916**	**305**	**(512)**	303,052	313	(461)
- Dual currency investment option	**-**	**50**	**(50)**	-	1	(1)
	1,333,866	**40,601**	**(35,456)**	2,181,115	44,378	(35,386)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	**2,175,000**	**-**	**(3,359)**	3,675,000	-	(10,807)
Hedged IPRS	**1,500,000**	**-**	**(10,544)**	-	-	-
Total	**5,008,866**	**40,601**	**(49,359)**	5,856,115	44,378	(46,193)

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 the Bank are as follows:

	31 March 2016			31 March 2015		
	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
IPRS	**1,500,000**	**-**	**(10,544)**	-	-	-

Fair Value hedges

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

For the year ended 31 March 2016, the Group and the Bank:-

(i) recognised a net loss of RM3,465,996 (31 March 2015: Nil) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk
amounted to RM4,469,645 (31 March 2015: Nil); and

(ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM7,052,482 (31 March 2015: RM1,771,572) due to the derecognition
of the hedged items.

7. Financing of customers

(i) By type and Shariah concepts

Group 31 March 2016	Bai' Bithaman Ajil RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000
Cash line	**848**	**-**	**-**	**16,292**	**807,376**
Term financing:					
Home financing	**6,986,574**	**-**	**-**	**-**	**7,529,943**
Syndicated financing	**-**	**-**	**-**	**-**	**1,358,170**
Hire purchase receivables	**731**	**-**	**1,035,815**	**-**	**-**
Leasing receivables	**-**	**9,038**	**-**	**-**	**-**
Other term financing	**1,152,585**	**-**	**-**	**601,613**	**8,223,666**
Trust receipts	**-**	**-**	**-**	**-**	**-**
Claims on customers under acceptance credits	**-**	**-**	**-**	**-**	**-**
Staff financing	**91,267**	**-**	**-**	**-**	**81,462**
Revolving credit	**-**	**-**	**-**	**-**	**1,171,887**
Sukuk	**-**	**50,522**	**-**	**-**	**-**
Ar-Rahnu	**-**	**-**	**-**	**-**	**-**
	8,232,005	**59,560**	**1,035,815**	**617,905**	**19,172,504**
Less : Unearned income	**(5,189,160)**	**-**	**(136,042)**	**(83,096)**	**(9,988,221)**
Gross financing	**3,042,845**	**59,560**	**899,773**	**534,809**	**9,184,283**
Fair value changes arising from fair value hedge	**-**	**-**	**-**	**(279)**	**4,749**
	3,042,845	**59,560**	**899,773**	**534,530**	**9,189,032**
Less : Allowance for impaired financing					
Collective assessment	**(50,564)**	**(30)**	**(24,662)**	**(1,171)**	**(125,959)**
Individual assessment	**(441)**	**-**	**(9,446)**	**(379)**	**(25,596)**
Total net financing	**2,991,840**	**59,530**	**865,665**	**532,980**	**9,037,477**
Cash line	922	-	-	18,274	809,011
Term financing:					
Home financing	7,572,097	-	-	-	5,666,687
Syndicated financing	-	-	-	-	774,016
Hire purchase receivables	-	-	1,245,318	-	-
Leasing receivables	-	12,596	-	-	-
Other term financing	1,359,910	-	-	628,228	6,253,410
Trust receipts	-	-	-	-	-
Claims on customers under acceptance credits	-	-	-	-	-
Staff financing	110,907	-	-	-	48,179
Revolving credit	-	-	-	-	1,067,892
Sukuk	-	50,270	-	-	-
Ar-Rahnu	-	-	-	-	-
	9,043,836	62,866	1,245,318	646,502	14,619,195
Less : Unearned income	(5,640,774)	-	(170,871)	(106,949)	(7,230,815)
Gross financing	3,403,062	62,866	1,074,447	539,553	7,388,380
Less : Allowance for impaired financing					
Collective assessment	(93,099)	-	(46,057)	(2,536)	(91,843)
Individual assessment	(732)	-	-	-	(23,327)
Total net financing	3,309,231	62,866	1,028,390	537,017	7,273,210

Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Shirkah Mutanaqisah RM'000	Shirkah Al Milk RM'000	Rahnu RM'000	Total financing RM'000
-	**-**	**-**	**-**	**-**	**-**	**-**	**824,516**
-	**-**	**26,946**	**-**	**-**	**-**	**-**	**14,543,463**
-	**-**	**-**	**-**	**-**	**-**	**-**	**1,358,170**
-	**-**	**-**	**-**	**-**	**-**	**-**	**1,036,546**
-	**-**	**-**	**-**	**-**	**-**	**-**	**9,038**
-	**-**	**228,124**	**401**	**97,608**	**-**	**-**	**10,303,997**
-	**101,943**	**-**	**-**	**-**	**-**	**-**	**101,943**
564,524	**-**	**-**	**-**	**-**	**-**	**-**	**564,524**
-	**-**	**1,629**	**450**	**-**	**-**	**-**	**174,808**
-	**-**	**-**	**-**	**-**	**-**	**-**	**1,171,887**
-	**104,083**	**-**	**-**	**-**	**-**	**-**	**154,605**
-	**-**	**-**	**-**	**-**	**-**	**63,779**	**63,779**
564,524	**206,026**	**256,699**	**851**	**97,608**	**-**	**63,779**	**30,307,276**
(5,200)	**(964)**	**(106,661)**	**(8)**	**-**	**-**	**-**	**(15,509,352)**
559,324	**205,062**	**150,038**	**843**	**97,608**	**-**	**63,779**	**14,797,924**
-	**-**	**-**	**-**	**-**	**-**	**-**	**4,470**
559,324	**205,062**	**150,038**	**843**	**97,608**	**-**	**63,779**	**14,802,394**
(1,492)	**(1,022)**	**(204)**	**(45)**	**-**	**-**	**(3,290)**	**(208,439)**
(42,009)	**(2,792)**	**(15)**	**(400)**	**-**	**-**	**-**	**(81,078)**
515,823	**201,248**	**149,819**	**398**	**97,608**	**-**	**60,489**	**14,512,877**
-	-	-	-	-	-	-	828,207
-	-	6,983	-	-	-	-	13,245,767
-	6,894	-	-	-	-	-	780,910
-	-	-	-	-	-	-	1,245,318
-	-	-	-	-	-	-	12,596
-	-	254,969	400	89,315	20,000	-	8,606,232
-	51,295	-	-	-	-	-	51,295
761,607	-	-	-	-	-	-	761,607
-	-	1,412	456	-	-	-	160,954
-	-	-	-	-	-	-	1,067,892
-	97,791	-	-	-	-	-	148,061
-	-	-	-	-	-	46,907	46,907
761,607	155,980	263,364	856	89,315	20,000	46,907	26,955,746
(6,458)	(610)	(102,733)	(8)	-	-	-	(13,259,218)
755,149	155,370	160,631	848	89,315	20,000	46,907	13,696,528
(1,733)	(775)	(33)	(336)	-	-	(2,815)	(239,227)
(13,412)	(4,746)	(14)	(6,400)	6,000	-	-	(42,631)
740,004	149,849	160,584	(5,888)	95,315	20,000	44,092	13,414,670

7. Financing of customers (cont'd.)

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

Bank 31 March 2016	Bai' Bithaman Ajil RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000
Cash line	**848**	**-**	**-**	**16,292**	**807,376**
Term financing:					
Home financing	**6,986,574**	**-**	**-**	**-**	**7,529,943**
Syndicated financing	**-**	**-**	**-**	**-**	**1,358,170**
Hire purchase receivables	**731**	**-**	**1,035,815**	**-**	**-**
Leasing receivables	**-**	**9,038**	**-**	**-**	**-**
Other term financing	**1,152,585**	**-**	**-**	**601,613**	**8,223,666**
Trust receipts	**-**	**-**	**-**	**-**	**-**
Claims on customers under acceptance credits	**-**	**-**	**-**	**-**	**-**
Staff financing	**91,267**	**-**	**-**	**-**	**81,462**
Revolving credit	**-**	**-**	**-**	**-**	**1,171,887**
Sukuk	**-**	**50,522**	**-**	**-**	**-**
Ar-Rahnu	**-**	**-**	**-**	**-**	**-**
	8,232,005	**59,560**	**1,035,815**	**617,905**	**19,172,504**
Less : Unearned income	**(5,189,160)**	**-**	**(136,042)**	**(83,096)**	**(9,988,221)**
Gross financing	**3,042,845**	**59,560**	**899,773**	**534,809**	**9,184,283**
Fair value changes arising from fair value hedge	**-**	**-**	**-**	**(279)**	**4,749**
	3,042,845	**59,560**	**899,773**	**534,530**	**9,189,032**
Less : Allowance for impaired financing					
Collective assessment	**(50,564)**	**(30)**	**(24,662)**	**(1,171)**	**(125,959)**
Individual assessment	**(441)**	**-**	**(9,446)**	**(379)**	**(25,596)**
Total net financing	**2,991,840**	**59,530**	**865,665**	**532,980**	**9,037,477**
Cash line	922	-	-	18,274	809,011
Term financing:					
Home financing	7,572,097	-	-	-	5,666,687
Syndicated financing	-	-	-	-	774,016
Hire purchase receivables	-	-	1,245,318	-	-
Leasing receivables	-	12,596	-	-	-
Other term financing	1,359,910	-	-	628,228	6,253,410
Trust receipts	-	-	-	-	-
Claims on customers under acceptance credits	-	-	-	-	-
Staff financing	110,907	-	-	-	48,179
Revolving credit	-	-	-	-	1,067,892
Sukuk	-	50,270	-	-	-
Ar-Rahnu	-	-	-	-	-
	9,043,836	62,866	1,245,318	646,502	14,619,195
Less : Unearned income	(5,640,774)	-	(170,871)	(106,949)	(7,230,815)
Gross financing	3,403,062	62,866	1,074,447	539,553	7,388,380
Less : Allowance for impaired financing					
Collective assessment	(93,099)	-	(46,057)	(2,536)	(91,843)
Individual assessment	(732)	-	-	-	(23,327)
Total net financing	3,309,231	62,866	1,028,390	537,017	7,273,210

Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Rahnu RM'000	Total financing RM'000
-	-	-	-	-	824,516
-	-	26,946	-	-	14,543,463
-	-	-	-	-	1,358,170
-	-	-	-	-	1,036,546
-	-	-	-	-	9,038
-	-	228,124	107,326	-	10,313,314
-	101,943	-	-	-	101,943
564,524	-	-	-	-	564,524
-	-	1,629	450	-	174,808
-	-	-	-	-	1,171,887
-	104,083	-	-	-	154,605
-	-	-	-	63,779	63,779
564,524	206,026	256,699	107,776	63,779	30,316,593
(5,200)	(964)	(106,661)	(8)	-	(15,509,352)
559,324	205,062	150,038	107,768	63,779	14,807,241
-	-	-	-	-	4,470
559,324	205,062	150,038	107,768	63,779	14,811,711
(1,492)	(1,022)	(204)	(45)	(3,290)	(208,439)
(42,009)	(2,792)	(15)	(400)	-	(81,078)
515,823	201,248	149,819	107,323	60,489	14,522,194
-	-	-	-	-	828,207
-	-	6,983	-	-	13,245,767
-	6,894	-	-	-	780,910
-	-	-	-	-	1,245,318
-	-	-	-	-	12,596
-	-	254,969	126,898	-	8,623,415
-	51,295	-	-	-	51,295
761,607	-	-	-	-	761,607
-	-	1,412	456	-	160,954
-	-	-	-	-	1,067,892
-	97,791	-	-	-	148,061
-	-	-	-	46,907	46,907
761,607	155,980	263,364	127,354	46,907	26,972,929
(6,458)	(610)	(102,733)	(8)	-	(13,259,218)
755,149	155,370	160,631	127,346	46,907	13,713,711
(1,733)	(775)	(33)	(336)	(2,815)	(239,227)
(13,412)	(4,746)	(14)	(6,400)	-	(48,631)
740,004	149,849	160,584	120,610	44,092	13,425,853

7. Financing of customers (cont'd.)

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Uses of Qard fund:		
Staff financing	**443**	448
Other term financing	**400**	400
	843	848

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Staff financing	**443**	448
Musyarakah financing	**106,925**	126,498
Other term financing	**400**	400
	107,768	127,346

(ii) By type of customer

	Group	
	2016	**2015**
	RM'000	**RM'000**
Domestic non-banking institutions	**835,916**	356,455
Domestic business enterprises		
- Small business enterprises	**128,823**	212,759
- Others	**3,512,917**	3,581,803
Government and statutory bodies	**551,921**	557,079
Individuals	**9,691,913**	8,960,937
Other domestic entities	**6,316**	3,954
Foreign entities	**70,118**	23,541
Gross financing	**14,797,924**	13,696,528

7. Financing of customers (cont'd.)

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

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Domestic non-banking institutions	**835,916**	356,455
Domestic business enterprises		
- Small business enterprises	**128,823**	212,759
- Others	**3,522,233**	3,598,986
Government and statutory bodies	**551,921**	557,079
Individuals	**9,691,914**	8,960,937
Other domestic entities	**6,316**	3,954
Foreign entities	**70,118**	23,541
Gross financing	**14,807,241**	13,713,711

(iii) By profit rate sensitivity

	Group	
	2016	**2015**
	RM'000	**RM'000**
Fixed rate:		
Home financing	**760,563**	774,398
Hire purchase receivables	**900,396**	1,074,447
Others	**3,903,838**	3,836,881
Variable rate:		
Home financing	**3,785,493**	3,384,224
Others	**5,447,634**	4,626,578
Gross financing	**14,797,924**	13,696,528

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Fixed rate:		
Home financing	**760,563**	774,398
Hire purchase receivables	**900,396**	1,074,447
Others	**3,913,155**	3,854,064
Variable rate:		
Home financing	**3,785,493**	3,384,224
Others	**5,447,634**	4,626,578
Gross financing	**14,807,241**	13,713,711

7. Financing of customers (cont'd.)

(iv) By sector

	Group	
	2016	**2015**
	RM'000	**RM'000**
Agriculture	**79,148**	125,784
Mining and quarrying	**17,044**	29,948
Manufacturing	**611,107**	664,091
Electricity, gas and water	**212,463**	113,226
Construction	**386,410**	408,301
Household	**9,703,721**	8,975,089
Real estate	**1,032,415**	746,721
Wholesale, retail and restaurant	**503,722**	634,050
Transport, storage and communication	**298,803**	424,975
Finance, takaful and business services	**969,279**	743,588
Purchase of transport vehicles	**15,816**	22,817
Consumption credit	**410**	408
Community, social and personal service	**415,664**	255,884
Government and statutory bodies	**551,922**	551,646
Gross financing	**14,797,924**	13,696,528

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Agriculture	**79,148**	125,784
Mining and quarrying	**21,977**	29,948
Manufacturing	**611,107**	664,091
Electricity, gas and water	**212,463**	113,226
Construction	**386,410**	408,301
Household	**9,703,721**	8,975,089
Real estate	**1,032,415**	746,721
Wholesale, retail and restaurant	**508,522**	644,850
Transport, storage and communication	**298,803**	424,975
Finance, takaful and business services	**969,280**	748,588
Purchase of transport vehicles	**15,816**	22,817
Consumption credit	**410**	408
Community, social and personal service	**415,247**	257,267
Government and statutory bodies	**551,922**	551,646
Gross financing	**14,807,241**	13,713,711

7. Financing of customers (cont'd.)

(v) By residual contractual maturity

	Group	
	2016	**2015**
	RM'000	**RM'000**
Maturity		
- within one year	**3,952,948**	3,206,734
- more than one to five years	**4,865,274**	4,534,936
- more than five years	**5,979,702**	5,954,858
Gross financing	**14,797,924**	13,696,528

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Maturity		
- within one year	**3,952,948**	3,206,734
- more than one to five years	**4,865,274**	4,534,936
- more than five years	**5,989,019**	5,972,041
Gross financing	**14,807,241**	13,713,711

(vi) By geographical area

	Group	
	2016	**2015**
	RM'000	**RM'000**
Domestic	**14,742,117**	13,689,634
Labuan Offshore	**55,807**	6,894
Gross financing	**14,797,924**	13,696,528

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Domestic	**14,751,434**	13,706,817
Labuan Offshore	**55,807**	6,894
Gross financing	**14,807,241**	13,713,711

7. Financing of customers (cont'd.)

(vii) By economic purpose

	Group	
	2016	**2015**
	RM'000	**RM'000**
Purchase of securities	**65,381**	70,065
Purchase of transport vehicles	**873,082**	1,059,600
Purchase of landed properties of which:		
– residential	**4,638,924**	4,253,919
– non-residential	**562,747**	586,754
Purchase of fixed assets (excluding landed properties)	**206,341**	208,424
Personal use	**3,858,761**	3,360,350
Construction	**590,289**	434,747
Working capital	**3,485,954**	3,312,060
Other purposes	**516,445**	410,609
Gross financing	**14,797,924**	13,696,528

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Purchase of securities	**65,381**	70,065
Purchase of transport vehicles	**873,082**	1,059,600
Purchase of landed properties of which:		
– residential	**4,638,924**	4,253,919
– non-residential	**562,747**	586,754
Purchase of fixed assets (excluding landed properties)	**206,341**	208,424
Personal use	**3,858,761**	3,360,350
Construction	**590,289**	434,747
Working capital	**3,485,954**	3,312,060
Other purposes	**525,762**	427,792
Gross financing	**14,807,241**	13,713,711

7. Financing of customers (cont'd.)

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 amounts to RM1.5 billion (2015: Nil). The cumulative change in fair value of the financings attributable to changes in profit rate risks amounts to a gain of RM4,469,645 (2015: Nil) and the change for the current year is a gain of RM4,469,645 (2015: Nil). 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.

8. Impaired financing

(i) Movements in the impaired financing

	Group RM'000	Bank RM'000
As at 31 March 2016		
As at 1 April 2015	**339,714**	**345,714**
Classified as impaired during the year	**460,265**	**460,265**
Reclassified as performing during the year	**(332,796)**	**(332,796)**
Recovered during the year	**(73,713)**	**(79,713)**
Written off during the year	**(67,000)**	**(67,000)**
As at 31 March 2016	**326,470**	**326,470**
Ratio of gross impaired financing to total financing	**2.21%**	**2.20%**
As at 31 March 2015		
As at 1 April 2014	325,706	331,706
Classified as impaired during the year	434,643	434,643
Reclassified as performing during the year	(281,202)	(281,202)
Recovered during the year	(75,987)	(75,987)
Written off during the year	(63,446)	(63,446)
As at 31 March 2015	339,714	345,714
Ratio of gross impaired financing to total financing	2.48%	2.52%

8. Impaired financing (cont'd.)

(ii) Movements in the allowance for impaired financing

Collective assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2016		
As at 1 April 2015	**239,227**	**239,227**
Allowance made during the year (Note 27(b))	**419,481**	**419,481**
Amount written back (Note 27(b))	**(395,965)**	**(395,965)**
Amount written off	**(54,304)**	**(54,304)**
As at 31 March 2016	**208,439**	**208,439**
As % of gross financing, less individual assessment allowance	**1.42%**	**1.42%**
As at 31 March 2015		
As at 1 April 2014	195,951	195,951
Allowance made during the year (Note 27(b))	492,392	492,392
Amount written back (Note 27(b))	(447,742)	(447,742)
Amount written off	(1,374)	(1,374)
As at 31 March 2015	239,227	239,227
As % of gross financing, less individual assessment allowance	1.75%	1.75%

Individual assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2016		
As at 1 April 2015	**42,631**	**48,631**
Allowance made during the year (Note 27(a))	**50,307**	**50,307**
Amount written back (Note 27(a))	**(5,658)**	**(5,658)**
Amount written off	**(6,202)**	**(12,202)**
As at 31 March 2016	**81,078**	**81,078**

8. Impaired financing (cont'd.)

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

Individual assessment allowance (cont'd.)

	Group RM'000	Bank RM'000
As at 31 March 2015		
As at 1 April 2014	74,492	80,492
Allowance made during the year (Note 27(a))	36,636	36,636
Amount written back (Note 27(a))	(6,929)	(6,929)
Amount written off	(61,568)	(61,568)
As at 31 March 2015	42,631	48,631

(iii) Impaired financing by geographical area

	Group	
	2016 RM'000	2015 RM'000
Domestic	**326,470**	339,714

	Bank	
	2016 RM'000	2015 RM'000
Domestic	**326,470**	345,714

8. Impaired financing (cont'd.)

(iv) Impaired financing by sector

	Group	
	2016	**2015**
	RM'000	**RM'000**
Agriculture	**48**	25
Manufacturing	**77,453**	81,479
Construction	**17,370**	17,263
Household	**194,836**	201,332
Wholesale and retail and restaurant	**6,469**	11,881
Transport, storage and communication	**22,805**	22,945
Finance, takaful and business services	**3,049**	2,530
Purchase of transport vehicles	**978**	1,041
Community, social and personal service	**3,462**	1,218
	326,470	339,714

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Agriculture	**48**	25
Manufacturing	**77,453**	81,479
Construction	**17,370**	17,263
Household	**194,836**	201,332
Wholesale and retail and restaurant	**6,469**	17,881
Transport, storage and communication	**22,805**	22,945
Finance, takaful and business services	**3,049**	2,530
Purchase of transport vehicles	**978**	1,041
Community, social and personal service	**3,462**	1,218
	326,470	345,714

8. Impaired financing (cont'd.)

(v) Impaired financing by economic purpose

	Group	
	2016	**2015**
	RM'000	**RM'000**
Purchase of securities	**64**	71
Purchase of transport vehicles	**26,876**	36,309
Purchase of landed properties of which:		
- Residential	**76,335**	104,076
- Non-residential	**8,333**	5,127
Purchase of fixed assets (excluding landed properties)	**9,038**	12,745
Personal use	**93,739**	57,707
Construction	**15**	15
Working capital	**104,795**	122,377
Other purposes	**7,275**	1,287
	326,470	339,714

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Purchase of securities	**64**	71
Purchase of transport vehicles	**26,876**	36,309
Purchase of landed properties of which:		
- Residential	**76,335**	104,076
- Non-residential	**8,333**	5,127
Purchase of fixed assets (excluding landed properties)	**9,038**	12,745
Personal use	**93,739**	57,707
Construction	**15**	15
Working capital	**104,795**	128,377
Other purposes	**7,275**	1,287
	326,470	345,714

9. Other assets

	Group	
	2016 RM'000	**2015 RM'000**
Deposits	**7,345**	10,620
Prepayments	**3,945**	1,805
Tax prepayment	**6,226**	20,162
Golf club membership	**600**	600
Other receivables	**14,493**	13,277
Other debtors	**39,300**	49,998
	71,909	96,462

	Bank	
	2016 RM'000	**2015 RM'000**
Deposits	**7,313**	10,587
Prepayments	**3,881**	1,702
Tax prepayment	**6,226**	20,162
Amount due from subsidiaries	**6,147**	75
Golf club membership	**600**	600
Other receivables	**14,493**	13,277
Other debtors	**38,576**	49,310
	77,236	95,713

10. Statutory deposit with Bank Negara Malaysia

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

11. Investment in subsidiaries

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Unquoted shares at cost		
- in Malaysia	**10,823**	10,823
Less: Accumulated impairment losses	**(2,768)**	(4,439)
	8,055	6,384

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

Name	**Principal activities**	**Percentage of equity held**		**Paid up capital**	
		2016	**2015**	**2016**	**2015**
		%	**%**	**RM**	**RM**
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	**100**	100	**10,000,000**	10,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	**100**	100	**100,002**	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	**100**	100	**2**	2
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	**100**	100	**2**	2

12. Investment properties

Group and Bank As at 31 March 2016	Freehold land RM'000	Buildings on freehold land RM'000	Investment properties under construction RM'000	Total RM'000
As at 1 April 2015	**-**	**7,456**	**591**	**8,047**
Additions	**13,481**	**-**	**9,357**	**22,838**
Change in fair value recognised in income statement	**-**	**1,644**	**-**	**1,644**
As at 31 March 2016	**13,481**	**9,100**	**9,948**	**32,529**
Included in the above are:				
At fair value	**13,481**	**9,100**	**-**	**22,581**
At cost	**-**	**-**	**9,948**	**9,948**
As at 31 March 2015				
At cost				
As at 1 April 2014	-	-	-	-
Additions	-	7,456	591	8,047
As at 31 March 2015	-	7,456	591	8,047
Included in the above are:				
At cost	**-**	7,456	591	8,047

The Group's and the Bank's investment properties consist of two (2) units of commercial properties in Shah Alam.

As at 31 March 2016, 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 43.

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

Types of investment properties	Valuation Technique	Significant unobservable inputs
Buildings on freehold land	Direct 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 As at 31 March 2016	Computer software RM'000	Software under development RM'000	Total RM'000
Cost			
As at 1 April 2015	**172,867**	**8,459**	**181,326**
Additions	**9,929**	**7,325**	**17,254**
Reclassification	**14,485**	**(14,485)**	**-**
As at 31 March 2016	**197,281**	**1,299**	**198,580**
Accumulated amortisation			
As at 1 April 2015	**54,147**	**-**	**54,147**
Charge for the year (Note 33)	**23,312**	**-**	**23,312**
As at 31 March 2016	**77,459**	**-**	**77,459**
Carrying amount as at 31 March 2016	**119,822**	**1,299**	**121,121**
Cost			
As at 1 April 2014	48,672	74,659	123,331
Additions	6,961	67,895	74,856
Write off	(85)	-	(85)
Reclassification	117,319	(134,095)	(16,776)
As at 31 March 2015	172,867	8,459	181,326
Accumulated amortisation			
As at 1 April 2014	41,072	-	41,072
Charge for the year (Note 33)	13,160	-	13,160
Write off	(85)	-	(85)
As at 31 March 2015	54,147	-	54,147
Carrying amount as at 31 March 2015	118,720	8,459	127,179

13. Intangible assets (cont'd.)

Bank	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2016			
Cost			
As at 1 April 2015	**171,892**	**8,459**	**180,351**
Additions	**9,929**	**7,325**	**17,254**
Reclassification	**14,485**	**(14,485)**	**-**
As at 31 March 2016	**196,306**	**1,299**	**197,605**
Accumulated amortisation			
As at 1 April 2015	**53,925**	**-**	**53,925**
Charge for the year (Note 33)	**23,117**	**-**	**23,117**
As at 31 March 2016	**77,042**	**-**	**77,042**
Carrying amount as at 31 March 2016	**119,264**	**1,299**	**120,563**
As at 31 March 2015			
Cost			
As at 1 April 2014	47,779	74,659	122,438
Additions	6,879	67,895	74,774
Write off	(85)	-	(85)
Reclassification	117,319	(134,095)	(16,776)
As at 31 March 2015	171,892	8,459	180,351
Accumulated amortisation			
As at 1 April 2014	41,032	-	41,032
Charge for the year (Note 33)	12,978	-	12,978
Write off	(85)	-	(85)
As at 31 March 2015	53,925	-	53,925
Carrying amount as at 31 March 2015	117,967	8,459	126,426

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 2016					
Cost					
As at 1 April 2015	**1,303**	**14,957**	**228,904**	**2,717**	**247,881**
Additions	**-**	**-**	**4,586**	**4,655**	**9,241**
Disposals	**-**	**-**	**(783)**	**-**	**(783)**
Write off	**-**	**-**	**(251)**	**-**	**(251)**
Reclassification	**1,550**	**2,232**	**2,661**	**(6,443)**	**-**
As at 31 March 2016	**2,853**	**17,189**	**235,117**	**929**	**256,088**
Accumulated depreciation					
As at 1 April 2015	**568**	**5,325**	**172,770**	**-**	**178,663**
Charge for the year (Note 33)	**34**	**378**	**19,890**	**-**	**20,302**
Write off	**-**	**-**	**(231)**	**-**	**(231)**
Disposals	**-**	**-**	**(773)**	**-**	**(773)**
As at 31 March 2016	**602**	**5,703**	**191,656**	**-**	**197,961**
Carrying amount as at 31 March 2016	**2,251**	**11,486**	**43,461**	**929**	**58,127**
As at 31 March 2015					
Cost					
As at 1 April 2014	1,303	14,957	197,165	5,829	219,254
Additions	-	-	9,766	3,923	13,689
Disposals	-	-	(6)	-	(6)
Write off	-	-	(1,832)	-	(1,832)
Reclassification	-	-	23,811	(7,035)	16,776
As at 31 March 2015	1,303	14,957	228,904	2,717	247,881
Accumulated depreciation					
As at 1 April 2014	535	4,951	154,117	-	159,603
Charge for the year (Note 33)	33	374	20,470	-	20,877
Write off	-	-	(1,812)	-	(1,812)
Disposals	-	-	(5)	-	(5)
As at 31 March 2015	568	5,325	172,770	-	178,663
Carrying amount as at 31 March 2015	735	9,632	56,134	2,717	69,218

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 2016					
Cost					
As at 1 April 2015	**1,303**	**14,957**	**228,597**	**2,717**	**247,574**
Additions	**-**	**-**	**4,586**	**4,655**	**9,241**
Disposals	**-**	**-**	**(783)**	**-**	**(783)**
Write off	**-**	**-**	**(251)**	**-**	**(251)**
Reclassification	**1,550**	**2,232**	**2,661**	**(6,443)**	**-**
As at 31 March 2016	**2,853**	**17,189**	**234,810**	**929**	**255,781**
Accumulated depreciation					
As at 1 April 2015	**568**	**5,325**	**172,578**	**-**	**178,471**
Charge for the year (Note 33)	**34**	**378**	**19,852**	**-**	**20,264**
Disposals	**-**	**-**	**(773)**	**-**	**(773)**
Write off	**-**	**-**	**(231)**	**-**	**(231)**
As at 31 March 2016	**602**	**5,703**	**191,426**	**-**	**197,731**
Carrying amount as at 31 March 2016	**2,251**	**11,486**	**43,384**	**929**	**58,050**
As at 31 March 2015					
Cost					
As at 1 April 2014	1,303	14,957	196,872	5,829	218,961
Additions	-	-	9,752	3,923	13,675
Disposals	-	-	(6)		(6)
Write off	-	-	(1,832)	-	(1,832)
Reclassification	-	-	23,811	(7,035)	16,776
As at 31 March 2015	1,303	14,957	228,597	2,717	247,574
Accumulated depreciation					
As at 1 April 2014	535	4,951	153,961	-	159,447
Charge for the year (Note 33)	33	374	20,434	-	20,841
Disposals	-	-	(5)	-	(5)
Write off	-	-	(1,812)	-	(1,812)
As at 31 March 2015	568	5,325	172,578	-	178,471
Carrying amount as at 31 March 2015	735	9,632	56,019	2,717	69,103

15. Prepaid land lease payments

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
As at beginning of the year	**239**	243
Amortisation (Note 33)	**(4)**	(4)
As at end of the year	**235**	239
Analysed as:		
Long term leasehold land	**235**	239

16. Deferred tax assets/(liabilities)

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
As at beginning of the year	**(18,947)**	12,786
Recognised in the income statement (Note 36)	**21,762**	(25,076)
Recognised in other comprehensive income	**(3,383)**	(6,657)
As at end of the year	**(568)**	(18,947)

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

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Deferred tax assets	**10,315**	14,339
Deferred tax liabilities	**(10,883)**	(33,286)
	(568)	(18,947)

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 and the Bank:

	Available-for-sale reserve RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 1 April 2015	**3,288**	**10,753**	**298**	**14,339**
Recognised in income statements	**-**	**(745)**	**9**	**(736)**
Recognised in other comprehensive income	**(3,288)**	**-**	**-**	**(3,288)**
As at 31 March 2016	**-**	**10,008**	**307**	**10,315**
As at 1 April 2014	9,945	6,263	256	16,464
Recognised in income statements	-	4,490	42	4,532
Recognised in other comprehensive income	(6,657)	-	-	(6,657)
As at 31 March 2015	3,288	10,753	298	14,339

Deferred tax liabilities of the Group and the Bank:

	Available-for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
As at 1 April 2015	**-**	**(33,286)**	**(33,286)**
Recognised in the income statement	-	**22,498**	**22,498**
Recognised in the equity	**(95)**	**-**	**(95)**
As at 31 March 2016	**(95)**	**(10,788)**	**(10,883)**
As at 1 April 2014	-	(3,678)	(3,678)
Recognised in the income statement	-	(29,608)	(29,608)
As at 31 March 2015	-	(33,286)	(33,286)

17. Deposits from customers

(i) By type of deposits

	Group	
	2016	**2015**
	RM'000	**RM'000**
Savings deposits		
Wadiah	**1,096,785**	460,847
Mudharabah	**-**	679,344
	1,096,785	1,140,191
Demand deposits		
Wadiah	**3,679,040**	2,676,732
Mudharabah	**-**	939,517
	3,679,040	3,616,249
Term deposits		
Negotiable Islamic debt certificate	**1,703,656**	2,278,335
General investment deposits	**211,475**	691,209
Short term accounts	**1,798,148**	2,241,733
Fixed term accounts tawarruq	**11,114,518**	9,528,069
	14,827,797	14,739,346
Other deposits	**39,806**	48,763
	19,643,428	19,544,549

17. Deposits from customers (cont'd.)

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

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Savings deposits		
Wadiah	**1,096,785**	460,847
Mudharabah	**-**	679,344
	1,096,785	1,140,191
Demand deposits		
Wadiah	**3,686,532**	2,693,492
Mudharabah	**-**	939,517
	3,686,532	3,633,009
Term deposits		
Negotiable Islamic debt certificate	**1,703,656**	2,278,335
General investment deposits	**211,475**	696,509
Short term accounts	**1,798,148**	2,241,733
Fixed term accounts tawarruq	**11,127,818**	9,528,069
	14,841,097	14,744,646
Other deposits	**39,806**	48,763
	19,664,220	19,566,609

17. Deposits from customers (cont'd.)

(ii) By type of customer

	Group	
	2016	**2015**
	RM'000	**RM'000**
Government and statutory bodies	**7,219,162**	6,497,806
Business enterprises	**6,493,365**	6,371,361
Individuals	**1,461,371**	1,431,256
Others	**4,469,530**	5,244,126
	19,643,428	19,544,549

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Government and statutory bodies	**7,219,162**	6,497,806
Business enterprises	**6,514,157**	6,393,421
Individuals	**1,461,371**	1,431,256
Others	**4,469,530**	5,244,126
	19,664,220	19,566,609

The maturity structure of term deposits are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Due within six months	**12,441,730**	13,637,775
More than six months to one year	**2,358,927**	1,085,279
More than one year to three years	**1,477**	15,937
More than three years to five years	**25,663**	355
	14,827,797	14,739,346

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Due within six months	**12,455,030**	13,643,075
More than six months to one year	**2,358,927**	1,085,279
More than one year to three years	**1,477**	15,937
More than three years to five years	**25,663**	355
	14,841,097	14,744,646

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Non-Mudharabah		
Bank Negara Malaysia	**10,132**	8,164
Licensed banks	**432,120**	-
	442,252	8,164
Mudharabah		
Licensed banks	**-**	400,672
	442,252	408,836

19. Bills and acceptances payable

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

20. Other liabilities

	Group	
	2016	**2015**
	RM'000	**RM'000**
Sundry creditors	**2,830**	1,665
Provision for commitments and contingencies (Note (a))	**13,782**	8,162
Accrual for bonus	**15,629**	-
Accrual for Voluntary Separation Scheme	**300**	20,000
Accrued expenses	**10,736**	14,717
Accrual for directors' fees	**665**	609
Accrual for audit fees	**431**	788
Other liabilities	**20,608**	40,598
	64,981	86,538

20. Other liabilities (cont'd.)

	Bank	
	31 March 2016 RM'000	31 March 2015 RM'000
Sundry creditors	**2,373**	1,665
Provision for commitments and contingencies (Note (a))	**13,782**	8,162
Accrual for bonus	**15,629**	-
Accrual for Voluntary Separation Scheme	**300**	20,000
Accrued expenses	**10,915**	15,264
Accrual for directors' fees	**665**	609
Accrual for audit fees	**414**	772
Other liabilities	**20,579**	40,599
	64,657	87,071

(a) Movement in provision for commitments and contingencies:

	Group and Bank	
	31 March 2016 RM'000	31 March 2015 RM'000
As at beginning of the year	**8,162**	7,412
Charge during the year	**10,282**	750
Writeback during the year	**(7,412)**	-
Reclassed from other liabilities during the year	**2,750**	-
As at end of the year	**13,782**	8,162

The provision relates to the arbitration and legal cases pertaining to an early termination of system development and dispute on a contracted outsourcing of IT services which have a high likelihood to result in claims from the beneficiaries.

21. Provision for zakat and taxation

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Zakat	**4,688**	3,658	**4,512**	3,436
Taxation	**247**	843	**-**	-
	4,935	4,501	**4,512**	3,436

22. Subordinated sukuk

Subordinated sukuk as at 31 March 2016 relates to a RM400 million Tier-2 Capital Islamic Subordinated Sukuk issued on 15 June 2011. The sukuk carries a tenure of 10 years from the issue date on a 10 non-callable 5 basis feature with a profit rate of 5.15% per annum.

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's capital adequacy requirement.

The Bank redeemed the existing RM400.0 million subordinated sukuk on 15 June 2016. The redemption was funded through setting up of a RM1.0 billion Sukuk programme.

The new sukuk programme will have loss absorption features to meet Basel III criteria and qualifies as Tier 2 Capital.

23. Share capital

	Number of shares of RM1 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised:				
Ordinary shares	**3,000,000**	3,000,000	**3,000,000**	3,000,000
Musharakah Irredeemable Non-Cumulative Convertible Preference Shares	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Total	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Issued and fully paid:				
Ordinary shares				
As at 1 April/31 March	**1,195,000**	1,195,000	**1,195,000**	1,195,000

24. Reserves

	Note	Group 2016 RM'000	Group 2015 RM'000
Statutory reserve	(a)	**582,822**	515,612
Retained profits	(b)	**219,957**	155,258
Exchange fluctuation reserve	(c)	**(2,054)**	(584)
Net unrealised gains/(losses) on financial investments available-for-sale	(d)	**212**	(10,592)
		800,937	659,694

	Note	Bank 2016 RM'000	Bank 2015 RM'000
Statutory reserve	(a)	**581,225**	514,015
Retained profits	(b)	**214,387**	147,177
Exchange fluctuation reserve	(c)	**(2,054)**	(584)
Net unrealised gains/(losses) on financial investments available-for-sale	(d)	**212**	(10,592)
		793,770	650,016

(a) Statutory reserve

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

(b) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 March 2016 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) Net unrealised gains/(losses) on financial investments available-for-sale

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

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

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Income derived from investment of:		
(i) General investment deposits	**11,951**	608,218
(ii) Other deposits	**1,098,431**	395,992
	1,110,382	1,004,210

(i) Income derived from investment of general investment deposits

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Finance income and hibah:		
Income from financing	**9,074**	430,069
Financial investments designated at FVTPL	**-**	45
Financial investments held-for-maturity	**9**	622
Financial investments available-for-sale	**2,261**	142,962
Money at call and deposit with financial institutions	**170**	8,474
	11,514	582,172
Amortisation of premium, net	**(39)**	(3,588)
Total finance income and hibah	**11,475**	578,584

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

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

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Other operating income:		
Net gain from sale of:		
- financial investments designated at FVTPL	**7**	770
- financial investments available-for-sale	**71**	5,750
	78	6,520
Fees and commission		
Guarantee fees	**38**	1,452
Safekeeping fees	**72**	3,708
Processing fees	**25**	2,567
Service charges and fees	**120**	7,207
Commission	**143**	8,180
	398	23,114
Total	**11,951**	608,218

(ii) Income derived from investment of other deposits

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Finance income and hibah		
Income from financing	**834,031**	280,005
Financial investments designated at FVTPL	**16**	30
Financial investments held-for-maturity	**860**	405
Financial investments available-for-sale	**207,815**	93,078
Money at call and deposit with financial institutions	**15,620**	5,518
	1,058,342	379,036
Amortisation of premium, net	**(3,609)**	(2,336)
Total finance income and hibah	**1,054,733**	376,700

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

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

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Other operating income		
Net gain from sale of:		
- financial investments designated at FVTPL	**610**	501
- financial investments available-for-sale	**6,541**	3,743
	7,151	4,244
Fees and commission		
Guarantee fees	**3,449**	946
Safekeeping fees	**6,591**	2,414
Processing fees	**2,303**	1,671
Service charges and fees	**11,017**	4,692
Commission	**13,187**	5,325
	36,547	15,048
Total	**1,098,431**	395,992

26. Income derived from investment of shareholders' funds

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Finance income and hibah				
Financial investments				
Available-for-sale	**21,102**	25,680	**21,102**	25,680
Fair value through profit or loss	**36,331**	-	**36,331**	-
Money at call and deposit with financial institutions	**1,819**	-	**1,819**	-
Accretion of discounts, net	**2,800**	3,493	**2,800**	3,493
Total finance income and hibah	**62,052**	29,173	**62,052**	29,173

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other operating income				
Net gain on revaluation of foreign exchange transaction	**9,653**	23,425	**9,653**	23,425
Net (loss)/gain from foreign exchange derivatives	**(3,822)**	10,727	**(3,822)**	10,727
Net gain from sale of financial investment available-for-sale	**3,638**	1,435	**3,638**	1,435
Net gain from sale of financial investments designated at fair value through profit or loss	**-**	3,149	**-**	3,149
Gross dividend income - unquoted shares in Malaysia	**1,614**	1,612	**1,612**	1,612
Net dividend paid for Islamic profit rate swap	**(1,004)**	(2,839)	**(1,004)**	(2,839)
Unrealised loss on revaluation of Islamic profit rate swap	**(3,097)**	(28,431)	**(3,097)**	(28,431)
Unrealised gain on revaluation of hedged items	**4,470**	-	**4,470**	-
Gain from derecognition of fair value of hedged items	**7,052**	1,772	**7,052**	1,772
	18,504	10,850	**18,502**	10,850
Fees and commission				
Corporate advisory fees	**5,277**	3,952	**3,313**	1,640
Service charges and fees	**7,374**	7,920	**303**	323
Commission	**4,001**	7,358	**4,001**	7,358
Others	**-**	15	**-**	15
	16,652	19,245	**7,617**	9,336
Other income				
Rental income	**562**	499	**562**	499
Gain from sale of property, plant and equipment	**232**	3	**232**	3
Gain from sale of foreclosed properties	**-**	8,256	**-**	8,256
Fair value adjustments of investment properties	**1,644**	-	**1,644**	-
	2,438	8,758	**2,438**	8,758
Total	**99,646**	68,026	**90,609**	58,117

27. Allowance for impairment on financing

	Group		Bank	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Allowance for impairment on financing				
(a) Individual assessment allowance (Note 8(ii)):				
Made during the year	**50,307**	36,636	**50,307**	36,636
Written back during the year	**(5,658)**	(6,929)	**(5,658)**	(6,929)
	44,649	29,707	**44,649**	29,707
(b) Collective assessment allowance (Note 8(ii)):				
Made during the year	**419,481**	492,392	**419,481**	492,392
Written back during the year	**(395,965)**	(447,742)	**(395,965)**	(447,742)
	23,516	44,650	**23,516**	44,650
Bad debts on financing:				
Written off	**18,321**	1,229	**18,321**	1,229
Recovered	**(27,164)**	(37,671)	**(33,164)**	(37,671)
	(8,843)	(36,442)	**(14,843)**	(36,442)
Total	**59,322**	37,915	**53,322**	37,915

28. Impairment (loss)/write back on investments

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Impairment (loss)/write back on financial investments available-for-sale	**(22,790)**	22,004	**(22,790)**	22,004
Impairment write back on investment in a subsidiary	**-**	-	**1,671**	-
	(22,790)	22,004	**(21,119)**	22,004

29. Income attributable to depositors

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits from customers				
- Mudharabah funds	**66,219**	162,152	**66,392**	162,322
- Non-Mudharabah funds	**484,938**	352,072	**485,232**	352,082
Deposits and placements of banks and other financial institutions				
- Mudharabah funds	**35,260**	13,104	**35,260**	13,104
- Non-Mudharabah funds	**83**	870	**83**	870
	586,500	528,198	**586,967**	528,378

30. Personnel expenses

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salary and wages	**125,854**	142,232	**123,753**	140,754
Contribution to defined contribution plan	**25,010**	26,872	**24,685**	26,752
Social security contributions	**1,081**	1,456	**1,081**	1,456
Allowances and bonuses	**18,292**	9,527	**18,103**	9,382
Voluntary Separation Scheme	**-**	20,045	**-**	20,045
Others	**13,263**	19,437	**13,131**	19,332
	183,500	219,569	**180,753**	217,721

31. Directors and Shariah Committee members' remuneration

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Executive Director/ Chief Executive Officer				
Salaries and wages	**1,916**	1,827	**1,363**	1,310
Other emoluments	**401**	1,351	**252**	1,168
Bonuses	**-**	1,117	**-**	884
Benefits-in-kind	**85**	57	**85**	57
	2,402	4,352	**1,700**	3,419
(b) Non-Executive Directors				
Fees	**927**	871	**887**	831
Benefits-in-kind	**-**	-	**-**	-
Other emoluments	**466**	524	**460**	515
	1,393	1,395	**1,347**	1,346
(c) Shariah Committee members				
Allowance	**332**	383	**330**	383
	332	383	**330**	383
Total	**4,127**	6,130	**3,377**	5,148
Total (excluding benefits-in-kind)	**4,042**	6,073	**3,292**	5,091

31. 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 2016	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 31(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	**1,363**	**-**	**-**	**252**	**85**	**1,700**
Executive Director of the subsidiaries:						
Sharifatul Hanizah Binti Said Ali	**553**	**-**	**-**	**149**	**-**	**702**
	1,916	**-**	**-**	**401**	**85**	**2,402**
Note 31(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	**-**	**222**	**-**	**34**	**-**	**256**
Tuan Haji Abdul Jabbar Abdul Majid	**-**	**84**	**-**	**76**	**-**	**160**
Tengku Dato' Seri Hasmuddin Tengku Othman	**-**	**84**	**-**	**70**	**-**	**154**
Dato' Haji Mohd Izani Ghani *	**-**	**84**	**-**	**45**	**-**	**129**
Dato' Azmi Abdullah	**-**	**84**	**-**	**85**	**-**	**169**
Dato' Hj Kamil Khalid Ariff	**-**	**84**	**-**	**59**	**-**	**143**
Dato' Sri Che Khalib Mohamad Noh	**-**	**84**	**-**	**29**	**-**	**113**
Dato' Mohamed Hazlan Mohamed Hussain	**-**	**28**	**-**	**5**	**-**	**33**
Dr Azura Othman	**-**	**77**	**-**	**47**	**-**	**124**
Dato' Ahmad Fuaad Mohd Kenali	**-**	**56**	**-**	**10**	**-**	**66**
Director - subsidiaries:						
Fakihah binti Azahari	**-**	**20**	**-**	**3**	**-**	**23**
Dato' Adnan bin Alias	**-**	**20**	**-**	**3**	**-**	**23**
	-	**927**	**-**	**466**	**-**	**1,393**
Total Directors' remuneration	**1,916**	**927**	**-**	**866**	**85**	**3,795**

* Director's fees payable to Khazanah Nasional Berhad

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

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

Group 2016	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 31(c) :						
Shariah Committee:						
Tuan Hj Azizi Che Seman	-	**44**	-	**22**	-	**66**
Dr Mohamad Sabri Haron	-	**39**	-	**16**	-	**55**
Engku Ahmad Fadzil Engku Ali	-	**35**	-	**16**	-	**51**
Dr Ab Halim Muhammad	-	**39**	-	**14**	-	**53**
Dr Zulkifli Mohamad	-	**39**	-	**9**	-	**48**
Dr Wan Marhaini Wan Ahmad	**-**	**39**	**-**	**18**	**-**	**58**
	-	**235**	**-**	**95**	**-**	**332**

31. 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 2015	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 31(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,310	-	884	1,168	57	3,419
Executive Director of the subsidiaries:						
Sharifatul Hanizah Binti Said Ali	517	-	233	183	-	933
	1,827	-	1,117	1,351	57	4,352
Note 31(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	38	-	260
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	84	-	168
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	80	-	164
Dato' Haji Mohd Izani Ghani *	-	84	-	48	-	132
Dato' Azmi Abdullah	-	84	-	110	-	194
Dato' Hj Kamil Khalid Ariff	-	84	-	73	-	157
Dato' Sri Che Khalib Mohamad Noh	-	84	-	32	-	116
Dato' Mohamed Hazlan Mohamed Hussain	-	84	-	33	-	117
Encik Hisham Zain	-	21	-	17	-	38
Director - subsidiaries:						
Fakihah binti Azahari	-	20	-	5	-	25
Dato' Adnan bin Alias	-	20	-	4	-	24
	-	871	-	524	-	1,395
Total Directors' remuneration	1,827	871	1,117	1,875	57	5,747

* Director's fees payable to Khazanah Nasional Berhad

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

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

Group 2015	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 31(c) :						
Shariah Committee:						
Tuan Hj Azizi Che Seman	-	48	-	25	-	73
Dr Mohamad Sabri Haron	-	42	-	23	-	65
Engku Ahmad Fadzil Engku Ali	-	42	-	23	-	65
Dr Ab Halim Muhammad	-	42	-	20	-	62
Dr Zulkifli Mohamad	-	42	-	14	-	56
Dr Wan Marhaini Wan Ahmad	-	42	-	20	-	62
	-	258	-	125	-	383

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

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

	<======== Remuneration received from the Bank ========>					
Bank 2016	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 31(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	**1,363**	**-**	**-**	**252**	**85**	**1,700**
	1,363	**-**	**-**	**252**	**85**	**1,700**
Note 31(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	**-**	**222**	**-**	**34**	**-**	**256**
Tuan Haji Abdul Jabbar Abdul Majid	**-**	**84**	**-**	**76**	**-**	**160**
Tengku Dato' Seri Hasmuddin Tengku Othman	**-**	**84**	**-**	**70**	**-**	**154**
Dato' Haji Mohd Izani Ghani *	**-**	**84**	**-**	**45**	**-**	**129**
Dato' Azmi Abdullah	**-**	**84**	**-**	**85**	**-**	**169**
Dato' Hj Kamil Khalid Ariff	**-**	**84**	**-**	**59**	**-**	**143**
Dato' Sri Che Khalib Mohamad Noh	**-**	**84**	**-**	**29**	**-**	**113**
Dato' Mohamed Hazlan Mohamed Hussain	**-**	**28**	**-**	**5**	**-**	**33**
Dr Azura Othman	**-**	**77**	**-**	**47**	**-**	**124**
Dato' Ahmad Fuaad Mohd Kenali	**-**	**56**	**-**	**10**	**-**	**66**
	-	**887**	**-**	**460**	**-**	**1,347**
Total Directors' remuneration	**1,363**	**887**	**-**	**712**	**85**	**3,047**

* Director's fees payable to Khazanah Nasional Berhad

31. 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 2016	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 31(c):						
Shariah Committee:						
Tuan Hj Azizi Che Seman	-	**44**	-	**22**	-	**66**
Dr Mohamad Sabri Haron	-	**39**	-	**16**	-	**55**
Engku Ahmad Fadzil Engku Ali	-	**35**	-	**16**	-	**51**
Dr Ab Halim Muhammad	-	**39**	-	**14**	-	**53**
Dr Zulkifli Mohamad	-	**39**	-	**9**	-	**48**
Dr Wan Marhaini Wan Ahmad	-	**39**	-	**18**	-	**57**
	-	**235**	**-**	**95**	**-**	**330**

31. 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 2015	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 31(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,310	-	884	1,168	57	3,419
	1,310	-	884	1,168	57	3,419
Note 31(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	38	-	260
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	84	-	168
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	80	-	164
Dato' Haji Mohd Izani Ghani *	-	84	-	48	-	132
Dato' Azmi Abdullah	-	84	-	110	-	194
Dato' Hj Kamil Khalid Ariff	-	84	-	73	-	157
Dato' Sri Che Khalib Mohamad Noh	-	84	-	32	-	116
Dato' Mohamed Hazlan Mohamed Hussain	-	84	-	33	-	117
Encik Hisham Zain	-	21	-	17	-	38
	-	831	-	515	-	1,346
Total Directors' remuneration	1,310	831	884	1,683	57	4,765

* Director's fees payable to Khazanah Nasional Berhad

31. 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 2015	**Salary RM'000**	**Allowance RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Note 31(c):						
Shariah Committee:						
Tuan Hj Azizi Che Seman	-	48	-	25	-	73
Dr Mohamad Sabri Haron	-	42	-	23	-	65
Engku Ahmad Fadzil Engku Ali	-	42	-	23	-	65
Dr Ab Halim Muhammad	-	42	-	20	-	62
Dr Zulkifli Mohamad	-	42	-	14	-	56
Dr Wan Marhaini Wan Ahmad	-	42	-	20	-	62
	-	258	-	125	-	383

32. Key management personnel remuneration

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Short-term employees benefits	**7,115**	9,036
Included in the total key management personnel are:		
Executive directors' remuneration (Note 31(a))	**2,402**	4,352

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Short-term employees benefits (salary, bonus, allowances)	**6,413**	8,102
Included in the total key management personnel are:		
Executive directors' remuneration (Note 31(a))	**1,700**	3,419

33. Other overheads and expenditures

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Marketing				
Advertisement and publicity	**6,357**	10,589	**6,357**	10,584
Donation and sponsorship	**10,831**	3,150	**10,831**	3,150
Others	**1,893**	7,017	**1,878**	7,007
	19,081	20,756	**19,066**	20,741

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

	Group		Bank	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Establishment				
Rental	**11,867**	11,071	**11,433**	10,951
Depreciation (Note 14)	**20,302**	20,877	**20,264**	20,841
Amortisation of intangible assets (Note 13)	**23,312**	13,160	**23,117**	12,978
Amortisation of prepaid land lease payments (Note 15)	**4**	4	**4**	4
Information technology expenses	**29,408**	32,767	**29,408**	32,767
Repair and maintenance	**1,974**	2,299	**1,937**	2,298
Hire of equipment	**5,244**	5,130	**4,709**	4,685
Takaful	**6,563**	4,194	**6,563**	4,194
Utilities expenses	**5,241**	5,778	**5,210**	5,742
Security expenses	**9,276**	8,444	**9,276**	8,444
Others	**3,566**	3,545	**3,566**	3,545
	116,757	107,269	**115,487**	106,449
General expenses				
Auditors' fees				
- statutory audit	**419**	788	**402**	771
- regulatory related services	**278**	420	**260**	398
- others	**101**	67	**101**	56
Professional fees	**1,249**	2,593	**1,128**	2,489
Legal expenses	**1,365**	1,243	**1,365**	1,243
Telephone	**2,120**	2,299	**2,113**	2,292
Stationery and printing	**2,250**	2,305	**2,226**	2,291
Postage and courier	**1,442**	1,206	**1,442**	1,206
Travelling	**2,165**	3,449	**2,141**	3,400
Directors remuneration and Shariah Committee allowance (Note 31)	**4,042**	6,073	**3,292**	5,091
Property, plant and equipment written off (Note 14)	**20**	20	**20**	20
Others	**10,337**	9,140	**12,854**	10,582
	25,788	29,603	**27,344**	29,839
	161,626	157,628	**161,897**	157,029

34. Finance cost

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Dividend paid on subordinated sukuk	**20,623**	20,600

35. Zakat

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Provision of zakat for the year	**4,375**	3,381	**4,197**	3,161
Under provision in prior year	**-**	72	**-**	-
	4,375	3,453	**4,197**	3,161

36. Taxation

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current income tax	**36,685**	7,004	**34,995**	5,119
Under/(over) provision in prior years	**16,026**	(2,847)	**16,026**	(2,847)
	52,711	4,157	**51,021**	2,272
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	**3,135**	31,314	**3,135**	31,314
Relating to reduction in Malaysian income tax rate	**-**	130	**-**	130
Over provision in prior years	**(24,897)**	(6,368)	**(24,897)**	(6,368)
	(21,762)	25,076	**(21,762)**	25,076
	30,949	29,233	**29,259**	27,348

36. Taxation (cont'd.)

Domestic current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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

	Group		Bank	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Profit before taxation	**167,233**	121,966	**167,876**	114,324
Taxation at Malaysian statutory tax rate 24% (2015: 25%)	**40,136**	30,492	**40,290**	28,581
Defered tax recognised in different tax rates	**-**	(1,298)	**-**	(1,298)
Effect on opening deferred tax of reduction in Malaysian income tax rate	**-**	130	**-**	130
Income not subject to tax	**(10,427)**	(1,507)	**(10,960)**	(1,462)
Expenses not deductible for tax purposes	**10,111**	10,631	**8,800**	10,612
Under/(over) provision of income tax in prior years	**16,026**	(2,847)	**16,026**	(2,847)
Over provision of deferred tax in prior years	**(24,897)**	(6,368)	**(24,897)**	(6,368)
Income tax expense for the year	**30,949**	29,233	**29,259**	27,348

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

	Group	
	2016 RM'000	**2015 RM'000**
Unused tax losses	**2,153**	2,153

36. Taxation (cont'd.)

The unused tax losses of the Group amounting to RM2,153,095 (2015: RM2,153,095) are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

37. Earnings per share

	Group	
Basic and diluted	**2016 RM'000**	**2015 RM'000**
Profit attributable to ordinary equity holders of the Bank (RM'000)	**131,909**	89,280
Weighted average number of ordinary shares in issue ('000)	**1,195,000**	1,195,000
Basic and diluted earnings per share (sen)	**11.04**	7.47

38. Dividends

The directors did not declare any final dividend for the financial year ended 31 March 2016.

39. Significant related party transactions

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

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

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Holding company		
Expenditure		
- hibah on deposit	**1,141**	1,375
- sponsorship	**108**	5,000
Amounts due to		
- deposits	**141,856**	108,305
Subsidiaries		
Income		
- management income	**2,106**	1,539
- profit sharing incentive	**107**	38
Expenditure		
- hibah on deposit	**466**	179
Amounts due from		
- financing	**106,925**	126,498
Amounts due to		
- deposits	**20,792**	22,060

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

	Group and Bank	
	2016	2015
Key management personnel	**RM'000**	**RM'000**
Amounts due from		
- financing	**116**	248
Other related companies		
Income		
- profit on financing	**10,651**	9,652
Expenditure		
- hibah on deposit	**18,886**	11,468
- seconded staff salary and related expenses	**254**	844
- mailing and courier service	**404**	472
- rental (offsite ATM machine & branch)	**234**	232
- sponsorship	**216**	719
- others	**461**	5,360
Amounts due to		
- deposits	**308,191**	422,810
Amounts due from		
- financing	**240,554**	219,461

40. Credit exposures arising from credit transactions with connected parties

	Group and Bank	
	2016	2015
	RM'000	**RM'000**
Outstanding credit exposures with connected parties	**1,552,136**	1,331,310
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**6.5%**	5.5%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**-**	-

40. Credit exposures arising from credit transactions with connected parties (cont'd.)

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

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

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

41. Commitments and contingencies

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

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

	Group and Bank					
	2016			2015		
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	**61,401**	**61,401**	**60,691**	62,225	62,225	62,072
Trade-related contingencies	**9,778**	**1,956**	**1,444**	18,829	3,766	2,810
Transaction-related contingencies	**247,807**	**123,904**	**123,775**	246,641	123,320	122,737
Commitments						
Credit extension commitment:						
- Maturity within one year	**808,248**	**161,650**	**155,099**	1,261,070	252,214	229,846
- Maturity exceeding one year	**1,878,796**	**939,398**	**185,501**	2,010,431	1,005,215	240,756
Islamic derivative financial instruments						
Foreign exchange related contracts	**1,333,866**	**61,167**	**37,838**	2,181,114	67,921	44,486
Profit rate related contract	**3,675,000**	**48,901**	**9,780**	3,675,000	89,596	17,920
	8,014,896	**1,398,377**	**574,128**	9,455,310	1,604,257	720,627

42. Financial risk management objectives and policies

Overview

The integrated risk management system enables the Group and the Bank to achieve a single view of risks across its various business operations and 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; as well as 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 a uniform view of risks across the Group and the Bank and to 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.

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 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.

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

Risk governance (cont'd.)

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

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

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

(a) Credit risk

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

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

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

(a) Credit risk (cont'd.)

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

As a supporting tool for the assessment, the Group and 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 and the Bank activities. It is also in compliance with the regulatory authority's requirements. Where applicable, the external rating assessment will be applied. This is provided by more than one of the selected reputable External Credit Assessment Institutions ("ECAI").

To mitigate credit concentration risks, the Group and 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.

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.

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

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration

The following tables 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 analysis of presented 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.

42. 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 2016	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,008,391	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	177,322	9,033	-	-	-	186,355
Financial investments available-for-sale	3,165,501	701,266	558,673	127,018	-	1,147,707	5,700,165
Financial investments held-to-maturity	140,608	-	-	-	-	-	140,608
Islamic derivative financial assets	-	40,601	-	-	-	-	40,601
Financing of customers	551,610	963,217	1,138,048	1,409,890	15,095	10,435,017	14,512,877
Statutory deposit with Bank Negara Malaysia	703,261	-	-	-	-	-	703,261
Other financial assets	-	-	-	-	-	2,092	2,092
	4,560,980	2,951,507	1,705,754	1,536,908	15,095	11,584,816	22,355,060
Commitments and contingencies							
Contingent liabilities	2,131	32,250	65,774	186,646	8,581	23,604	318,986
Commitments	1,497,869	108,077	557,654	368,915	9,935	144,594	2,687,044
Islamic derivative financial instruments	-	5,008,866	-	-	-	-	5,008,866
	1,500,000	5,149,193	623,428	555,561	18,516	168,198	8,014,896
Total credit exposures	6,060,980	8,100,700	2,329,182	2,092,469	33,611	11,753,014	30,369,956

42. 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 2015	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,115,809	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	111,135	-	-	-	-	111,135
Financial investments designated at fair value through profit and loss	3	114,554	4,100	-	-	-	118,657
Financial investments available-for-sale	3,370,955	797,102	673,790	-	-	1,593,632	6,435,479
Financial investments held-to-maturity	139,042	-	-	-	-	-	139,042
Islamic derivative financial assets	598	43,544	236	-	-	-	44,378
Financing of customers	551,361	738,830	1,402,751	1,146,515	22,223	9,552,990	13,414,670
Statutory deposit with Bank Negara Malaysia	757,721	-	-	-	-	-	757,721
Other financial assets	-	-	-	-	-	6,963	6,963
	4,819,680	2,920,974	2,080,877	1,146,515	22,223	11,153,585	22,143,854
Commitments and contingencies							
Contingent liabilities	3,922	14,182	61,302	191,174	-	57,115	327,695
Commitments	1,503,328	101,092	773,165	350,131	-	543,785	3,271,501
Islamic derivative financial instruments	22,177	5,748,798	80,423	-	-	4,716	5,856,114
	1,529,427	5,864,072	914,890	541,305	-	605,616	9,455,310
Total credit exposures	6,349,107	8,785,046	2,995,767	1,687,820	22,223	11,759,201	31,599,164

42. 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 2016	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,008,391	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	177,322	-	-	-	-	177,322
Financial investments available-for-sale	3,165,501	701,266	558,673	127,018	-	1,147,554	5,700,012
Financial investments held-to-maturity	140,608	-	-	-	-	-	140,608
Islamic derivative financial assets	-	40,601	-	-	-	-	40,601
Financing of customers	551,610	963,218	1,147,781	1,409,890	15,095	10,434,600	14,522,194
Statutory deposit with Bank Negara Malaysia	703,261	-	-	-	-	-	703,261
Other financial assets	-	-	-	-	-	8,239	8,239
	4,560,980	2,951,508	1,706,454	1,536,908	15,095	11,590,393	22,361,338
Commitments and contingencies							
Contingent liabilities	2,131	32,250	65,774	186,646	8,581	23,604	318,986
Commitments	1,497,869	108,077	557,654	368,915	9,935	144,594	2,687,044
Derivative financial instruments	-	5,008,866	-	-	-	-	5,008,866
	1,500,000	5,149,193	623,428	555,561	18,516	168,198	8,014,896
Total credit exposures	6,060,980	8,100,701	2,329,882	2,092,469	33,611	11,758,591	30,376,234

42. 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 2015	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,115,809	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	111,135	-	-	-	-	111,135
Financial investments designated at fair value through profit and loss	3	114,554	-	-	-	-	114,557
Financial investments available-for-sale	3,370,955	797,102	673,790	-	-	1,593,632	6,435,479
Financial investments held-to-maturity	139,042	-	-	-	-	-	139,042
Islamic derivative financial assets	598	43,544	236	-	-	-	44,378
Financing of customers	551,361	743,830	1,413,551	1,140,515	22,223	9,554,373	13,425,853
Statutory deposit with Bank Negara Malaysia	757,721	-	-	-	-	-	757,721
Other financial assets	-	-	-	-	-	6,213	6,213
	4,819,680	2,925,974	2,087,577	1,140,515	22,223	11,154,218	22,150,187
Commitments and contingencies							
Contingent liabilities	3,922	14,182	61,302	191,174	-	57,115	327,695
Commitments	1,503,328	101,092	773,165	350,131	-	543,785	3,271,501
Derivative financial instruments	22,177	5,748,798	80,423	-	-	4,716	5,856,114
	1,529,427	5,864,072	914,890	541,305	-	605,616	9,455,310
Total credit exposures	6,349,107	8,790,046	3,002,467	1,681,820	22,223	11,759,834	31,605,497

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

(a) Credit risk (cont'd.)

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

By geographical analysis

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

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2016				
On Balance Sheet Exposures				
Cash and short-term funds	**1,017,374**	**(8,983)**	**1,017,374**	**(8,983)**
Cash and placements with financial institutions	**60,710**	**-**	**60,710**	**-**
Financial investments designated at fair value through profit and loss	**9,033**	**177,322**	**-**	**177,322**
Financial investments available-for-sale	**5,673,083**	**27,082**	**5,672,930**	**27,082**
Financial investments held-to-maturity	**140,608**	**-**	**140,608**	**-**
Islamic derivative financial assets	**40,597**	**4**	**40,597**	**4**
Financing of customers	**14,457,070**	**55,807**	**14,466,387**	**55,807**
Statutory deposit with Bank Negara Malaysia	**703,261**	**-**	**703,261**	**-**
Other financial assets	**2,092**	**3**	**8,239**	**3**
	22,103,828	**251,235**	**22,110,106**	**251,235**
Commitments and contingencies				
Contingent liabilities	**318,986**	**-**	**318,986**	**-**
Commitments	**2,687,016**	**28**	**2,687,016**	**28**
Derivative financial instruments	**5,008,857**	**9**	**5,008,857**	**9**
	8,014,859	**37**	**8,014,859**	**37**
Total credit exposures	**30,118,687**	**251,272**	**30,124,965**	**251,272**

42. 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
2015				
On Balance Sheet Exposures				
Cash and short-term funds	1,063,323	52,486	1,063,323	52,486
Cash and placements with financial institutions	111,135	-	111,135	-
Financial investments designated at fair value through profit and loss	4,103	114,554	3	114,554
Financial investments held-to-maturity	139,042	-	139,042	-
Financial investments available-for-sale	6,406,100	29,379	6,406,100	29,379
Islamic derivative financial assets	43,293	1,085	43,293	1,085
Financing of customers	13,407,776	6,894	13,418,959	6,894
Statutory deposit with Bank Negara Malaysia	757,721	-	757,721	-
Other financial assets	6,959	4	6,209	4
	21,939,452	204,402	21,945,785	204,402
Commitments and contingencies				
Contingent liabilities	327,695	-	327,695	-
Commitments	3,271,501	-	3,271,501	-
Derivative financial instruments	5,856,114	-	5,856,114	-
	9,455,310	-	9,455,310	9,455,310
Total credit exposures	31,394,762	204,402	31,401,095	9,659,712

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

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers

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

Financing of customers are analysed as follows:

	Neither past due nor impaired		Past due but not		
Group	**Good**	**Satisfactory**	**impaired**	**Impaired financing**	**Total**
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Term financing					
- Home financing	**4,010,889**	**267,635**	**192,189**	**75,343**	**4,546,056**
- Syndicated financing	**508,030**	**-**	**-**	**-**	**508,030**
- Hire purchase receivables	**810,831**	**33,068**	**28,041**	**28,456**	**900,396**
- Leasing receivables	**-**	**-**	**-**	**9,038**	**9,038**
- Other term financing	**6,055,712**	**69,584**	**69,898**	**111,916**	**6,307,110**
Other financing	**2,389,720**	**32,709**	**7,618**	**101,717**	**2,531,764**
	13,775,182	**402,996**	**297,746**	**326,470**	**14,802,394**
Less:					
- Collective assesment allowance	**-**	**-**	**-**	**-**	**(208,439)**
- Individual assesment allowance	**-**	**-**	**-**	**(81,078)**	**(81,078)**
Total net financing	**13,775,182**	**402,996**	**297,746**	**245,392**	**14,512,877**

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

(a) Credit risk (cont'd.)

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

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

Group 2015	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	3,380,316	383,492	291,072	103,743	4,158,623
- Syndicated financing	340,712	-	-	-	340,712
- Hire purchase receivables	968,276	34,228	35,630	36,313	1,074,447
- Leasing receivables	-	-	-	12,596	12,596
- Other term financing	5,311,584	92,434	60,356	67,260	5,531,634
Other financing	2,438,827	10,665	9,222	119,802	2,578,516
	12,439,715	520,819	396,280	339,714	13,696,528
Less:					
- Collective assesment allowance	-	-	-	-	(239,227)
- Individual assesment allowance	-	-	-	(42,631)	(42,631)
Total net financing	12,439,715	520,819	396,280	297,083	13,414,670

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

(a) Credit risk (cont'd.)

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

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

Bank 2016	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	**4,010,889**	**267,635**	**192,189**	**75,343**	**4,546,056**
- Syndicated financing	**508,030**	**-**	**-**	**-**	**508,030**
- Hire purchase receivables	**810,831**	**33,068**	**28,041**	**28,456**	**900,396**
- Leasing receivables	**-**	**-**	**-**	**9,038**	**9,038**
- Other term financing	**6,065,029**	**69,584**	**69,898**	**111,916**	**6,316,427**
Other financing	**2,389,720**	**32,709**	**7,618**	**101,717**	**2,531,764**
	13,784,499	**402,996**	**297,746**	**326,470**	**14,811,711**
Less:					
- Collective assesment allowance	**-**	**-**	**-**	**-**	**(208,439)**
- Individual assesment allowance	**-**	**-**	**-**	**(81,078)**	**(81,078)**
Total net financing	**13,784,499**	**402,996**	**297,746**	**245,392**	**14,522,194**

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

(a) Credit risk (cont'd.)

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

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

Bank 2015	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	3,380,316	383,492	291,072	103,743	4,158,623
- Syndicated financing	340,712	-	-	-	340,712
- Hire purchase receivables	968,276	34,228	35,630	36,313	1,074,447
- Leasing receivables	-	-	-	12,596	12,596
- Other term financing	5,322,767	92,434	60,356	73,260	5,548,817
Other financing	2,438,827	10,665	9,222	119,802	2,578,516
	12,450,898	520,819	396,280	345,714	13,713,711
Less:					
- Collective assesment allowance	-	-	-	-	(239,227)
- Individual assesment allowance	-	-	-	(48,631)	(48,631)
Total net financing	12,450,898	520,819	396,280	297,083	13,425,853

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.

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

(a) Credit risk (cont'd.)

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

Past due but not impaired

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

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

Group and Bank 2016	**Less than 1 month RM'000**	**1 - 2 months RM'000**	**>2 - 3 months RM'000**	**Total RM'000**
Term financing				
- Home financing	**-**	**141,222**	**50,967**	**192,189**
- Hire purchase receivables	**-**	**22,153**	**5,888**	**28,041**
- Other term financing	**-**	**46,871**	**23,027**	**69,898**
Other financing	**-**	**3,437**	**4,181**	**7,618**
Total	**-**	**213,683**	**84,063**	**297,746**

Group and Bank 2015	**Less than 1 month RM'000**	**1 - 2 months RM'000**	**>2 - 3 months RM'000**	**Total RM'000**
Term financing				
- Home financing	-	187,108	103,963	291,071
- Hire purchase receivables	-	24,807	10,823	35,630
- Other term financing	-	39,014	21,342	60,356
Other financing	891	6,740	1,592	9,223
Total	891	257,669	137,720	396,280

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

(a) Credit risk (cont'd.)

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

Past due but not impaired (cont'd.)

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

Group and Bank

	2016 RM'000	2015 RM'000
Purchase of transport vehicles	**28,207**	35,475
Purchase of landed properties of which:		
– residential	**195,728**	292,977
– non-residential	**13,253**	29,490
Purchase of fixed assets (excluding landed properties)	**879**	-
Personal use	**56,837**	30,796
Working capital	**933**	-
Other purpose	**1,909**	7,542
	297,746	396,280

Impaired financing

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

Individual assessment allowance

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

(a) principal or profit or both are past due for more than three (3) months;

(b) where a financing is in arrears for less than three (3) months, and exhibits the indications of credit weaknesses; or

(c) where an impaired financing has been rescheduled or restructured, the financing continues to be classified as impaired until payment based on the rescheduled and restructured terms have been observed continuously for a minimum period of six (6) months.

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

(a) Credit risk (cont'd.)

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

Impaired financing (cont'd.)

Individual assessment allowance (cont'd.)

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

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

Collective assessment allowance

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

Collateral and other credit enhancements

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

The main types of collateral obtained by the Group and the Bank are as follows:
- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed;
- For share margin financing - pledges over securities from listed exchange; and
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

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

(a) Credit risk (cont'd.)

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

Impaired financing (cont'd.)

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

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank is at 100.6% as at 31 March 2016 (86% as at 31 March 2015). The financial effect of collateral held for other financial assets is not significant.

As at 31 March 2016, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM84,028,221 as compared against 31 March 2015 of RM100,622,189. The collateral consists of cash, securities, letters of guarantee and properties.

Repossessed collateral

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

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

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets:

Group 2016	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to-maturity RM'000	Total RM'000
Individual assessment allowance					
As at 1 April 2015	**42,631**	**700**	**64,358**	**-**	**107,689**
Allowance made during the year	**50,307**	**-**	**22,790**	**-**	**73,097**
Amount written back	**(5,658)**	**-**	**-**	**-**	**(5,658)**
Amount written off	**(6,202)**	**-**	**-**	**-**	**(6,202)**
Foreign exchange differences	**-**	**-**	**204**	**-**	**204**
As at 31 March 2016	**81,078**	**700**	**87,352**	**-**	**169,130**

Group 2015	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to-maturity RM'000	Total RM'000
Individual assessment allowance					
As at 1 April 2014	74,492	700	85,900	-	161,092
Allowance made during the year	36,636	-	6,630	-	43,266
Amount written back	(6,929)	-	(28,634)	-	(35,563)
Amount written off	(61,568)	-	-	-	(61,568)
Foreign exchange differences	-	-	462	-	462
As at 31 March 2015	42,631	700	64,358	-	107,689

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

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets: (cont'd.)

Bank 2016	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to-maturity RM'000	Total RM'000
Individual assessment allowance					
As at 1 April 2015	**48,631**	**-**	**64,358**	**-**	**112,989**
Allowance made during the year	**50,307**	**-**	**22,790**	**-**	**73,097**
Amount written back	**(5,658)**	**-**	**-**	**-**	**(5,658)**
Amount written off	**(12,202)**	**-**	**-**	**-**	**(12,202)**
Foreign exchange differences	**-**	**-**	**204**	**-**	**204**
As at 31 March 2016	**81,078**	**-**	**87,352**	**-**	**168,430**

Bank 2015	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to-maturity RM'000	Total RM'000
Individual assessment allowance					
As at 1 April 2014	80,492	-	85,900	-	166,392
Allowance made during the year	36,636	-	6,630	-	43,266
Amount written back	(6,929)	-	(28,634)	-	(35,563)
Amount written off	(61,568)	-	-	-	(61,568)
Foreign exchange differences	-	-	462	-	462
As at 31 March 2015	48,631	-	64,358	-	112,989

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

(a) Credit risk (cont'd.)

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

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

	Financial investments held-to-maturity			Financial investments available-for-sale			
	Non Money Market Instruments - Debt Securities			Non Money Market Instruments - Debt Securities			
Group	**International Ratings RM'000**	**Domestic Ratings RM'000**	**Total RM'000**	**International Ratings RM'000**	**Domestic Ratings RM'000**	**Total RM'000**	**Other financial assets RM'000**
2016							
AAA+ to AA-	**-**	**-**	**-**	**-**	**1,989,489**	**1,989,489**	**-**
A+ to A-	**-**	**-**	**-**	**19,681**	**38,948**	**58,629**	**-**
BBB+ to BB-	**-**	**140,608**	**140,608**	**-**	**-**	**-**	**-**
Unrated	**-**	**-**	**-**	**-**	**163,125**	**163,125**	**2,092**
Defaulted	**-**	**-**	**-**	**7,401**	**6,482**	**13,883**	**-**
Sovereign	**-**	**-**	**-**	**-**	**3,379,263**	**3,379,263**	**-**
Total	**-**	**140,608**	**140,608**	**27,082**	**5,577,307**	**5,604,389**	**2,092**
2015							
AAA+ to AA-	-	-	-	-	2,616,658	2,616,658	-
A+ to A-	-	-	-	22,458	-	22,458	-
BBB+ to BB-	-	139,042	139,042	-	-	-	-
Unrated	-	-	-	-	177,212	177,212	6,963
Defaulted	-	-	-	6,922	9,874	16,796	-
Sovereign	-	-	-	-	3,602,355	3,602,355	-
Total	-	139,042	139,042	29,380	6,406,099	6,435,479	6,963

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

(a) Credit risk (cont'd.)

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

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

	Financial investments held-to-maturity			Financial investments available-for-sale			
	Non Money Market Instruments - Debt Securities			Non Money Market Instruments - Debt Securities			
Bank	**International Ratings RM'000**	**Domestic Ratings RM'000**	**Total RM'000**	**International Ratings RM'000**	**Domestic Ratings RM'000**	**Total RM'000**	**Other financial assets RM'000**
2016							
AAA+ to AA-	**-**	**-**	**-**	**-**	**1,989,489**	**1,989,489**	**-**
A+ to A-	**-**	**-**	**-**	**19,681**	**38,948**	**58,629**	**-**
BBB+ to BB-	**-**	**140,608**	**140,608**	**-**	**-**	**-**	**-**
Unrated	**-**	**-**	**-**	**-**	**162,972**	**162,972**	**8,239**
Defaulted	**-**	**-**	**-**	**7,401**	**6,482**	**13,883**	**-**
Sovereign	**-**	**-**	**-**	**-**	**3,379,263**	**3,379,263**	**-**
Total	**-**	**140,608**	**140,608**	**27,082**	**5,577,154**	**5,604,236**	**8,239**
2015							
AAA+ to AA-	-	-	-	-	2,616,658	2,616,658	-
A+ to A-	-	-	-	22,458	-	22,458	-
BBB+ to BB-	-	139,042	139,042	-	-	-	-
Unrated	-	-	-	-	177,212	177,212	6,213
Defaulted	-	-	-	6,922	9,874	16,796	-
Sovereign	-	-	-	-	3,602,355	3,602,355	-
Total	-	139,042	139,042	29,380	6,406,099	6,435,479	6,213

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

(a) Credit risk (cont'd.)

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

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date, none of the financial investments above are past due, except for defaulted private debt securities of the Group and the Bank held under financial investments available-for-sale with carrying value of RM13,830,785 (31 March 2015: RM16,538,678), which has been classified as impaired.

As at 31 March 2016, the fair value of collateral that the Group's and the Bank's holds relating to defaulted private debt securities held under financial investments available-for-sale amounts to RM36,768,150 (31 March 2015: RM33,531,916). The collateral consists of cash, securities, letters of guarantee and properties.

(b) Market risk

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

Types of market risk

(i) Traded market risk

Traded market risk, primarily rate of return risk and credit spread risk, exists in the Group’s and 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 Compliance Unit on a daily basis against approved market risk limits. In addition, the Compliance Unit is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Department. Changes to market risk limits must be approved by the Board. 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.

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

Rate of return risk

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

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 is achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in profit rate sensitive assets and liabilities, and entering into derivative financial instruments which have the opposite effects.

The Group 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.

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.

42. 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 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000
ASSETS				
Cash and short-term funds	**816,520**	**65,765**	**-**	**-**
Cash and placements with financial institutions	**-**	**-**	**-**	**-**
Financials investment designated at fair value through profit ar	**-**	**-**	**-**	**-**
Financial investments available-for-sale	**46,065**	**61,003**	**534,942**	**1,052,450**
Financial investments held-to-maturity	**-**	**-**	**-**	**-**
Islamic derivative financial as	**-**	**-**	**-**	**-**
Financing of customers:				
- non-impaired	**9,004,600**	**361,573**	**380,292**	**275,779**
- impaired*	**-**	**-**	**-**	**-**
- collective assessment allow	**-**	**-**	**-**	**-**
Other non-profit sensitive balances	**-**	**-**	**-**	**-**
TOTAL ASSETS	**9,867,185**	**488,341**	**915,234**	**1,328,229**
LIABILITIES AND EQUITY				
Deposits from customers	**9,258,806**	**3,798,694**	**3,228,712**	**3,206,197**
Deposits and placements of banks and other financial institutior	**230,650**	**200,600**	**250**	**1,817**
Bills and acceptances payabl	**-**	**-**	**-**	**-**
Islamic derivative financial lia	**-**	**-**	**-**	**-**
Subordinated sukuk	**-**	**400,000**	**-**	**-**
Other non-profit sensitive bal	**-**	**-**	**-**	**-**
Total Liabilities	**9,489,456**	**4,399,294**	**3,228,962**	**3,208,014**
Equity attributable to shareholders of the Bank	**-**	**-**	**-**	**-**
TOTAL LIABILITIES AND EQUITY	**9,489,456**	**4,399,294**	**3,228,962**	**3,208,014**
sensitivity gap	**377,729**	**(3,910,953)**	**(2,313,728)**	**(1,879,785)**
Off-balance sheet profit sensitivity gap (profit rate swaps)	**-**	**-**	**-**	**-**
TOTAL PROFIT SENSITIVITY GAP	**377,729**	**(3,910,953)**	**(2,313,728)**	**(1,879,785)**

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

>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 %
-	-	-	-	126,106	-	1,008,391	2.4%
-	-	-	-	60,710	-	60,710	2.4%
-	-	-	-	186,355	-	186,355	-
1,002,145	473,100	839,889	1,475,698	214,873	-	5,700,165	4.0%
-	-	-	140,608	-	-	140,608	-
-	-	-	-	-	40,601	40,601	-
854,178	369,183	161,233	2,971,416	97,670	-	14,475,924	6.0%
-	-	-	-	245,392	-	245,392	-
-	-	-	-	(208,439)	-	(208,439)	-
-	-	-	-	987,182	-	987,182	-
1,856,323	842,283	1,001,122	4,587,722	1,709,849	40,601	22,636,889	
91	176	25,302	-	125,450	-	19,643,428	3.1%
2,495	1,728	2,592	-	2,120	-	442,252	2.6%
-	-	-	-	29,350	-	29,350	-
-	-	-	-	-	49,359	49,359	-
-	-	-	-	6,079	-	406,079	5.1%
-	-	-	-	70,484	-	70,484	-
2,586	1,904	27,894	-	233,483	49,359	20,640,952	
-	-	-	-	1,995,937	-	1,995,937	-
2,586	1,904	27,894	-	2,229,420	49,359	22,636,889	
1,853,737	840,379	973,228	4,587,722	(519,571)	(8,758)	-	-
-	-	-	-	-	3,675,000	3,675,000	-
1,853,737	840,379	973,228	4,587,722	(519,571)	3,666,242	3,675,000	

42. 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 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000
ASSETS				
Cash and short-term funds	793,115	-	-	-
Cash and placements with financial institutions	-	111,135	-	-
Financial investments designated at fair value through profit ar	-	-	-	-
Financial investment available-for-sale	127,615	45,166	852,032	806,402
Financial investment held-to-maturity	-	-	-	-
Islamic derivative financial as	-	-	-	-
Financing of customers:				
- non-impaired	7,415,663	394,479	553,435	356,986
- impaired*	-	-	-	-
- collective assessment allowa	-	-	-	-
Other non-profit sensitive balances	-	-	-	-
TOTAL ASSETS	8,336,393	550,780	1,405,467	1,163,388
LIABILITIES AND EQUITY				
Deposits from customers	7,795,350	4,874,615	3,539,443	3,213,421
Deposits and placements of banks and other financial institutior	350,000	50,000	650	850
Bills and acceptances payable	-	-	-	-
Islamic derivative financial liat	-	-	-	-
Subordinated sukuk	-	-	-	406,055
Other non-profit sensitive bala	-	-	-	-
Total Liabilities	8,145,350	4,924,615	3,540,093	3,620,326
Equity attributable to shareholders of the Bank	-	-	-	-
TOTAL LIABILITIES AND EQUITY	8,145,350	4,924,615	3,540,093	3,620,326
On-balance sheet profit sensitivity gap	191,043	(4,373,835)	(2,134,626)	(2,456,938)
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-
TOTAL PROFIT SENSITIVITY GAP	191,043	(4,373,835)	(2,134,626)	(2,456,938)

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

>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 %
-	-	-	-	322,694	-	1,115,809	3.3%
-	-	-	-	-	-	111,135	3.3%
-	-	-	-	118,654	3	118,657	-
1,296,219	1,203,887	584,638	1,431,174	88,346	-	6,435,479	4.0%
-	-	-	139,042	-	-	139,042	-
-	-	-	-	-	44,378	44,378	-
296,274	932,747	458,998	2,723,602	218,628	-	13,350,812	5.3%
-	-	-	-	303,085	-	303,085	-
-	-	-	-	(239,227)	-	(239,227)	-
-	-	-	-	1,058,866	-	1,058,866	-
1,592,493	2,136,634	1,043,636	4,293,818	1,871,046	44,381	22,438,036	
540	194	159	-	120,828	-	19,544,549	**2.5%**
1,929	2,867	1,868	-	672	-	408,836	**3.5%**
-	-	-	-	67,723	-	67,723	**-**
-	-	-	-	-	46,193	46,193	**-**
-	-	-	-	-	-	406,055	**4.7%**
-	-	-	-	109,986	-	109,986	**-**
2,469	3,061	2,027	-	299,209	46,193	20,583,342	
-	-	-	-	1,854,694	-	1,854,694	**-**
2,469	3,061	2,027	-	2,153,903	46,193	22,438,036	
1,590,024	2,133,573	1,041,609	4,293,818	(282,857)	(1,812)	-	-
-	-	-	-	-	3,675,000	3,675,000	-
1,590,024	2,133,573	1,041,609	4,293,818	(282,857)	3,673,188	3,675,000	

42. 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 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000
ASSETS				
Cash and short-term funds	**816,520**	**65,765**	**-**	**-**
Cash and placements with financial institutions	**-**	**-**	**-**	**-**
Financial investments designated at fair value through profit ar	**-**	**-**	**-**	**-**
Financial investments available-for-sale	**46,065**	**61,003**	**534,942**	**1,052,450**
Financial investments held-to-maturity	**-**	**-**	**-**	**-**
Islamic derivative financial as	**-**	**-**	**-**	**-**
Financing of customers:				
- non-impaired	**9,004,600**	**361,573**	**380,292**	**275,779**
- impaired*	**-**	**-**	**-**	**-**
- collective assessment allowa	**-**	**-**	**-**	**-**
Other non-profit sensitive balances	**-**	**-**	**-**	**-**
TOTAL ASSETS	**9,867,185**	**488,341**	**915,234**	**1,328,229**
LIABILITIES AND EQUITY				
Deposits from customers	**9,258,806**	**3,798,694**	**3,228,712**	**3,206,197**
Deposits and placements of banks and other financial institutio	**230,650**	**200,600**	**250**	**1,817**
Bills and acceptances payable	**-**	**-**	**-**	**-**
Islamic derivative financial liai	**-**	**-**	**-**	**-**
Subordinated sukuk	**-**	**400,000**	**-**	**-**
Other non-profit sensitive bala	**-**	**-**	**-**	**-**
Total Liabilities	**9,489,456**	**4,399,294**	**3,228,962**	**3,208,014**
Equity attributable to shareholders of the Bank	**-**	**-**	**-**	**-**
TOTAL LIABILITIES AND EQUITY	**9,489,456**	**4,399,294**	**3,228,962**	**3,208,014**
On-balance sheet profit sensitivity gap	**377,729**	**(3,910,953)**	**(2,313,728)**	**(1,879,785)**
Off-balance sheet profit sensitivity gap (profit rate swaps)	**-**	**-**	**-**	**-**
TOTAL PROFIT SENSITIVITY GAP	**377,729**	**(3,910,953)**	**(2,313,728)**	**(1,879,785)**

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

>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 %
-	-	-	-	-	126,106	-	1,008,391	2.4%
-	-	-	-	-	60,710	-	60,710	2.4%
-	-	-	-	-	177,322	-	177,322	-
1,052,450	1,002,145	467,351	828,663	1,435,041	272,352	-	5,700,012	4.0%
-	-	-	-	140,608	-	-	140,608	-
-	-	-	-	-	-	40,601	40,601	-
275,779	854,178	369,183	161,233	2,971,416	106,987	-	14,485,241	6.0%
-	-	-	-	-	245,392	-	245,392	-
-	-	-	-	-	(208,439)	-	(208,439)	-
-	-	-	-	-	999,929	-	999,929	-
1,328,229	1,856,323	836,534	989,896	4,547,065	1,780,359	40,601	22,649,767	
3,206,197	91	176	25,302	-	146,242	-	19,664,220	3.1%
1,817	2,495	1,728	2,592	-	2,120	-	442,252	2.6%
-	-	-	-	-	29,350	-	29,350	-
-	-	-	-	-	-	49,359	49,359	-
-	-	-	-	-	6,079	-	406,079	5.1%
-	-	-	-	-	69,737	-	69,737	-
3,208,014	2,586	1,904	27,894	-	253,528	49,359	20,660,997	
-	-	-	-	-	1,988,770	-	1,988,770	-
3,208,014	2,586	1,904	27,894	-	2,242,298	49,359	22,649,767	
(1,879,785)	1,853,737	834,630	962,002	4,547,065	(461,939)	(8,758)	-	-
-	-	-	-	-	-	3,675,000	3,675,000	-
(1,879,785)	1,853,737	834,630	962,002	4,547,065	(461,939)	3,666,242	3,675,000	

42. 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 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000
ASSETS				
Cash and short-term funds	755,964	-	-	-
Cash and placements with financial institutions	-	111,135	-	-
Financial investment designated at fair value through profit ar	-	-	-	-
Financial investment available-for-sale	127,615	45,166	852,032	796,402
Financial investment held-to-maturity	-	-	-	-
Islamic derivative financial as	-	-	-	-
Financing of customers:				
- non-impaired	7,651,476	394,479	553,435	356,986
- impaired*	-	-	-	-
- collective assessment allowa	-	-	-	-
Other non-profit sensitive balances	-	-	-	-
TOTAL ASSETS	8,535,055	550,780	1,405,467	1,153,388
LIABILITIES AND EQUITY				
Deposits from customers	7,800,650	4,874,615	3,539,443	3,213,421
Deposits and placements of banks and other financial institutio	350,000	50,000	650	850
Bills and acceptances payable	-	-	-	-
Islamic derivative financial liat	-	-	-	-
Subordinated sukuk	-	-	-	406,055
Other non-profit sensitive bala	-	-	-	-
Total Liabilities	8,150,650	4,924,615	3,540,093	3,620,326
Equity attributable to shareholders of the Bank	-	-	-	-
TOTAL LIABILITIES AND EQUITY	8,150,650	4,924,615	3,540,093	3,620,326
On-balance sheet profit sensitivity gap	384,405	(4,373,835)	(2,134,626)	(2,466,938)
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-
TOTAL PROFIT SENSITIVITY GAP	384,405	(4,373,835)	(2,134,626)	(2,466,938)

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

>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 %
-	-	-	-	359,845	-	1,115,809	3.3%
-	-	-	-	-	-	111,135	3.3%
-	-	-	-	114,554	3	114,557	-
1,296,219	1,183,887	574,638	1,371,174	188,346	-	6,435,479	4.0%
-	-	-	139,042	-	-	139,042	-
-	-	-	-	-	44,378	44,378	-
296,274	932,747	458,998	2,723,602	-	-	13,367,997	5.3%
-	-	-	-	297,083	-	297,083	-
-	-	-	-	(239,227)	-	(239,227)	-
-	-	-	-	1,063,633	-	1,063,633	-
1,592,493	2,116,634	1,033,636	4,233,818	1,784,234	44,381	22,449,886	
540	194	159	-	137,587	-	19,566,609	2.5%
1,929	2,867	1,868	-	672	-	408,836	3.5%
-	-	-	-	67,723	-	67,723	-
-	-	-	-	-	46,193	46,193	-
-	-	-	-	-	-	406,055	4.7%
-	-	-	-	109,454	-	109,454	-
2,469	3,061	2,027	-	315,436	46,193	20,604,870	
-	-	-	-	1,845,016	-	1,845,016	-
2,469	3,061	2,027	-	2,160,452	46,193	22,449,886	
1,590,024	2,113,573	1,031,609	4,233,818	(376,218)	(1,812)	-	-
-	-	-	-	-	3,675,000	3,675,000	-
1,590,024	2,113,573	1,031,609	4,233,818	(376,218)	3,673,188	3,675,000	

42. 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.

Rate of return risk measurement

- Gap analysis

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

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

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Rate of return risk measurement (cont'd.)

- Gap analysis (cont'd.)

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

- Simulation analysis

  Detail assessments on the potential effects of changes in rate of return on the Group's and the Bank's earnings is 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.

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Rate of return risk (cont'd.)

Sensitivity analysis for rate of return risk

The increase or decline in earnings and economic value for upward and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

		Group		Bank	
	Tax rate %	**-50 Basis Points RM'000**	**+50 Basis Points RM'000**	**-50 Basis Points RM'000**	**+50 Basis Points RM'000**
2016					
Effect on profit after tax	**24%**	**3,282**	**(3,282)**	**3,282**	**(3,282)**
Effect on other comprehensive income, net of tax	**24%**	**75,592**	**(75,592)**	**74,600**	**(74,600)**
Effect on equity		**117,001**	**(117,001)**	**115,644**	**(115,644)**
2015					
Effect on profit after tax	**25%**	5,354	(5,354)	5,560	(5,560)
Effect on other comprehensive income, net of tax	**25%**	79,059	(79,059)	77,275	(77,275)
Effect on equity		110,318	(110,318)	107,970	(107,970)

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk

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

Generally, the Group is exposed to three (3) types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Group controls its FX exposures by transacting in permissible currencies. It has an internal Foreign Exchange Net Open Position ("FX NOP") to measure, control and monitor its FX risk and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

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

Group 2016	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets								
Cash and short-term funds	**587,498**	**369,684**	**222**	**5,288**	**4,344**	**38,329**	**3,026**	**1,008,391**
Cash and placements with financial institutions	**-**	**58,497**	**-**	**2,213**	**-**	**-**	**-**	**60,710**
Financial investments designated at fair value through profit and loss	**4,100**	**182,255**	**-**	**-**	**-**	**-**	**-**	**186,355**
Financial investments available-for-sale	**5,666,656**	**29,249**	**-**	**-**	**-**	**-**	**4,260**	**5,700,165**
Financial investments held-to-maturity	**140,608**	**-**	**-**	**-**	**-**	**-**	**-**	**140,608**
Islamic derivative financial assets	**40,587**	**14**	**-**	**-**	**-**	**-**	**-**	**40,601**
Financing of customers	**14,457,070**	**55,807**	**-**	**-**	**-**	**-**	**-**	**14,512,877**
Other assets	**71,909**	**-**	**-**	**-**	**-**	**-**	**-**	**71,909**
Statutory deposit with Bank Negara Malaysia	**703,261**	**-**	**-**	**-**	**-**	**-**	**-**	**703,261**
Investment properties	**32,529**	**-**	**-**	**-**	**-**	**-**	**-**	**32,529**
Intangible assets	**121,121**	**-**	**-**	**-**	**-**	**-**	**-**	**121,121**
Property, plant and equipment	**58,127**	**-**	**-**	**-**	**-**	**-**	**-**	**58,127**
Prepaid land lease payments	**235**	**-**	**-**	**-**	**-**	**-**	**-**	**235**
Total assets	**21,883,701**	**695,506**	**222**	**7,501**	**4,344**	**38,329**	**7,286**	**22,636,889**

42. 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 2016 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities								
Deposits from customers	**19,298,930**	**337,377**	**-**	**7,056**	**63**	**-**	**2**	**19,643,428**
Deposits and placements of banks and other financial institutions	**442,252**	**-**	**-**	**-**	**-**	**-**	**-**	**442,252**
Bills and acceptances payable	**29,348**	**1**	**-**	**-**	**-**	**-**	**1**	**29,350**
Islamic derivative financial liabilities	**49,359**	**-**	**-**	**-**	**-**	**-**	**-**	**49,359**
Other liabilities	**64,981**	**-**	**-**	**-**	**-**	**-**	**-**	**64,981**
Provision for taxation and zakat	**4,915**	**20**	**-**	**-**	**-**	**-**	**-**	**4,935**
Deferred tax liabilities	**568**	**-**	**-**	**-**	**-**	**-**	**-**	**568**
Subordinated sukuk	**406,079**	**-**	**-**	**-**	**-**	**-**	**-**	**406,079**
Total liabilities	**20,296,432**	**337,398**	**-**	**7,056**	**63**	**-**	**3**	**20,640,952**
On-balance sheet open position	**1,587,269**	**358,108**	**222**	**445**	**4,281**	**38,329**	**7,283**	**1,995,937**
Less: Islamic derivative financial assets	**(40,587)**	**(14)**	**-**	**-**	**-**	**-**	**-**	**(40,601)**
Add: Islamic derivative financial liabilities	**49,359**	**-**	**-**	**-**	**-**	**-**	**-**	**49,359**
Net open position	**1,596,041**	**358,094**	**222**	**445**	**4,281**	**38,329**	**7,283**	**2,004,695**

42. 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 2015	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets								
Cash and short-term funds	258,075	785,758	61	35,517	5,194	9,293	21,911	1,115,809
Cash and placements with financial institutions	-	111,135	-	-	-	-	-	111,135
Financial investments designated at fair value through profit and loss	4,100	114,557	-	-	-	-	-	118,657
Financial investments available-for-sale	6,403,932	31,547	-	-	-	-	-	6,435,479
Financial investments held-to-maturity	139,042	-	-	-	-	-	-	139,042
Islamic derivative financial assets	43,293	1,085	-	-	-	-	-	44,378
Financing of customers	13,407,776	6,894	-	-	-	-	-	13,414,670
Other assets	96,462	-	-	-	-	-	-	96,462
Statutory deposit with Bank Negara Malaysia	757,721	-	-	-	-	-	-	757,721
Investment properties	8,047	-	-	-	-	-	-	8,047
Intangible assets	127,179	-	-	-	-	-	-	127,179
Property, plant and equipment	69,218	-	-	-	-	-	-	69,218
Prepaid land lease payments	239	-	-	-	-	-	-	239
Total assets	21,315,084	1,050,976	61	35,517	5,194	9,293	21,911	22,438,036

42. 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 2015 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities								
Deposits from customers	18,878,318	657,953	-	8,143	116	-	19	19,544,549
Deposits and placements of banks and other financial institutions	408,822	14	-	-	-	-	-	408,836
Bills and acceptances payable	67,705	1	-	-	14	-	3	67,723
Islamic derivative financial liabilities	44,835	1,358	-	-	-	-	-	46,193
Other liabilities	24,034	-	61	26,202	5,060	9,293	21,888	86,538
Provision for taxation and zakat	4,481	20	-	-	-	-	-	4,501
Deferred tax liabilities	18,947	-	-	-	-	-	-	18,947
Subordinated sukuk	406,055	-	-	-	-	-	-	406,055
Total liabilities	19,853,197	659,346	61	34,345	5,190	9,293	21,910	20,583,342
On-balance sheet open position	1,461,887	391,630	-	1,172	4	-	1	1,854,694
Less: Islamic derivative financial assets	(43,293)	(1,085)	-	-	-	-	-	(44,378)
Add: Islamic derivative financial liabilities	44,835	1,358	-	-	-	-	-	46,193
Net open position	1,463,429	391,903	-	1,172	4	-	1	1,856,509

42. 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 2016	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets								
Cash and short-term funds	**587,498**	**369,684**	**222**	**5,288**	**4,344**	**38,329**	**3,026**	**1,008,391**
Cash and placements with financial institutions	**-**	**58,497**	**-**	**2,213**	**-**	**-**	**-**	**60,710**
Financial investments designated at fair value through profit and loss	**-**	**177,322**	**-**	**-**	**-**	**-**	**-**	**177,322**
Financial investments available-for-sale	**5,666,503**	**29,249**	**-**	**-**	**-**	**-**	**4,260**	**5,700,012**
Financial investments held-to-maturity	**140,608**	**-**	**-**	**-**	**-**	**-**	**-**	**140,608**
Islamic derivative financial assets	**40,587**	**14**	**-**	**-**	**-**	**-**	**-**	**40,601**
Financing of customers	**14,466,387**	**55,807**	**-**	**-**	**-**	**-**	**-**	**14,522,194**
Other assets	**77,236**	**-**	**-**	**-**	**-**	**-**	**-**	**77,236**
Statutory deposit with Bank Negara Malaysia	**703,261**	**-**	**-**	**-**	**-**	**-**	**-**	**703,261**
Investment in subsidiaries	**8,055**	**-**	**-**	**-**	**-**	**-**	**-**	**8,055**
Investment properties	**32,529**	**-**	**-**	**-**	**-**	**-**	**-**	**32,529**
Intangible assets	**120,563**	**-**	**-**	**-**	**-**	**-**	**-**	**120,563**
Property, plant and equipment	**58,050**	**-**	**-**	**-**	**-**	**-**	**-**	**58,050**
Prepaid land lease payments	**235**	**-**	**-**	**-**	**-**	**-**	**-**	**235**
Total assets	**21,901,512**	**690,573**	**222**	**7,501**	**4,344**	**38,329**	**7,286**	**22,649,767**

42. 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 2016 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities								
Deposits from customers	**19,319,722**	**337,377**	**-**	**7,056**	**63**	**-**	**2**	**19,664,220**
Deposits and placements of banks and other financial institutions	**442,252**	**-**	**-**	**-**	**-**	**-**	**-**	**442,252**
Bills and acceptances payable	**29,348**	**1**	**-**	**-**	**-**	**-**	**1**	**29,350**
Islamic derivative financial liabilities	**49,359**	**-**	**-**	**-**	**-**	**-**	**-**	**49,359**
Other liabilities	**64,657**	**-**	**-**	**-**	**-**	**-**	**-**	**64,657**
Provision for taxation and zakat	**4,492**	**20**	**-**	**-**	**-**	**-**	**-**	**4,512**
Deferred tax liabilities	**568**	**-**	**-**	**-**	**-**	**-**	**-**	**568**
Subordinated sukuk	**406,079**	**-**	**-**	**-**	**-**	**-**	**-**	**406,079**
Total liabilities	**20,316,477**	**337,398**	**-**	**7,056**	**63**	**-**	**3**	**20,660,997**
On-balance sheet open position	**1,585,035**	**353,175**	**222**	**445**	**4,281**	**38,329**	**7,283**	**1,988,770**
Less: Islamic derivative financial assets	**(40,587)**	**(14)**	**-**	**-**	**-**	**-**	**-**	**(40,601)**
Add: Islamic derivative financial liabilities	**49,359**	**-**	**-**	**-**	**-**	**-**	**-**	**49,359**
Net open position	**1,593,807**	**353,161**	**222**	**445**	**4,281**	**38,329**	**7,283**	**1,997,528**

42. 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 2015	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets								
Cash and short-term funds	258,075	785,758	61	35,517	5,194	9,293	21,911	1,115,809
Cash and placements with financial institutions	-	111,135	-	-	-	-	-	111,135
Financial investments designated at fair value through profit and loss	-	114,557	-	-	-	-	-	114,557
Financial investments available-for-sale	6,403,932	31,547	-	-	-	-	-	6,435,479
Financial investments held-to-maturity	139,042	-	-	-	-	-	-	139,042
Islamic derivative financial assets	43,293	1,085	-	-	-	-	-	44,378
Financing of customers	13,418,959	6,894	-	-	-	-	-	13,425,853
Other assets	95,713	-	-	-	-	-	-	95,713
Statutory deposit with Bank Negara Malaysia	757,721	-	-	-	-	-	-	757,721
Investment in subsidiaries	6,384	-	-	-	-	-	-	6,384
Investment properties	8,047	-	-	-	-	-	-	8,047
Intangible assets	126,426	-	-	-	-	-	-	126,426
Property, plant and equipment	69,103	-	-	-	-	-	-	69,103
Prepaid land lease payments	239	-	-	-	-	-	-	239
Total assets	21,326,934	1,050,976	61	35,517	5,194	9,293	21,911	22,449,886

42. 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 2015 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities								
Deposits from customers	18,900,378	657,953	-	8,143	116	-	19	19,566,609
Deposits and placements of banks and other financial institutions	408,822	14	-	-	-	-	-	408,836
Bills and acceptances payable	67,705	1	-	-	14	-	3	67,723
Islamic derivative financial liabilities	44,835	1,358	-	-	-	-	-	46,193
Other liabilities	24,567	-	61	26,202	5,060	9,293	21,888	87,071
Provision for taxation and zakat	3,416	20	-	-	-	-	-	3,436
Deferred tax liabilities	18,947	-	-	-	-	-	-	18,947
Subordinated sukuk	406,055	-	-	-	-	-	-	406,055
Total liabilities	19,874,725	659,346	61	34,345	5,190	9,293	21,910	20,604,870
On-balance sheet open position	1,452,209	391,630	-	1,172	4	-	1	1,845,016
Less: Islamic derivative financial assets	(43,293)	(1,085)	-	-	-	-	-	(44,378)
Add: Islamic derivative financial liabilities	44,835	1,358	-	-	-	-	-	46,193
Net open position	1,453,751	391,903	-	1,172	4	-	1	1,846,831

42. 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.)

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

(c) Liquidity and funding risk

Liquidity and funding risk is the potential inability of the Group and 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 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's ability to maintain a stable liquidity profile is primarily on account of its success in retaining and growing its customer deposits base.

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

The Asset & Liability Working Committee ("ALCO") chaired by the Chief Operating Officer-Business, is conducted on monthly basis purposely 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 table below is the analysis of assets and liabilities of the Group and the Bank as at 31 March 2016 based on remaining contractual maturities.

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

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

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

Group 2016	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	812,501	195,890	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	-	60,710	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	-	-	186,355	186,355
Financial investments available-for-sale	10,283	35,782	61,003	191,329	343,335	5,058,433	5,700,165
Financial investments held-to-maturity	-	-	-	-	-	140,608	140,608
Islamic derivative financial assets	494	2,600	17,692	11,541	8,274	-	40,601
Financing of customers	-	1,536,172	800,037	629,805	946,379	10,600,484	14,512,877
Other assets	-	-	-	-	71,309	915,873	987,182
Total assets	823,278	1,770,444	939,442	832,675	1,369,297	16,901,753	22,636,889
Liabilities							
Deposits from customers	7,156,697	5,350,521	3,689,945	972,379	2,406,899	66,987	19,643,428
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	8,632	442,252
Islamic derivative financial liabilities	569	35	13,846	13,189	7,817	13,903	49,359
Other liabilities	-	38,916	6,079	-	60,351	400,567	505,913
Total liabilities	7,258,409	5,520,113	3,911,456	985,568	2,475,317	490,089	20,640,952
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,995,937	1,995,937
Net maturity mismatch	(6,435,131)	(3,749,669)	(2,972,014)	(152,893)	(1,106,020)	14,415,727	-

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

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

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

Group 2015	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	596,194	519,615	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	-	111,135	-	-	-	111,135
Financial investments designated at fair value through profit and loss	-	3	-	-	-	118,654	118,657
Financial investments available-for-sale	30,664	96,951	45,166	286,663	564,672	5,411,363	6,435,479
Financial investments held-to-maturity	-	-	-	-	-	139,042	139,042
Islamic derivative financial assets	4,754	7,282	10,683	13,061	8,598	-	44,378
Financing of customers	-	1,007,750	631,792	574,358	949,996	10,250,774	13,414,670
Other assets	-	-	-	-	95,861	963,005	1,058,866
Total assets	631,612	1,631,601	798,776	874,082	1,619,127	16,882,838	22,438,036
Liabilities							
Deposits from customers	2,197,902	8,846,795	4,688,006	2,617,178	1,142,842	51,826	19,544,549
Deposits and placements of banks and other financial institutions	350,513	14	50,145	250	400	7,514	408,836
Islamic derivative financial liabilities	703	12,028	776	8,851	13,028	10,807	46,193
Other liabilities	-	100,977	-	-	57,786	425,001	583,764
Total liabilities	2,549,118	8,959,814	4,738,927	2,626,279	1,214,056	495,148	20,583,342
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,854,694	1,854,694
Net maturity mismatch	(1,917,506)	(7,328,213)	(3,940,151)	(1,752,197)	405,071	14,532,996	-

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

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

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

Bank 2016	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	**812,501**	**195,890**	**-**	**-**	**-**	**-**	**1,008,391**
Cash and placements with financial institutions	**-**	**-**	**60,710**	**-**	**-**	**-**	**60,710**
Financial investments designated at fair value through profit and loss	**-**	**-**	**-**	**-**	**-**	**177,322**	**177,322**
Financial investments available-for-sale	**10,283**	**35,782**	**61,003**	**191,329**	**343,335**	**5,058,280**	**5,700,012**
Financial investments held-to-maturity	**-**	**-**	**-**	**-**	**-**	**140,608**	**140,608**
Islamic derivative financial assets	**494**	**2,600**	**17,692**	**11,541**	**8,274**	**-**	**40,601**
Financing of customers	**-**	**1,536,172**	**800,037**	**629,805**	**946,379**	**10,609,801**	**14,522,194**
Other assets	**-**	**-**	**-**	**-**	**77,238**	**922,691**	**999,929**
Total assets	**823,278**	**1,770,444**	**939,442**	**832,675**	**1,375,226**	**16,908,702**	**22,649,767**
Liabilities							
Deposits from customers	**7,169,989**	**5,358,021**	**3,689,945**	**972,379**	**2,406,899**	**66,987**	**19,664,220**
Deposits and placements of banks and other financial institutions	**101,143**	**130,641**	**201,586**	**-**	**250**	**8,632**	**442,252**
Islamic derivative financial liabilities	**569**	**35**	**13,846**	**13,189**	**8,013**	**13,707**	**49,359**
Other liabilities	**-**	**37,660**	**406,079**	**-**	**60,860**	**567**	**505,166**
Total liabilities	**7,271,701**	**5,526,357**	**4,311,456**	**985,568**	**2,476,022**	**89,893**	**20,660,997**
Equity attributable to shareholders of the Bank	**-**	**-**	**-**	**-**	**-**	**1,988,770**	**1,988,770**
Net maturity mismatch	**(6,448,423)**	**(3,755,913)**	**(3,372,014)**	**(152,893)**	**(1,100,796)**	**14,830,039**	**-**

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

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

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

Bank 2015	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	596,194	519,615	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	-	111,135	-	-	-	111,135
Financial investments designated at fair value through profit and loss	-	3	-	-	-	114,554	114,557
Financial investments available-for-sale	30,664	96,951	45,166	286,663	564,672	5,411,363	6,435,479
Financial investments held-to-maturity	-	-	-	-	-	139,042	139,042
Islamic derivative financial assets	4,754	7,282	10,683	13,061	8,598	-	44,378
Financing of customers	-	1,007,750	631,792	574,358	949,996	10,261,957	13,425,853
Other assets	-	-	-	-	95,115	968,518	1,063,633
Total assets	631,612	1,631,601	798,776	874,082	1,618,381	16,895,434	22,449,886
Liabilities							
Deposits from customers	2,219,962	8,846,795	4,688,006	2,617,178	1,142,842	51,826	19,566,609
Deposits and placements of banks and other financial institutions	350,513	14	50,145	250	400	7,514	408,836
Islamic derivative financial liabilities	703	12,028	776	8,851	13,028	10,807	46,193
Other liabilities	-	101,524	-	-	56,706	425,002	583,232
Total liabilities	2,571,178	8,960,361	4,738,927	2,626,279	1,212,976	495,149	20,604,870
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,845,016	1,845,016
Net maturity mismatch	(1,939,566)	(7,328,760)	(3,940,151)	(1,752,197)	405,405	14,555,269	-

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

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

(ii) Behavioural maturity of deposits from customers

In practice, deposits from customers behave differently from their contractual terms and typically, short-term customer accounts and non-maturing savings and current deposits extend to a longer period than their contractual maturity. The Group's and the Bank's behavioural maturity for deposits from customers are as follows:

	Deposits from customers						
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**
2016							
By contractual maturity	**7,156,697**	**5,350,521**	**3,689,945**	**972,379**	**2,406,899**	**66,987**	**19,643,428**
By behavioural maturity	**2,227,648**	**2,111,998**	**833,977**	**417,532**	**496,769**	**13,555,504**	**19,643,428**
Difference	**4,929,049**	**3,238,523**	**2,855,968**	**554,847**	**1,910,130**	**(13,488,517)**	**-**
2015							
By contractual maturity	2,197,902	8,846,795	4,688,006	2,617,178	1,142,842	51,826	19,544,549
By behavioural maturity	2,052,876	1,951,758	987,581	244,713	224,863	14,082,758	19,544,549
Difference	145,026	6,895,037	3,700,425	2,372,465	917,979	(14,030,932)	-
Bank							
2016							
By contractual maturity	**7,169,989**	**5,358,021**	**3,689,945**	**972,379**	**2,406,899**	**66,987**	**19,664,220**
By behavioural maturity	**2,240,941**	**2,119,498**	**833,977**	**417,532**	**496,769**	**13,555,503**	**19,664,220**
Difference	**4,929,048**	**3,238,523**	**2,855,968**	**554,847**	**1,910,130**	**(13,488,516)**	**-**
Bank							
2015							
By contractual maturity	2,219,962	8,846,795	4,688,006	2,617,178	1,142,842	51,826	19,566,609
By behavioural maturity	2,069,636	1,957,058	987,581	244,713	224,863	14,082,758	19,566,609
Difference	150,326	6,889,737	3,700,425	2,372,465	917,979	(14,030,932)	-

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

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

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

42. 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
2016							
Non-derivative liabilities							
Deposits from customers	**7,156,697**	**5,350,521**	**3,689,945**	**972,379**	**2,406,899**	**71,598**	**19,648,039**
Deposits and placements of banks and other financial institutions	**101,143**	**130,641**	**201,586**	**-**	**250**	**9,389**	**443,009**
Bills and acceptances payable	**-**	**29,350**	**-**	**-**	**-**	**-**	**29,350**
Other liabilities	**-**	**13,566**	**-**	**-**	**1,096**	**-**	**14,662**
Subordinated sukuk	**-**	**-**	**-**	**-**	**-**	**408,467**	**408,467**
Derivative liabilities	**569**	**35**	**13,846**	**13,189**	**7,817**	**13,903**	**49,359**
Total financial liabilities	**7,258,409**	**5,524,113**	**3,905,377**	**985,568**	**2,416,062**	**503,357**	**20,592,886**
2015							
Non-derivative liabilities							
Deposits from customers	2,197,902	8,846,795	4,688,006	2,617,178	1,142,842	52,335	19,545,058
Deposits and placements of banks and other financial institutions	350,513	14	50,145	250	400	7,827	409,149
Bills and acceptances payable	-	67,723	-	-	-	-	67,723
Other liabilities	-	16,382	-	-	1,397	-	17,779
Subordinated sukuk	-	-	-	-	-	409,352	409,352
Derivative liabilities	703	12,028	776	8,851	13,028	10,807	46,193
Total financial liabilities	2,549,118	8,942,942	4,738,927	2,626,279	1,157,667	480,321	20,495,254

42. 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
2016							
Non-derivative liabilities							
Deposits from customers	**7,169,989**	**5,358,021**	**3,689,945**	**972,379**	**2,406,899**	**71,598**	**19,668,831**
Deposits and placements of banks and other financial institutions	**101,143**	**130,641**	**201,586**	**-**	**250**	**9,389**	**443,009**
Bills and acceptances payable	**-**	**29,350**	**-**	**-**	**-**	**-**	**29,350**
Other liabilities	**-**	**13,288**	**-**	**-**	**1,079**	**-**	**14,367**
Subordinated sukuk	**-**	**-**	**-**	**-**	**-**	**408,467**	**408,467**
Derivative liabilities	**569**	**35**	**13,846**	**13,189**	**8,013**	**13,707**	**49,359**
Total financial liabilities	**7,271,701**	**5,531,335**	**3,905,377**	**985,568**	**2,416,241**	**503,161**	**20,613,383**
2015							
Non-derivative liabilities							
Deposits from customers	2,219,962	8,846,795	4,688,006	2,617,178	1,142,842	52,335	19,567,118
Deposits and placements of banks and other financial institutions	350,513	14	50,145	250	400	7,827	409,149
Bills and acceptances payable	-	67,723	-	-	-	-	67,723
Other liabilities	-	16,929	-	-	1,381	-	18,310
Subordinated sukuk	-	-	-	-	-	409,352	409,352
Derivative liabilities	703	12,028	776	8,851	13,028	10,807	46,193
Total financial liabilities	2,571,178	8,943,489	4,738,927	2,626,279	1,157,651	480,321	20,517,845

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

(d) Operational risk

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

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

43. 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 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.

43. 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.)

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 judgement and estimation, due to the low complexity of the financial instruments held.

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:

		Valuation technique using		
Group	**Quoted Market Price Level 1**	**Observable Inputs Level 2**	**Unobservable Inputs Level 3**	**Total**
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-financial assets				
Investment properties	**-**	**-**	**32,529**	**32,529**
Financial assets				
Financial investments designated at fair value through profit or loss	**-**	**-**	**186,355**	**186,355**
Financial investments available-for-sale	**95,930**	**5,584,971**	**19,264**	**5,700,165**
Derivative financial assets	**-**	**40,601**	**-**	**40,601**
Total financial assets measured at fair value	**95,930**	**5,625,572**	**205,619**	**5,927,121**
Financial liabilities				
Derivative financial liabilities	**-**	**49,359**	**-**	**49,359**
Total financial liabilities measured at fair value	**-**	**49,359**	**-**	**49,359**

43. 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 2015	Quoted Market Price Level 1 RM'000	Valuation technique using: Observable Inputs Level 2 RM'000	Valuation technique using: Unobservable Inputs Level 3 RM'000	Total RM'000
Non-financial assets				
Investment properties	-	-	8,047	8,047
Financial assets				
Financial investments designated at fair value through profit or loss	-	3	118,654	118,657
Financial investments available-for-sale	67,581	6,345,896	22,002	6,435,479
Derivative financial assets	-	44,378	-	44,378
Total financial assets measured at fair value	67,581	6,390,277	140,656	6,598,514
Financial liabilities				
Derivative financial liabilities	-	46,193	-	46,193
Total financial liabilities measured at fair value	-	46,193	-	46,193

Bank 2016	Quoted Market Price Level 1 RM'000	Valuation technique using: Observable Inputs Level 2 RM'000	Valuation technique using: Unobservable Inputs Level 3 RM'000	Total RM'000
Non-financial assets				
Investment properties	**-**	**-**	**32,529**	**32,529**
Financial assets				
Financial investments designated at fair value through profit or loss	**-**	**-**	**177,322**	**177,322**
Financial investments available-for-sale	**95,776**	**5,584,972**	**19,264**	**5,700,012**
Derivative financial assets	**-**	**40,601**	**-**	**40,601**
Total financial assets measured at fair value	**95,776**	**5,625,573**	**196,586**	**5,917,935**

43. 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 2016	Quoted Market Price Level 1 RM'000	Valuation technique using: Observable Inputs Level 2 RM'000	Valuation technique using: Unobservable Inputs Level 3 RM'000	Total RM'000
Financial liabilities				
Derivative financial liabilities	**-**	**49,359**	**-**	**49,359**
Total financial liabilities measured at fair value	**-**	**49,359**	**-**	**49,359**

Bank 2015	Quoted Market Price Level 1 RM'000	Valuation technique using: Observable Inputs Level 2 RM'000	Valuation technique using: Unobservable Inputs Level 3 RM'000	Total RM'000
Non-financial assets				
Investment properties	-	-	8,047	8,047
Financial assets				
Financial investments designated at fair value through profit or loss	-	3	114,554	114,557
Financial investments available-for-sale	67,581	6,345,896	22,002	6,435,479
Derivative financial assets	-	44,378	-	44,378
Total financial assets measured at fair value	67,581	6,390,277	136,556	6,594,414
Financial liabilities				
Derivative financial liabilities	-	46,193	-	46,193
Total financial liabilities measured at fair value	-	46,193	-	46,193

43. 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
As at 1 April 2015	**140,656**	235,970	**136,556**	231,870
Gains recognised in income statement	**30,448**	24,354	**30,448**	24,354
Purchases	**27,011**	21,409	**27,011**	21,409
Sales	**(474)**	(16,010)	**(474)**	(16,010)
Reclassification	**4,933**	(136,230)	**-**	(136,230)
Foreign exchange translation difference	**6,526**	12,134	**6,526**	12,134
Coupon received	**(3,481)**	(971)	**(3,481)**	(971)
As at 31 March 2016	**205,619**	140,656	**196,586**	136,556

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Total gains recognised in income statement for financial instruments measured at fair value at the end of the financial year	**30,448**	24,357

43. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value

Group 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
Financial assets					
Financial investments held-to-maturity	**-**	**143,374**	**-**	**143,374**	**140,608**
Financing of customers	**-**	**8,199,566**	**4,706,692**	**12,906,258**	**14,512,877**
Financial liabilities					
Deposits from customers	**-**	**1,481,074**	**18,163,632**	**19,644,706**	**19,643,428**
Deposits and placements of banks and other financial institutions	**-**	**432,120**	**9,823**	**441,944**	**442,252**
Bills and acceptances payable	**-**	**-**	**29,350**	**29,350**	**29,350**
Subordinated sukuk	**-**	**406,879**	**-**	**406,879**	**406,079**
2015					
Financial assets					
Financial investments held-to-maturity	-	137,271	-	137,271	139,042
Financing of customers	-	7,177,644	4,484,165	11,661,809	13,414,670
Financial liabilities					
Deposits from customers	-	13,533,376	6,012,314	19,545,690	19,544,549
Deposits and placements of banks and other financial institutions	-	403,783	4,718	408,500	408,836
Bills and acceptances payable	-	-	67,723	67,723	67,723
Subordinated sukuk	-	409,867	-	409,867	406,055

43. Fair value measurements (cont'd.)

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

Bank 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
Financial assets					
Financial investments held-to-maturity	**-**	**143,374**	**-**	**143,374**	**140,608**
Financing of customers	**-**	**8,199,566**	**4,716,008**	**12,915,574**	**14,522,194**
Financial liabilities					
Deposits from customers	**-**	**1,481,074**	**18,184,424**	**19,665,498**	**19,664,220**
Deposits and placements of banks and other financial institutions	**-**	**432,120**	**9,823**	**441,944**	**442,252**
Bills and acceptances payable	**-**	**-**	**29,350**	**29,350**	**29,350**
Subordinated sukuk	**-**	**406,879**	**-**	**406,879**	**406,079**
2015					
Financial assets					
Financial investments held-to-maturity	-	137,271	-	137,271	139,042
Financing of customers	-	7,177,644	4,495,348	11,672,992	13,425,853
Financial liabilities					
Deposits from customers	-	13,555,436	6,012,314	19,567,750	19,566,609
Deposits and placements of banks and other financial institutions	-	403,783	4,718	408,501	408,836
Bills and acceptances payable	-	-	67,723	67,723	67,723
Subordinated sukuk	-	409,867	-	409,867	406,055

43. Fair value measurements (cont'd.)

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

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two (2) parties under normal market conditions. However, for certain assets such as financing and deposits, 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 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 and the Bank 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 this investment in the foreseeable future.

Cash and short-term funds, statutory deposit with Bank Negara Malaysia, other assets, deposits and placements of banks and other financial institutions, bills and acceptances payable and other liabilities

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Financial investments available-for-sale and financial investments held-to-maturity

Where quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where the discounted cash flow technique is used, the expected future cash flows are discounted using market profit rates for similar instruments.

Financing of customers

The fair values of financing of customers not designated as hedged item are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of individual assessment allowance for bad and doubtful financing.

Deposits from customers

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

Subordinated sukuk

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

44. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group and Bank	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Amount not set off in the statement of financial position		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
2016						
Derivative assets	**41,752**	**1,151**	**40,601**	**-**	**-**	**40,601**
Derivative liabilities	**50,510**	**1,151**	**49,359**	**-**	**-**	**49,359**
2015						
Derivative assets	47,724	3,346	44,378	-	-	44,378
Derivative liabilities	49,539	3,346	46,193	-	-	46,193

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

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

(i) the counterparty has an offsetting exposure with the Group and 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.

45. Capital and other commitments

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Approved and contracted for	**8,382**	8,652
Approved but not contracted for	**63,750**	55,753
	72,132	64,405

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Approved and contracted for	**8,382**	8,652
Approved but not contracted for	**63,750**	55,850
	72,132	64,502

46. Capital adequacy

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	**13,248,485**	12,774,186
Total market RWA	**80,829**	85,435
Total operational RWA	**1,078,204**	1,052,745
Total RWA	**14,407,518**	13,912,366

46. Capital adequacy (cont'd.)

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Computation of capital ratios		
Tier-I capital		
Paid-up ordinary share capital	**1,195,000**	1,195,000
Retained profits	**219,957**	155,258
Other Reserves		
Statutory reserve	**582,822**	515,612
Unrealised gains/(losses) on available for-sale financial instruments	**95**	(10,592)
Foreign exchange translation reserve	**(2,054)**	(584)
Less: Regulatory Adjustment		
Deferred tax assets (net)	**-**	-
Total Common Equity Tier-I Capital	**1,995,820**	1,854,694
Total Tier-I Capital	**1,995,820**	1,854,694
Tier-II capital		
Subordinated sukuk	**243,647**	284,239
Collective assessment allowance for non-impaired financing	**77,134**	103,704
Total Tier-II Capital	**320,781**	387,943
Total Capital Base	**2,316,601**	2,242,637
Ratio (%)		
CET 1 Capital	**13.85%**	13.33%
Tier 1 Capital	**13.85%**	13.33%
Total Capital	**16.08%**	16.12%

46. Capital adequacy (cont'd.)

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

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	**13,253,311**	12,724,994
Total market RWA	**80,829**	85,435
Total operational RWA	**1,062,151**	1,041,853
Total RWA	**14,396,291**	13,852,282
Computation of capital ratios		
Tier-I capital		
Paid-up ordinary share capital	**1,195,000**	1,195,000
Retained profits	**214,387**	147,177
Other Reserves		
Statutory reserve	**581,225**	514,015
Unrealised gains/(losses) on available for-sale financial instruments	**95**	(10,592)
Foreign exchange translation reserve	**(2,054)**	(584)
Regulatory Adjustment		
Less: Deferred tax assets (net)	**-**	-
Less: Investment in subsidiaries	**(8,055)**	(6,384)
Total Common Equity Tier- I Capital	**1,980,598**	1,838,632
Total Tier-I Capital	**1,980,598**	1,838,632
Tier-II capital		
Subordinated sukuk	**243,647**	284,239
Collective assessment allowance for non-impaired financing	**77,134**	103,704
Total Tier-II Capital	**320,781**	387,943
Total Capital Base	**2,301,379**	2,226,575

46. Capital adequacy (cont'd.)

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

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Computation of capital ratios (cont'd.)		
Ratio (%)		
CET 1 Capital	**13.76%**	13.27%
Tier 1 Capital	**13.76%**	13.27%
Total Capital	**15.99%**	16.07%

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 the 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 4.5% and 6.0% respectively for the current period. The minimum regulatory capital adequacy requirement remains at 8.0% (2015: 8.0%) for total capital ratio.

46. Capital adequacy (cont'd.)

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

	Group			
	2016		2015	
	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%	**6,045,417**	**-**	6,128,593	-
20%	**2,655,462**	**531,092**	3,878,573	775,715
35%	**2,219,360**	**776,776**	1,340,013	469,005
50%	**1,234,416**	**617,208**	782,980	391,490
75%	**2,315,148**	**1,736,361**	3,524,308	2,643,231
100%	**9,526,093**	**9,526,093**	8,200,532	8,200,532
150%	**40,636**	**60,955**	196,142	294,213
Risk weighted assets for credit risk	**24,036,532**	**13,248,485**	24,051,141	12,774,186
Risk weighted assets for market risk		**80,829**		85,435
Risk weighted assets for operational risk		**1,078,204**		1,052,745
Total risk weighted assets		**14,407,518**		13,912,366

46. Capital adequacy (cont'd.)

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

	Bank			
	2016		2015	
	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%	**6,045,417**	**-**	6,128,593	-
20%	**2,655,462**	**531,092**	3,878,573	775,715
35%	**2,219,360**	**776,776**	1,340,013	469,005
50%	**1,234,416**	**617,208**	782,980	391,490
75%	**2,315,148**	**1,736,361**	3,524,308	2,643,231
100%	**9,530,919**	**9,530,919**	8,315,312	8,315,312
150%	**40,636**	**60,955**	86,827	130,241
Risk weighted assets for credit risk	**24,041,358**	**13,253,311**	24,056,606	12,724,994
Risk weighted assets for market risk		**80,829**		85,435
Risk weighted assets for operational risk		**1,062,151**		1,041,853
Total risk weighted assets		**14,396,291**		13,852,282

47. Capital management

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

Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the management level, capital management strategy review is a period exercise that is under the purview of Asset-Liability 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 the broad environment, i.e. regulatory and macroeconomic setting.

47. Capital management (cont'd.)

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 has been deliberated as regulators globally strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

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

48. 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 such as Muamalat Cashline and trade financing and fee-based services such as cash management.

(ii) Consumer banking - this segment comprises the full range of products and services offered to individual customers in Malaysia, including savings accounts, current accounts, general investment accounts, remittance services, internet banking services, cash management services, consumer financing such as mortgage financing, personal financing, hire purchases financing, micro financing, wealth management and bancatakaful products.

(iii) Treasury and investment banking - this segment comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market securities.

Investment banking focuses on business needs of mainly large corporate customers and financial institutions which include corporate advisory services, bond issuances, Initial Public Offerings (IPOs) and debt restructuring advisory services. It also explores investment opportunities via private equity investments for the Bank.

48. Segment information (cont'd.)

(a) Business segments (cont'd.)

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

Group 2016	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	**267,512**	**611,644**	**311,033**	**19,839**	**1,210,028**
Total income	**114,658**	**292,081**	**48,945**	**167,844**	**623,528**
Allowance for impairment on financing	**(25,780)**	**(20,618)**	**(153)**	**(12,772)**	**(59,322)**
Provision for commitments and contingencies	**-**	**7,412**	**-**	**(10,282)**	**(2,870)**
Impairment loss on investments	**-**	**-**	**(21,119)**	**(1,671)**	**(22,790)**
Other expenses	**-**	**-**	**-**	**(5,564)**	**(5,564)**
Total net income	**88,878**	**278,875**	**27,673**	**137,555**	**532,982**
Total overhead expenses					**(365,749)**
Profit before zakat and taxation					**167,233**
Zakat					**(4,375)**
Taxation					**(30,949)**
Profit for the year					**131,909**

48. Segment information (cont'd.)

(a) Business segments (cont'd.)

Group 2015	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	202,829	542,600	294,916	31,891	1,072,236
Total Income	73,303	280,175	45,660	144,900	544,038
(Allowance for)/writeback of impairment on financing	(10,636)	(28,770)	21,858	(20,367)	(37,915)
Provision for commitments and contingencies	-	(750)	-	-	(750)
Impairment loss on investments	-	-	-	22,004	22,004
Other expenses	-	-	-	(7,614)	(7,614)
Total net income	62,667	250,655	67,518	138,923	519,763
Total Overhead expenses					(397,797)
Profit before zakat and taxation					121,966
Zakat					(3,453)
Taxation					(29,233)
Profit for the year					89,280

48. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank 2016	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	**267,512**	**611,644**	**301,995**	**19,840**	**1,200,991**
Total Income	**114,658**	**292,081**	**39,442**	**167,844**	**614,025**
Allowance for impairment on financing	**(25,780)**	**(20,618)**	**5,847**	**(12,772)**	**(53,323)**
Provision for commitments and contingencies	**-**	**7,412**	**-**	**(10,282)**	**(2,870)**
Impairment loss on investments	**-**	**-**	**(21,119)**	**-**	**(21,119)**
Other expenses	**-**	**-**	**-**	**(5,564)**	**(5,564)**
Total net income	**88,878**	**278,875**	**24,170**	**139,226**	**531,149**
Total Overhead expenses					**(363,273)**
Profit before zakat and taxation					**167,876**
Zakat					**(4,197)**
Taxation					**(29,259)**
Profit for the year					**134,420**

48. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank 2015	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	202,829	542,600	292,537	24,361	1,062,327
Total Income	73,303	280,175	43,281	137,190	533,949
(Allowance for)/writeback of impairment on financing	(10,636)	(28,770)	21,858	(20,367)	(37,915)
Provision for commitments and contingencies	-	(750)	-	-	(750)
Impairment loss on investments	-	-	-	22,004	22,004
Other expenses	-	-	-	(7,614)	(7,614)
Total net income	62,667	250,655	65,139	131,213	509,674
Total Overhead expenses					(395,350)
Profit before zakat and taxation					114,324
Zakat					(3,161)
Taxation					(27,348)
Profit for the year					83,815

Basel II
Pillar 3 Disclosures

Basel II
Pillar 3 Disclosure

Statement by Chief Executive Officer

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

In accordance with the requirement of BNM's Guideline on Capital Adequacy Framework for Islamic Banks ('CAFIB') – Disclosure Requirement ('Pillar 3'), and on behalf of the Board and management of Bank Muamalat Malaysia Berhad, I am pleased to provide an attestation on the Pillar 3 disclosures of the Group and the Bank for year ended 31 March 2016.

Dato' Haji Mohd Redza Shah bin Abdul Wahid
Chief Executive Officer

Pillar 3 Disclosure Content

Table No.	Content	Page
Table 1	Capital adequacy ratios	4
Table 2	Capital structure	5
Table 3	Minimum capital requirement and risk-weighted assets	6
Table 4	Minimum capital requirement and risk-weighted assets by exposures	7
Table 5	Risk governance structure	11
Table 6	Risk Committee functions	12
Table 7	Risk Management Model	13
Table 8	Credit risk exposures and credit risk concentration by sector analysis	15
Table 9	Credit risk exposures and credit risk concentration by geographical analysis	19
Table 10	Maturities of financial assets by remaining contractual maturity	21
Table 11	Credit quality financing of customers	25
Table 12	Rescheduled/ restructured financing	29
Table 13	Past due but not impaired	30
Table 14	Impaired financing by economic purpose	33
Table 15	Impaired financing by geographical distribution	37
Table 16	Repossessed Collateral	39
Table 16	Rating distribution on credit exposures	40
Table 17	Credit risk disclosure by risk weights	46
Table 18	Credit risk mitigation on credit exposures	50
Table 19	Commitments and contingencies	54
Table 20	Derivative financial assets & liabilities	55
Table 21	Minimum regulatory requirement for market risk	59
Table 22	Equity exposures	60
Table 23	Rate of return risks	61
Table 24	Sensitivity analysis of rate of return risk	62
Table 25	Liquidity risk indicators	63
Table 26	Maturity analysis of assets and liabilities based on remaining	65
Table 27	ORM minimum capital requirement	70
Table 28	Shariah governance structure	72

Basel II Pillar 3 Disclosure

BASEL II

PILLAR 3 DISCLOSURE

Abbreviations

ALCO	Asset-Liability Management Committee
ALM	Asset and Liability Management
BCM	Business Continuity Management
BCP	Business Continuity Plan
BIA	Business Impact Analysis
BOD	Board of Director
BNM	Bank Negara Malaysia
BRMC	Board Risk Management Committee
BU	Business Unit
CAFIB	Capital Adequacy Framework for Islamic Banks
CBs	Corporate Bonds
CC	Credit Committee
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CPs	Commercial Papers
CR	Credit Risk
CRP	Credit Risk Policy
CRM	Credit Risk Mitigation
CSRD	Credit Supervision and Recovery Department
EAR	Earning At Risk
ECAI	External Credit Assessment Institutions
ERMC	Executive Risk Management Committee
EVE	Economic Value Perspective
FRS139	Financial Reporting Standards 139
FDI	Foreign Direct Investments
GCRP	Guidelines to Credit Risk Policies
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFIs	Islamic Financial Institutions
IFSB-10	Institute Offering Islamic Financial Services
IPRS	Islamic Profit Rate Swap
IRB Approacl	Internal Ratings Based Approach
MARC	Malaysian Rating Corporation Berhad
MDB	Multilateral Development Bank
MISB	Muamalat Invest Sdn Bhd
MR	Market Risk
OR	Operational Risk
ORM	Operational Risk Management
ORMC	Operational Risk Management Committee
PDS	Private Debt Securities
PSEs	Non- Federal Government Public Sector Entities
RA	Risk Assessment
R&I	Rating and Investment Information, Inc
RAM	RAM Rating Services Berhad
RORBB	Rate of Return Risk in Banking Book
RMD	Risk Management Department
RWA	Risk Weighted Assets
RWCAF	Risk Weighted Capital Adequacy Framework
TBPS	Trading Book Policy Statement
S&P	Standard and Poor's
SC	Shariah Committee
SNCI	Shariah Non-Compliance Income
SRP	Shariah Review Program
SU	Support Unit
VaR	Value at Risk

Overview

The Pillar 3 Disclosure is a regulatory requirement aimed at enhancing market transparency and discipline. It is prepared in accordance to the Bank Negara Malaysia's (BNM's) guidelines "Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3)" and contains qualitative and quantitative information on Bank Muamalat Malaysia Berhad's (BMMB's) risk exposures and capital adequacy levels as well as on its capital and risk management practices.

In assessing its capital position, BMMB applies the prescribed Standardised Approach to measure its credit and market risk exposures and the Basic Indicator Approach for operational risk, as outlined under the BNM's CAFIB guidelines.

This Pillar 3 disclosure is published for the financial year ended 31 March 2016 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 March 2016.

Basel II Pillar 3 Disclosure

1.0 Scope of Application

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on BMMB and its subsidiaries (hereinafter referred as "the Group and the Bank"). Information on subsidiaries is available in Note 11 to the financial statements.

The basis of consolidation for financial accounting purposes is described in Notes 2.2 to the financial statements, and differs from that used for regulatory capital purposes. The investment in subsidiary companies is deducted from regulatory capital at entity level and consolidated at group level.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

All information in the ensuing paragraphs is based on the Group's position. Certain information on capital adequacy relating to the Group and the Bank is presented on a voluntary basis to provide additional information to users. The capital-related information of the Group and the Bank, which is presented on a global basis, includes its offshore banking activities in Labuan as determined under the CAFIB.

This document discloses the Bank and the Group quantitative disclosures in accordance with the disclosure requirements as outlined in the Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3") issued by Bank Negara Malaysia ("BNM").

Scope of disclosure

The detailed scope of published disclosure is subject to the following classification of information:

- Insignificant, i.e. its exclusion or distortion cannot influence the assessment or decision of a person using such information to make economic decisions, or influence such an assessment or decision,
- Reserved, i.e. its public distribution might adversely influence the position of the Group and the Bank on the market according to regulations on competition and consumer protection,
- Subject to law-protected confidentiality, such information is not published. In case of not publishing reserved information or the one which is subject to law-protected confidentiality, the Group and the Bank disclose information which is less detailed.

2.0 Capital Management

BMMB's capital management framework was designed to protect the interests of its key stakeholders and maximize shareholder value through optimum use of its capital resources. The primary capital management objective is to ensure efficient capital utilization while in pursuit of strategic and business objectives. It is also aimed at ensuring sufficient level of capital is maintained at all times to support the business growth targets and that it is kept in line with the Bank's risk appetite and regulatory requirements.

To determine the appropriate level and composition of capital to be held, the Bank uses the risk and capital adequacy assessment approaches as outlined under the Internal Capital Adequacy Assessment Process (ICAAP). The capital levels are assessed based on the Bank's strategic and business targets, taking into account current and forecasted economic and market conditions as well as the regulatory capital standards.

The Bank prepares its strategic, business and capital plans on an annual basis. Guided by the Board-approved risk appetite statement, the plans cover a minimum three-year planning horizon and are subjected to a stress test covering several possible stressed scenarios. Based on the ICAAP and stress test analysis, internal capital targets are set for key capital ratios to facilitate ongoing capital management and monitoring.

Arising from the strategic planning and capital assessment process, an annual capital plan is drawn up to ensure that sufficient capital is held to meet business growth targets as well as to maintain adequate buffer under adverse economic scenarios. The capital plan also addresses any capital issuance requirements, capital instrument composition and maturity profile, and capital contingency planning.

2.1 Internal Capital Adequacy Assessment Process ("ICAAP")

BMMB's approach towards assessing the adequacy of its internal capital levels in relation to its risk profile is addressed in the Internal Capital Adequacy Assessment Process (ICAAP). This is in line with BNM's requirement as stipulated under the guideline, "Capital Adequacy Framework for Islamic Banks (CAFIB) - Internal Capital Adequacy Assessment Process (Pillar 2)".

The ICAAP covers an assessment of all risk exposures, particularly on those deemed as material risks, and the effectiveness of related risk controls and mitigations. The risk and capital assessment also looks at the adequacy of capital in relation to other discretionary and non-discretionary risk and where required, additional capital and buffers are allocated for risk exposures that are deemed inadequately covered under the Pillar 1 capital.

The ICAAP further addresses the current and future capital levels to be considered or maintained to ensure its adequacy to support the Bank's business operations on a going-concern basis. In terms of its capital mix, the Bank's capital consists primarily of Tier 1 capital and common equity, which enhances the Bank's ability to absorb potential losses under unforeseeable circumstances.

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Stress Test

Stress testing is an important tool used in assessing and determining appropriateness of capital levels to ensure its ability to absorb stress events in order to protect the depositors and other stakeholders.

Stress testing is performed to identify early warning signs and potential risk events that may adversely impact the Bank's risk profile. Stress testing is also used to determine the level of capital buffers that are considered adequate to ensure that the Bank does not breach the minimum regulatory ratios under stress scenarios and to formulate appropriate management actions.

The Bank employs two stress test approaches, namely sensitivity and scenario analyses. The stress testing supports management and decision making in the following areas:

i. Assessment of the Bank's material risk profile under stress events and estimate the potential impact and implications to the Bank;

ii. Assessment of capital adequacy in relation to the Bank's risk profile, which is integral to the Internal Capital Adequacy Assessment Process (ICAAP);

iii. Facilitate capital and liquidity contingency planning across a range of stressed conditions and aiding in the development and formulation of appropriate strategies for maintaining required level of capital and management of identified risks; and

iv. Embedded as an integral part of the strategic planning and management process.

The tables below present the capital adequacy ratios of the Group and the Bank.

Table 1: Capital adequacy ratios

	Group		Bank	
	31 March 2016	**31 March 2015**	**31 March 2016**	**31 March 2015**
Core Capital Ratio	**13.85%**	13.33%	**13.76%**	13.27%
Risk-weighted capital ratio	**16.08%**	16.12%	**15.99%**	16.07%

The following table represents the Group's and Bank's capital position as at 31 March 2016. Details on capital instruments, including share capital and reserves are found in notes **22 to 24** of the financial statements.

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Table 2: Capital structure

	Group		Bank	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	RM'000	RM'000	RM'000	RM'000
Tier-I capital				
Paid-up ordinary share capital	**1,195,000**	1,195,000	**1,195,000**	1,195,000
Retained profits/loss brought forward	**219,957**	155,258	**214,387**	147,177
Other Reserves				
Statutory reserve	**582,822**	515,612	**581,225**	514,015
Unrealised gains and losses on 'available for-sale' financial instruments	**95**	(10,592)	**95**	(10,592)
Foreign exchange translation reserve	**(2,054)**	(584)	**(2,054)**	(584)
Regulatory Adjustment				
Less: Deferred tax assets (net)	**-**	-	**-**	-
Less: Investment in subsidiaries	**-**	-	**(8,055)**	(6,384)
Total Tier-I Capital	**1,995,820**	1,854,694	**1,980,598**	1,838,632
Tier-II capital				
Subordinated bonds	**243,647**	284,239	**243,647**	284,239
Collective assessment allowance	**77,134**	103,704	**77,134**	103,704
Total Tier-II Capital	**320,781**	387,943	**320,781**	387,943
Total Capital	**2,316,601**	2,242,637	**2,301,379**	2,226,575

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). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

The following tables present the minimum regulatory capital requirement to support the Group's and the Bank's risk-weighted assets:

Table 3: Minimum capital requirement and risk-weighted assets

	31 March 2016		31 March 2015	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	**13,248,485**	**1,059,879**	12,774,186	1,021,935
Market Risk	**80,829**	**6,466**	85,435	6,835
Operational Risk	**1,078,204**	**86,256**	1,052,745	84,220
Total	**14,407,518**	**1,152,601**	13,912,366	1,112,990

	31 March 2016		31 March 2015	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Bank				
Credit Risk	**13,253,311**	**1,060,265**	12,724,994	1,018,000
Market Risk	**80,829**	**6,466**	85,435	6,835
Operational Risk	**1,062,151**	**84,972**	1,041,853	83,348
Total	**14,396,291**	**1,151,703**	13,852,282	1,108,183

The Group and the Bank do not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows:

Table 4: Minimum capital requirement and risk-weighted assets by exposures

Group 31 March 2016	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	**5,195,650**	**5,195,650**	**-**	**-**
PSEs	**49,981**	**49,125**	**9,825**	**786**
Banks, Development Financial Institution & MDBs	**668,202**	**668,202**	**133,640**	**10,691**
Corporates	**6,609,519**	**6,550,287**	**4,927,901**	**394,232**
Regulator Retail	**5,203,241**	**5,187,465**	**4,655,446**	**372,436**
Residential Real Estate	**4,434,585**	**4,434,585**	**2,511,335**	**200,907**
Higher Risk Assets	**-**	**-**	**-**	**-**
Other Assets	**424,926**	**424,926**	**324,519**	**25,962**
Defaulted Exposures	**127,918**	**127,918**	**111,692**	**8,935**
	22,714,022	**22,638,158**	**12,674,358**	**1,013,949**
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	**1,288,308**	**1,288,308**	**526,509**	**42,121**
Derivative financial instruments	**110,068**	**110,068**	**47,618**	**3,809**
	1,398,376	**1,398,376**	**574,127**	**45,930**
Total Credit Exposures	**24,112,398**	**24,036,534**	**13,248,485**	**1,059,879**

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	**704**	**(586)**	**17,961**	**1,437**
Foreign Currency Risk	**16,631**	**(894)**	**46,237**	**3,699**
Equity Position Risk	**23,119**	**-**	**16,631**	**1,330**
			80,829	**6,466**
(iii) Operational Risk (Basic Indicators Approach)			**1,078,204**	**86,256**
(iv) Total RWA and Capital Requirements			**14,407,518**	**1,152,601**

** After netting and credit risk mitigation*
*** Credit Risk of off balance sheet items*

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Group 31 March 2015	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,306,596	5,306,596	-	-
PSEs	51,481	51,431	10,286	823
Banks, Development Financial Institution & MDBs	1,040,417	1,040,417	208,083	16,647
Corporates	6,489,792	6,412,171	4,293,152	343,452
Regulator Retail	5,576,767	5,559,585	4,756,400	380,512
Residential Real Estate	3,370,971	3,370,971	2,086,931	166,954
Higher Risk Assets	109,315	109,315	163,972	13,118
Other Assets	417,990	417,988	345,526	27,642
Defaulted Exposures	178,408	178,408	189,209	15,137
	22,541,737	22,446,882	12,053,559	964,285
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,446,740	1,446,740	658,221	52,658
Derivative financial instruments	157,517	157,517	62,406	4,992
	1,604,257	1,604,257	720,627	57,650
Total Credit Exposures	24,145,994	24,051,139	12,774,186	1,021,935

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,010	(869)	6,918	553
Foreign Currency Risk	23,534	(75,697)	75,697	6,056
Equity Position Risk	226	-	2,820	226
			85,435	6,835
(iii) Operational Risk (Basic Indicators Approach)			1,052,745	84,220
(iv) Total RWA and Capital Requirements			13,912,366	1,112,990

** After netting and credit risk mitigation*
*** Credit Risk of off balance sheet items*

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank 31 March 2016	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	**5,195,650**	**5,195,650**	**-**	**-**
PSEs	**49,981**	**49,125**	**9,825**	**786**
Banks, Development Financial Institution & MDBs	**668,202**	**668,202**	**133,640**	**10,691**
Corporates	**6,609,649**	**6,550,417**	**4,928,031**	**394,242**
Regulator Retail	**5,203,241**	**5,187,465**	**4,655,446**	**372,436**
Residential Real Estate	**4,434,585**	**4,434,585**	**2,511,335**	**200,907**
Higher Risk Assets	**-**	**-**	**-**	**-**
Other Assets	**429,621**	**429,621**	**329,215**	**26,337**
Defaulted Exposures	**127,918**	**127,918**	**111,692**	**8,935**
	22,718,847	**22,642,983**	**12,679,184**	**1,014,334**
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	**1,288,308**	**1,288,308**	**526,509**	**42,121**
Derivative financial instruments	**110,068**	**110,068**	**47,618**	**3,809**
	1,398,376	**1,398,376**	**574,127**	**45,930**
Total Credit Exposures	**24,117,223**	**24,041,359**	**13,253,311**	**1,060,264**

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	**704**	**(586)**	**17,961**	**1,437**
Foreign Currency Risk	**16,631**	**(894)**	**46,237**	**3,699**
Equity Position Risk	**23,119**	**-**	**16,631**	**1,330**
			80,829	**6,466**
(iii) Operational Risk (Basic Indicators Approach)			**1,062,151**	**84,972**
(iv) Total RWA and Capital Requirements			**14,396,291**	**1,151,702**

** After netting and credit risk mitigation*

*** Credit Risk of off balance sheet items*

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank 31 March 2015	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,306,596	5,306,596	-	-
PSEs	51,481	51,431	10,286	823
Banks, Development Financial Institution & MDBs	1,040,417	1,040,417	208,083	16,647
Corporates	6,606,190	6,528,569	4,409,550	352,764
Regulator Retail	5,576,767	5,559,585	4,756,400	380,512
Residential Real Estate	3,370,971	3,370,971	2,086,931	166,954
Higher Risk Assets	-	-	-	-
Other Assets	416,372	416,370	343,908	27,512
Defaulted Exposures	178,408	178,408	189,209	15,137
	22,547,202	22,452,347	12,004,367	960,349
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,446,740	1,446,740	658,221	52,658
Derivative financial instruments	157,517	157,517	62,406	4,992
	1,604,257	1,604,257	720,627	57,650
Total Credit Exposures	24,151,459	24,056,604	12,724,994	1,017,999

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,010	(869)	6,918	553
Foreign Currency Risk	23,534	(75,697)	75,697	6,056
Equity Position Risk	226	-	2,820	227
			85,435	6,836
(iii) Operational Risk (Basic Indicators Approach)			1,041,853	83,348
(iv) Total RWA and Capital Requirements			13,852,282	1,108,183

* After netting and credit risk mitigation

*** Credit Risk of off balance sheet items*

*** Credit Risk of off balance sheet items*

3.0 Risk Management

Overview

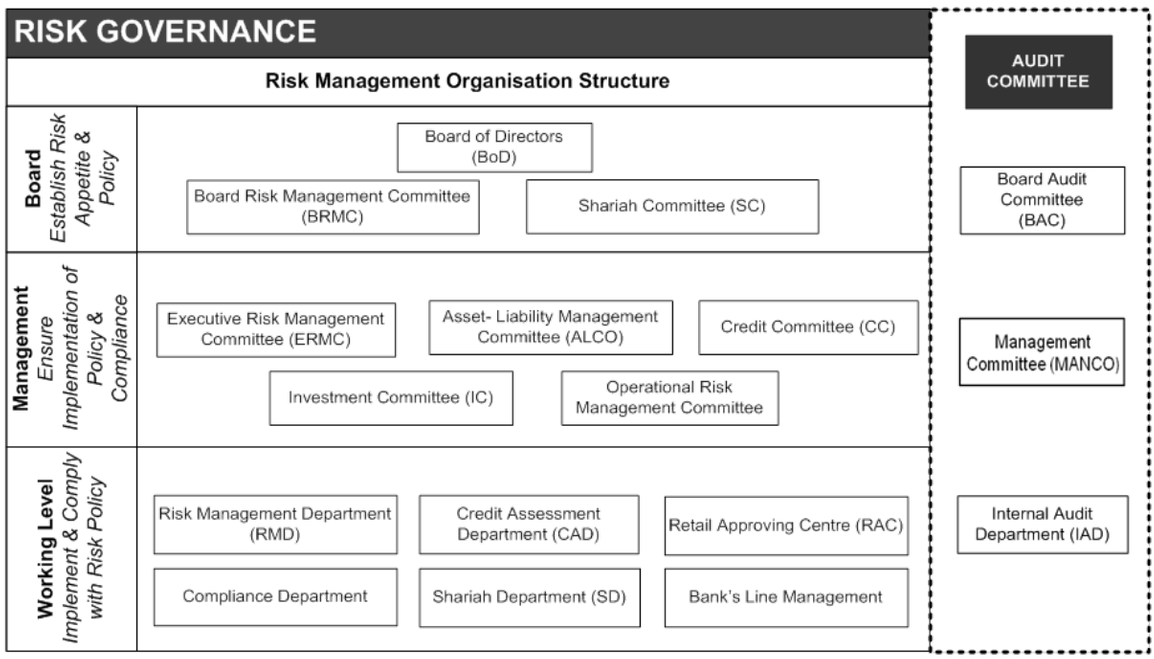
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance processes that outline responsibilities for risk management activities, as well as the governance and oversight of these activities.

An integral part of this approach is the systematic process of risk identification and measurement. Appropriate risk management strategies are then developed in line with the Bank's business plans and objectives, which include the ongoing monitoring and control of the identified risk exposures. The management and control over the principal risk areas of credit, market, asset and liability management, operational and Shariah are integrated to optimize and secure the Bank's strategic and competitive advantage.

Risk Governance

The Board of Directors holds the ultimate responsibility for the overall risk governance and oversight. This includes determining the appropriate risk strategies, setting the Bank's risk appetite and ensuring that the risks are monitored and controlled effectively. The Board oversees the risk management of the Bank through a clearly defined governance structure, which include board and management level committees with distinct roles and responsibilities.

Table 5: Risk Governance Structure



3.0 Risk Management (cont'd)

Risk Governance (cont'd)

The Board's primary oversight role is to understand the risks undertaken by the Bank and ensure that these risks are properly managed. While the Board is ultimately responsible for the Bank's management of risks, it has entrusted the Board Risk Management Committee (BRMC) to carry out specific risk management oversight functions on its behalf.

BRMC, which is chaired by an independent director of the Board, is a board-level committee that oversees the overall management of risks and deliberates on risk-related issues and resolutions. The BRMC, acting on behalf of the Board, also ensures that the appropriate processes, resources, policies and guidelines are in place to manage the Bank's risks.

In addition, the Board is also supported by the Shariah Committee (SC), which was set up as an independent external body to decide on Shariah issues and to simultaneously assist towards risk mitigation and compliance with the Shariah principles.

The execution of the board-approved risk strategies and policies is the responsibility of the Bank's management and these functions are also exercised under a committee structure. Heading the management-level risk committees is the Executive Risk Management Committee (ERMC), which is chaired by the Chief Executive Officer (CEO). The ERMC focuses on the overall business strategies and the Bank's day-to-day operations in respect of risk management.

Other management-level risk committees are set up to oversee specific risk areas and its related control functions as described below:

Table 6: Risk Committees & Functions

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

A dedicated and independent Risk Management Department (RMD) supports the above committees by carrying out the day-to-day risk management functions, drafting of risk-related policies and procedures, and providing reports, risk analyses and recommendations for the management and Board's decision-making.

3.0 Risk Management (cont'd)

The Bank's risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in their undertaken business activities. The line managers are therefore responsible for the identification, measurement and management of risks within their respective areas of responsibility.

The risk governance framework is implemented under a "distributed function" approach where risk is being managed based on the three lines of defense model. The components and their respective roles are as described below:

Table 7: Risk Management Model

The First Line of Defense · Business Units	· Responsible for managing risks assumed in day-to-day activities · Follow approved risk process · Apply internal controls and risk responses
The Second Line of Defense · Risk Management · Compliance	· Provide specialized resources for developing risk frameworks, policies and methodologies · Provide guidance and direction · Oversee and challenge risk management
The Third Line of Defense · Audit	· Review the first and second lines · Perform independent assessment of the risk management process for adequacy and effectiveness · Provide objective assurance and ensure compliance

Risk Appetite

Central to the Bank's risk management framework is the risk appetite. The risk appetite is defined as the level of risk that the Bank is willing to accept in fulfilling its business objectives. The Board, BRMC and senior management is responsible for determining the Bank's risk appetite and risk management strategy. The risk appetite is reviewed by the Board on an annual basis, in alignment with the annual strategic and business planning process.

The risk appetite framework is embedded within the Bank's key decision-making processes and supports the implementation of its strategy. It sets out the principles and policies that guide the Bank's behavior and decision-making for all risk taking activities towards achieving an optimal balance between risk and return. It also provides a clear reference point to monitor risk taking, to trigger appropriate action as the boundaries are approached or breached, and to minimize the likelihood of 'surprises' when adverse risk events occur.

As outlined in the risk appetite framework, a set of risk appetite statements has been developed to define the related risk capacity, appetite, tolerance and limits/targets of the Bank. The risk appetite statements, together with the risk tolerance limits and thresholds, are formulated to cover several key strategic and business risk levels or metrics such as capital ratios, liquidity, earnings volatility, asset portfolio composition and asset quality. The risk appetite, which is expressed in quantitative and qualitative forms, also incorporates the Bank's key performance indicators and states its stance towards reputational and Shariah non-compliance.

4.0 Credit Risk (General Disclosure)

Credit risk is defined as the potential financial loss caused by a retail customer or a wholesale counterparty failing to meet their obligations to the Bank as they become due. This covers all credit exposures, including guarantees and irrevocable undrawn facilities.

Risk arising from changes in credit quality is a central feature of the Bank's business, where uncertainty over the recoverability of financing and other amounts due from counterparties are inherent across most of the Bank's activities.

Adverse changes in the credit quality of a customer/counterparty or a general deterioration in the economic condition could affect the value of the Bank's assets and its overall financial performance. To a lesser degree, the Bank is also exposed to other forms of credit risk, such as settlement and pre-settlement risks, arising mainly from activities involving foreign exchange, investment securities, equities, commodities and derivatives transactions.

The BRMC and ERMC are the key board and management-level oversight committees responsible for the overall credit risk management activities. These include approving and review of risk strategies and policies, resolving any policy-related issues, and monitoring of the Bank's asset portfolios and risk profile.

Credit risk is managed under an established framework of policies, processes and procedures, which forms part of the overall risk governance framework. The risk management processes include assessing, measuring, mitigating and managing credit risk and maintaining it within the Bank's risk appetite.

Key components of the framework are the Credit Risk Policy (CRP) and Guidelines to Credit Risk Policies (GCRP), which contain credit-related policies and procedures for the management of credit risk. These policies and procedures cover risk policies, controls and prudential limits; risk rating methodologies and application; financing underwriting standards and pricing; delegated credit approving authority; credit review and management of distressed assets; and rehabilitation, restructuring and provisioning for impaired financing. The policies are periodically reviewed and updated to ensure its efficacy and continued relevance.

An important element of credit risk management involves the allocation of the Bank's financing exposures into risk rating categories. This approach provides for sufficient level of granularity and detail of the financing assets to facilitate the identification, monitoring and management of the overall credit risk profile on a regular basis. These rating categories are also linked credit pricing and defined in relation to profit spread.

Credit approvals are performed under a formal delegated approving structure comprising a hierarchy of approving authorities with clearly defined scope and limits. The Credit Committee (CC) is the main management-level committee involved in the approval of credit proposals (for amounts exceeding that of the lower individual authority limits) and the monitoring and management of distressed financing assets.

The Bank conducts regular review of its credit exposures based on portfolio segments and concentrations to ensure that these exposures are kept within the Board-approved risk appetite and risk tolerance levels. These review and analysis reports also provide the basis for ongoing risk management strategy and policy formulation.

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration

Table 8: Credit risk exposures and credit risk concentration by sector analysis

Group 31 March 2016	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,008,391	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit or loss	-	177,322	9,033	-	-	-	186,355
Financial investment available-for-sale	3,165,501	701,266	558,673	127,018	-	1,147,707	5,700,165
Financial investment held-to-maturity	140,608	-	-	-	-	-	140,608
Islamic derivative financial assets	-	40,601	-	-	-	-	40,601
Financing of customers	551,610	963,217	1,138,048	1,409,890	15,095	10,435,017	14,512,877
Statutory deposits with Bank Negara Malaysia	703,261	-	-	-	-	-	703,261
Other financial assets	-	-	-	-	-	2,092	2,092
	4,560,980	2,951,507	1,705,754	1,536,908	15,095	11,584,816	22,355,060
Commitments and contingencies							
Contingent liabilities	2,131	32,250	65,774	186,646	8,581	23,604	318,986
Commitments	1,497,869	108,077	557,654	368,915	9,935	144,594	2,687,044
Derivative financial instruments	-	5,008,866	-	-	-	-	5,008,866
	1,500,000	5,149,193	623,428	555,561	18,516	168,198	8,014,896
Total credit exposures	6,060,980	8,100,700	2,329,182	2,092,469	33,611	11,753,014	30,369,956

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Group 31 March 2015	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,115,809	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	111,135	-	-	-	-	111,135
Financial investments designated at fair value through profit or loss	3	114,554	4,100	-	-	-	118,657
Financial investment available-for-sale	3,370,955	797,102	673,790	-	-	1,593,632	6,435,479
Islamic derivative financial assets	598	43,544	236	-	-	-	44,378
Financing of customers	551,361	738,830	1,402,751	1,146,515	22,223	9,552,990	13,414,670
Statutory deposits with Bank Negara Malaysia	757,721	-	-	-	-	-	757,721
Other financial assets	-	-	-	-	-	6,963	6,963
	4,819,680	2,920,974	2,080,877	1,146,515	22,223	11,153,585	22,143,854
Commitments and contingencies							
Contingent liabilities	3,922	14,182	61,302	191,174	-	57,115	327,695
Commitments	1,503,328	101,092	773,165	350,131	-	543,785	3,271,501
Derivative financial instruments	22,177	5,748,798	80,423	-	-	4,716	5,856,114
	1,529,427	5,864,072	914,890	541,305	-	605,616	9,455,310
Total credit exposures	6,349,107	8,785,046	2,995,767	1,687,820	22,223	11,759,201	31,599,164

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 March 2016	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,008,391	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit or loss	-	177,322	-	-	-	-	177,322
Financial investment available-for-sale	3,165,501	701,266	558,673	127,018	-	1,147,554	5,700,012
Financial investment held-to-maturity	140,608	-	-	-	-	-	140,608
Islamic derivative financial assets	-	40,601	-	-	-	-	40,601
Financing of customers	551,610	963,218	1,147,781	1,409,890	15,095	10,434,600	14,522,194
Statutory deposits with Bank Negara Malaysia	703,261	-	-	-	-	-	703,261
Other financial assets	-	-	-	-	-	8,239	8,239
	4,560,980	2,951,508	1,706,454	1,536,908	15,095	11,590,393	22,361,338
Commitments and contingencies							
Contingent liabilities	2,131	32,250	65,774	186,646	8,581	23,604	318,986
Commitments	1,497,869	108,077	557,654	368,915	9,935	144,594	2,687,044
Derivative financial instruments	-	5,008,866	-	-	-	-	5,008,866
	1,500,000	5,149,193	623,428	555,561	18,516	168,198	8,014,896
Total credit exposures	6,060,980	8,100,701	2,329,882	2,092,469	33,611	11,758,591	30,376,234

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 March 2015	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,115,809	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	111,135	-	-	-	-	111,135
Financial investments designated at fair value through profit or loss	3	114,554	-	-	-	-	114,557
Financial investment available-for-sale	3,370,955	797,102	673,790	-	-	1,593,632	6,435,479
Islamic derivative financial assets	598	43,544	236	-	-	-	44,378
Financing of customers	551,361	743,830	1,413,551	1,140,515	22,223	9,554,373	13,425,853
Statutory deposits with Bank Negara Malaysia	757,721	-	-	-	-	-	757,721
Other financial assets	-	-	-	-	-	6,213	6,213
	4,819,680	2,925,974	2,087,577	1,140,515	22,223	11,154,218	22,150,187
Commitments and contingencies							
Contingent liabilities	3,922	14,182	61,302	191,174	-	57,115	327,695
Commitments	1,503,328	101,092	773,165	350,131	-	543,785	3,271,501
Derivative financial instruments	22,177	5,748,798	80,423	-	-	4,716	5,856,114
	1,529,427	5,864,072	914,890	541,305	-	605,616	9,455,310
Total credit exposures	6,349,107	8,790,046	3,002,467	1,681,820	22,223	11,759,834	31,605,497

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis

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
31 March 2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On Balance Sheet Exposures				
Cash and short-term funds	**1,017,374**	**(8,983)**	**1,017,374**	**(8,983)**
Cash and placements with financial institutions	**60,710**	**-**	**60,710**	**-**
Financial investment designated at fair value through profit and loss	**9,033**	**177,322**	**-**	**177,322**
Financial investment available-for-sale	**5,673,083**	**27,082**	**5,672,930**	**27,082**
Financial investment held-to-maturity	**140,608**	**-**	**140,608**	**-**
Islamic derivative financial assets	**40,597**	**4**	**40,597**	**4**
Financing of customers	**14,457,070**	**55,807**	**14,466,387**	**55,807**
Statutory deposits with Bank Negara Malaysia	**703,261**	**-**	**703,261**	**-**
Other financial assets	**2,092**	**3**	**8,239**	**3**
	22,103,828	**251,235**	**22,110,106**	**251,235**
Commitments and contingencies				
Contingent liabilities	**318,986**	**-**	**318,986**	**-**
Commitments	**2,687,016**	**28**	**2,687,016**	**28**
Derivative financial instruments	**5,008,857**	**9**	**5,008,857**	**9**
	8,014,859	**37**	**8,014,859**	**37**
Total credit exposures	**30,118,687**	**251,272**	**30,124,965**	**251,272**

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis

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	
31 March 2015	**Domestic RM'000**	**Labuan RM'000**	**Domestic RM'000**	**Labuan RM'000**
On Balance Sheet Exposures				
Cash and short-term funds	1,063,323	52,486	1,063,323	52,486
Cash and placements with financial institutions	111,135	-	111,135	-
Financial investment designated at fair value through profit and loss	4,103	114,554	3	114,554
Financial investment available-for-sale	6,406,100	29,379	6,406,100	29,379
Financial investment held-to-maturity	139,042	-	139,042	-
Islamic derivative financial assets	43,293	1,085	43,293	1,085
Financing of customers	13,407,776	6,894	13,418,959	6,894
Statutory deposits with Bank Negara Malaysia	757,721	-	757,721	-
Other financial assets	6,959	4	6,209	4
	21,939,452	204,402	21,945,785	204,402
Commitments and contingencies				
Contingent liabilities	327,695	-	327,695	-
Commitments	3,271,501	-	3,271,501	-
Derivative financial instruments	5,856,114	-	- 5,856,114	- -
	9,455,310	-	9,455,310	-
Total credit exposures	31,394,762	204,402	31,401,095	204,402

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Exposures of Financial Assets by Maturity Distribution

Table 10: Maturities of financial assets by remaining contractual maturity

Group 31 March 2016	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	**1,008,391**	**-**	**-**	**-**	**1,008,391**
Cash and placements with financial institutions	**60,710**	**-**	**-**	**-**	**60,710**
Financial investments designated at fair value through profit or loss	**-**	**-**	**-**	**186,355**	**186,355**
Financial investment available-for-sale	**298,397**	**343,335**	**3,604,916**	**1,453,517**	**5,700,165**
Financial investment held-to-maturity	**-**	**-**	**-**	**140,608**	**140,608**
Islamic derivative financial assets	**32,327**	**8,274**	**-**	**-**	**40,601**
Financing of customers	**2,966,014**	**946,379**	**4,794,868**	**5,805,616**	**14,512,877**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**703,261**	**703,261**
Other financial assets	**-**	**2,092**	**-**	**-**	**2,092**
Total On-Balance Sheet Exposures	**4,365,839**	**1,300,080**	**8,399,784**	**8,289,357**	**22,355,060**

Group 31 March 2015	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,115,809	-	-	-	1,115,809
Cash and placements with financial institutions	111,135	-	-	-	111,135
Financial investments designated at fair value through profit or loss	-	3	-	118,654	118,657
Financial investment available-for-sale	459,444	564,672	4,028,222	1,383,141	6,435,479
Financial investment held-to-maturity	-	-	-	139,042	139,042
Islamic derivative financial assets	35,780	8,598	-	-	44,378
Financing of customers	2,213,900	949,996	4,466,025	5,784,749	13,414,670
Statutory deposits with Bank Negara Malaysia	-	-	-	757,721	757,721
Other financial assets	-	6,963	-	-	6,963
Total On-Balance Sheet Exposures	3,936,068	1,530,232	8,494,247	8,183,307	22,143,854

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Exposures of Financial Assets by Maturity Distribution (cont'd)

Table 10: Maturities of financial assets by remaining contractual maturity (cont'd)

Bank 31 March 2016	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	**1,008,391**	**-**	**-**	**-**	**1,008,391**
Cash and placements with financial institutions	**60,710**	**-**	**-**	**-**	**60,710**
Financial investments designated at fair value through profit or loss	**-**	**-**	**-**	**177,322**	**177,322**
Financial investment available-for-sale	**298,397**	**343,335**	**3,604,763**	**1,453,517**	**5,700,012**
Financial investment held-to-maturity	**-**	**-**	**-**	**140,608**	**140,608**
Islamic derivative financial assets	**32,327**	**8,274**	**-**	**-**	**40,601**
Financing of customers	**2,966,014**	**946,379**	**4,794,868**	**5,814,933**	**14,522,194**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**703,261**	**703,261**
Other financial assets	**-**	**8,239**	**-**	**-**	**8,239**
Total On-Balance Sheet Exposures	**4,365,839**	**1,306,227**	**8,399,631**	**8,289,641**	**22,361,338**

Bank 31 March 2015	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,115,809	-	-	-	1,115,809
Cash and placements with financial institutions	111,135	-	-	-	111,135
Financial investments designated at fair value through profit and loss	-	3	-	114,554	114,557
Financial investment available-for-sale	459,444	564,672	4,028,222	1,383,141	6,435,479
Financial investment held-to-maturity	-	-	-	139,042	139,042
Islamic derivative financial assets	35,780	8,598	-	-	44,378
Financing of customers	2,213,900	949,996	4,466,025	5,795,932	13,425,853
Statutory deposits with Bank Negara Malaysia	-	-	-	757,721	757,721
Other financial assets	-	6,213	-	-	6,213
Total On-Balance Sheet Exposures	3,936,068	1,529,482	8,494,247	8,190,390	22,150,187

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Management Approach

Credit risk is inherent in all credit-related activities such as in the granting of financing facilities and participation in treasury and investment banking activities.

Credit risk exposures are controlled and managed at every stage of the credit process through various methods and techniques. At the point of origination, the credit exposure is assessed with well-defined financing granting criteria, which include the identification of a clear and adequate source of payment or income generation from the customer, structuring of an effective financing package and incorporation of appropriate risk mitigants.

The Bank's credit-origination and granting activities are segregated by business lines based on customer types/business segments. Specifically, these are Business Banking for corporate, commercial and retail SME customers, Consumer Banking for retail/individual customers and Investment Banking for syndications and capital market instruments. These departments are responsible for marketing, developing and managing the Bank's financing and investment assets as well as ensuring the quality and timely delivery of its products and services.

The Bank has an established structure to facilitate the credit approval process which defines the appropriate level of approving authority and limits. These approving authority and limits are duly sanctioned by the Board and are subject to periodic reviews to assess its effectiveness as well as compliance. To enhance the risk identification process, the financing proposals by the origination departments are subjected to independent credit reviews and risk assessments by the relevant credit assessment departments prior to submission to the approving authority for decision.

Credit portfolios are managed and monitored against stipulated portfolio exposure limits with the objective to avoid credit concentration and excessive build-up of exposures and to preserve the credit portfolios' quality through timely and appropriate corrective actions.

The Credit Risk report is produced and deliberated at the management and board level committees on a monthly basis to monitor the overall exposures and limits. Risk Profiling Analysis on selected asset portfolios is conducted on a regular basis to analyze the asset quality for possible deterioration or concentration build-up and potential weaknesses or threats arising from internal and external factors.

Stress Test on credit exposures is used as a tool to identify possible events or future changes in the financial and economic conditions that could have an unfavorable impact on the Bank's exposures. It is also used to assess the Bank's ability to withstand such changes in relation to the capacity of capital and earnings to absorb potentially significant losses.

The monitoring and recovery of delinquent and problematic financing accounts are undertaken by two departments; namely the Consumer Financing Supervision and Recovery Department (CFSRD) and the Business Financing Supervision and Recovery Department (BFSRD). Within the BFSRD, the Early Care and Remedial Management units have been tasked to monitor and undertake pre-emptive measures on business financing with early warning signs to prevent further deterioration and/or initiate rehabilitation actions such as rescheduling and restructuring of the affected accounts.

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Management Approach (cont'd.)

Classification and loss provisioning of the Bank's impaired financing and investment assets is performed upon determination of impairment evidence and by categorization into individual and collective assessment. The process and approach is defined in the GCRP and other related policies and SOPs as prescribed under the FRS139 and BNM guidelines.

The Bank implemented a new risk rating approach for its business and consumer financing portfolios, introduced gradually from year 2011. Credit scorecards using statistical and heuristic-based methodologies were developed and applied to assess the customers' risk levels and assist in the Bank's credit decision. The credit risk grades are also used in portfolio monitoring and limit setting and in building a more robust estimation of credit losses in the future as prescribed under the "Internal Rating Based" (IRB) approach.

Aside from the credit risk rating, the Bank is also enhancing its portfolio management capability through the development of a data mart and acquisition of more analytical and risk management systems. These initiatives are undertaken in Phase 2 of the MBS project and are expected to enhance the Bank's risk management capability in the longer term.

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers

Table 11: Credit quality financing of customers

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

Financing of customers are analysed as follows:

	Neither past due nor impaired		Past due but not	Impaired	
Group	**Good**	**Satisfactory**	**impaired**	**financing**	**Total**
31 March 2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Term financing					
- Home financing	**4,010,889**	**267,635**	**192,189**	**75,343**	**4,546,056**
- Syndicated financing	**508,030**	**-**	**-**	**-**	**508,030**
- Hire purchase receivables	**810,831**	**33,068**	**28,041**	**28,456**	**900,396**
- Leasing receivables	**-**	**-**	**-**	**9,038**	**9,038**
- Other term financing	**6,055,712**	**69,584**	**69,898**	**111,916**	**6,307,110**
Other financing	**2,389,720**	**32,709**	**7,618**	**101,717**	**2,531,764**
	13,775,182	**402,996**	**297,746**	**326,470**	**14,802,394**
Less:					
- Collective assesment allowance	**-**	**-**	**-**	**-**	**(208,439)**
- Individual assesment allowance	**-**	**-**	**-**	**(81,078)**	**(81,078)**
Total net financing	**13,775,182**	**402,996**	**297,746**	**245,392**	**14,512,877**

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality financing of customers (cont'd)

Financing of customers are analysed as follows:

Group 31 March 2015	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	3,380,316	383,492	291,072	103,743	4,158,623
- Syndicated financing	340,712	-	-	-	340,712
- Hire purchase receivables	968,276	34,228	35,630	36,313	1,074,447
- Leasing receivables	-	-	-	12,596	12,596
- Other term financing	5,311,584	92,434	60,356	67,260	5,531,634
Other financing	2,438,827	10,665	9,222	119,802	2,578,516
	12,439,715	520,819	396,280	339,714	13,696,528
Less:					
- Collective assesment allowance	-	-	-	-	(239,227)
- Individual assesment allowance	-	-	-	(42,631)	(42,631)
Total net financing	12,439,715	520,819	396,280	297,083	13,414,670

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality financing of customers (cont'd)

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

Financing of customers are analysed as follows:

Bank 31 March 2016	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	**4,010,889**	**267,635**	**192,189**	**75,343**	**4,546,056**
- Syndicated financing	**508,030**	**-**	**-**	**-**	**508,030**
- Hire purchase receivables	**810,831**	**33,068**	**28,041**	**28,456**	**900,396**
- Leasing receivables	**-**	**-**	**-**	**9,038**	**9,038**
- Other term financing	**6,065,029**	**69,584**	**69,898**	**111,916**	**6,316,427**
Other financing	**2,389,720**	**32,709**	**7,618**	**101,717**	**2,531,764**
	13,784,499	**402,996**	**297,746**	**326,470**	**14,811,711**
Less:					
- Collective assesment allowance	**-**	**-**	**-**	**-**	**(208,439)**
- Individual assesment allowance	**-**	**-**	**-**	**(81,078)**	**(81,078)**
Total net financing	**13,784,499**	**402,996**	**297,746**	**245,392**	**14,522,194**

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality financing of customers (cont'd)

Financing of customers are analysed as follows:

Bank 31 March 2015	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	3,380,316	383,492	291,072	103,743	4,158,623
- Syndicated financing	340,712	-	-	-	340,712
- Hire purchase receivables	968,276	34,228	35,630	36,313	1,074,447
- Leasing receivables	-	-	-	12,596	12,596
- Other term financing	5,322,767	92,434	60,356	73,260	5,548,817
Other financing	2,438,827	10,665	9,222	119,802	2,578,516
	12,450,898	520,819	396,280	345,714	13,713,711
Less:					
- Collective assesment allowance	-	-	-	-	(239,227)
- Individual assesment allowance	-	-	-	(48,631)	(48,631)
Total net financing	12,450,898	520,819	396,280	297,083	13,425,853

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

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

(i) Neither past due nor impaired

Gross financing and advances which are neither past due nor impaired:

- "Good Grade" refers to financing and advances which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.

- "Satisfactory Grade" refers to financing and advances which may have been past due or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

(ii) Rescheduled/restructured financing

Rescheduling or restructuring activities include extended payment arrangements, and the modification and deferral of payments. The carrying amounts by type of financing that would otherwise be past due or impaired whose terms have been renegotiated are as follows:

Table 12: Rescheduled/ restructured financing

Rescheduling or restructuring activities include extended payment arrangements, and the modification and deferral of payments. The carrying amount by type of financing that would otherwise be past due or impaired whose terms have been renegotiated are as follows:

Group and Bank	**31 March 2016 RM'000**	**31 March 2015 RM'000**
Term financing		
- Home financing	**-**	116,136
- Hire purchase receivables	**-**	5,191
- Other term financing	**-**	62,436
Total	**-**	183,763

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

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

(iii) Past due but not impaired

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

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

Table 13: Past due but not impaired

Group and Bank 31 March 2016	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	**-**	**141,222**	**50,967**	**192,189**
- Hire purchase receivables	**-**	**22,153**	**5,888**	**28,041**
- Other term financing	**-**	**46,871**	**23,027**	**69,898**
Other financing	**-**	**3,437**	**4,181**	**7,618**
Total	**-**	**213,683**	**84,063**	**297,746**

Group and Bank 31 March 2015	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	187,108	103,963	291,071
- Hire purchase receivables	-	24,807	10,823	35,630
- Other term financing	-	39,014	21,342	60,356
Other financing	891	6,740	1,592	9,223
Total	891	257,669	137,720	396,280

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

(iii) Past due but not impaired (cont'd)

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

Group and Bank	31 March 2016 RM'000	31 March 2015 RM'000
Purchase of transport vehicles	**28,207**	35,475
Purchase of landed properties of which:		
– residential	**195,728**	292,977
– non-residential	**13,253**	29,490
Purchase of fixed assets (excluding landed properties)	**879**	-
Personal use	**56,837**	30,796
Construction	**933**	-
Other purpose	**1,909**	7,542
	297,746	396,280

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	31 March 2016 RM'000	31 March 2015 RM'000
Domestic	**297,746**	396,280
Labuan Offshore	**-**	-
	297,746	396,280

(iv) Impaired financing

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

Individual assessment allowance

(a) principal or profit or both are past due for more than three (3) months or more;

(b) where financing in arrears for less than three (3) months exibits indications of credit weaknesses; or

(c) where an impaired financing has been rescheduled or restructured, the financing continues to be classified as impaired until payment based on the rescheduled and restructured terms have been observed continuously for a minimum period of six (6) months.

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

(iv) Impaired financing (cont'd)

Individual assessment allowance (cont'd.)

In addition, all financing considered significant are individually assessed on a case-by-case basis at each reporting date to ascertain if there is any objective evidence that the financing is impaired. The criteria that the Group and the Bank use to determine that there is objective evidence of impairment include:

a) Bankruptcy petition filed against the customer
b) Customer resorting to Section 176 Companies Act 1965 (and alike)
c) Other banks calling their lines (revealed through publicised news, etc)
d) Customer involved in material fraud
e) Excess drawing or unpaid profit / principal
f) 90 days past due
g) Abandoned project
h) Future cash flows barely covers profit
i) Distressed debt restructuring
j) Improper use of credit lines
k) Legal action by other creditors

Collectively assessed allowances

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

The financial effects of the adoption of MFRS in relation to other areas on the Group's and the Bank's financial statements are disclosed in Note 2.3.

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose

The following tables present an analysis of the impaired financing by economic purpose.

Group	31 March 2016						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	64	-	-	-	-	103	103
Purchase of transport vehicles	26,876	-	7,561	-	7,561	24,757	32,318
Purchase of landed properties of which:		-					
– residential	76,335	-	-	-	-	59,338	59,338
– non-residential	8,333	-	-	-	-	6,220	6,220
Purchase of fixed assets (excluding landed properties)	9,038	- 150	(149)	-	1	772	773
Personal use	93,739	-	-	-	-	101,627	101,627
Construction	15	15	-	-	15	664	679
Working capital	104,795	41,798	34,228	(6,202)	69,824	12,361	82,185
Other purpose	7,275	668	3,009	-	3,677	2,597	6,274
	326,470	42,631	44,649	(6,202)	81,078	208,439	289,517

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Group	31 March 2015						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	71	-	-	-	-	118	118
Purchase of transport vehicles	36,309	-	-	-	-	45,631	45,631
Purchase of landed properties of which:		-					
– residential	104,076	-	-	-	-	96,551	96,551
– non-residential	5,127	-	-	-	-	9,746	9,746
Purchase of fixed assets (excluding landed properties)	12,745	- 354	(204)	-	150	1,361	1,511
Personal use	58,181	-	-	-	-	68,294	68,294
Construction	15	21,434	23,771	(45,190)	15	179	194
Working capital	122,377	46,731	6,224	(11,157)	41,798	15,098	56,896
Other purpose	813	5,973	(84)	(5,221)	668	2,249	2,917
	339,714	74,492	29,707	(61,568)	42,631	239,227	281,858

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Bank	31 March 2016						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment 31 March RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	64	-	-	-	-	103	103
Purchase of transport vehicles	26,876	-	7,561	-	7,561	24,757	32,318
Purchase of landed properties of which:							
– residential	76,335	-	-	-	-	59,338	59,338
– non-residential	8,333	-	-	-	-	6,220	6,220
Purchase of fixed assets (excluding landed properties)	9,038	149	(149)	-	-	772	772
Personal use	93,739	-	-	-	-	101,627	101,627
Construction	15	15	-	-	15	664	679
Working capital	104,795	47,798	34,228	(12,202)	69,824	12,361	82,185
Other purpose	7,275	669	3,009	-	3,678	2,597	6,275
	326,470	48,631	44,649	(12,202)	81,078	208,439	289,517

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Bank	31 March 2015						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment 31 March RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	71	-	-	-	-	118	118
Purchase of transport vehicles	36,309	-	-	-	-	45,631	45,631
Purchase of landed properties of which:	-	-	-	-	-	-	
– residential	104,076	-	-	-	-	96,551	96,551
– non-residential	5,127	-	-	-	-	9,746	9,746
Purchase of fixed assets (excluding landed properties)	12,745	354	(204)	-	149	1,361	1,510
Personal use	58,181	-	-	-	-	68,294	68,294
Construction	15	21,434	23,771	(45,190)	15	179	194
Working capital	128,377	52,731	6,224	(11,157)	47,798	15,098	62,896
Other purpose	813	5,973	(84)	(5,221)	669	2,249	2,918
	345,714	80,492	29,707	(61,568)	48,631	239,227	287,858

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 15: Impaired financing by geographical distribution

The following tables present an analysis of the impaired financing by geographical distribution.

Group	31 March 2016						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at RM'000	Collective Assessment Allowance at RM'000	Total Impairment Allowances for Financing RM'000
Domestic	**326,470**	**42,631**	**44,649**	**(6,202)**	**81,078**	**208,385**	**289,463**
Labuan offshore	**-**	**-**	**-**	**-**	**-**	**54**	**54**
	326,470	**42,631**	**44,649**	**(6,202)**	**81,078**	**208,439**	**289,517**

Group	31 March 2015						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at RM'000	Collective Assessment Allowance at RM'000	Total Impairment Allowances for Financing RM'000
Domestic	339,714	67,809	29,707	(54,885)	42,631	239,222	281,853
Labuan offshore	-	6,683	-	(6,683)	-	5	5
	339,714	74,492	29,707	(61,568)	42,631	239,227	281,858

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 15: Impaired financing by geographical distribution (cont'd)

The following tables present an analysis of the impaired financing by geographical distribution.

Bank	31 March 2016						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at RM'000	Collective Assessment Allowance at RM'000	Total Impairment Allowances for Financing RM'000
Domestic	**326,470**	**48,631**	**44,649**	**(12,202)**	**81,078**	**208,385**	**289,463**
Labuan offshore	**-**	**-**	**-**	**-**	**-**	**54**	**54**
	326,470	**48,631**	**44,649**	**(12,202)**	**81,078**	**208,439**	**289,517**

Bank	31 March 2015						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at RM'000	Collective Assessment Allowance at RM'000	Total Impairment Allowances for Financing RM'000
Domestic	345,714	73,809	29,707	(54,885)	48,631	239,222	287,853
Labuan offshore	-	6,683	-	(6,683)	-	5	5
	345,714	80,492	29,707	(61,568)	48,631	239,227	287,858

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

(iv) Impaired financing (cont'd)

Collateral and other credit enhancements

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

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

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

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank is at 100.6% as at 31 March 2015, (31 March 2014 of 86.0% for the Group and the Bank). The financial effect of collateral held for other financial assets is not significant.

At 31 March 2016, the fair value of collateral that the Group and Bank hold relating to financing of customers individually determined to be impaired amounts to RM84,028,221 as compared with 31 March 2015 of RM100,622,189. The collateral consists of cash, securities, letters of guarantee and properties.

(v) Repossessed Collateral

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

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach)

The Group and the Bank use the external rating agencies such as MARC, RAM, Moody's, Standard & Poors, Fitch and R&I for rating of commercial papers (CPs) and corporate bonds (CBs) or participation of syndication or underwriting of PDS issuance.

Each ECAI is used based on the types of exposures as described per Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's and the Bank's credit exposures that are presently not mapped to the ECAI ratings are depicted below as unrated. Rating for financing exposure based on the obligor rating and treasury exposure based on issue rating of the exposure.

Table 16: Rating distribution on credit exposures

Group
31 March 2016

	Rating by Approved ECAIS										
Exposure Class	**AAA**	**AA+**	**AA**	**AA-**	**A**	**BBB**	**BB+ TO BB-**	**P1/MARC1**	**Unrated**	**Others**	**Grand Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	**-**	**-**	**-**	**-**	**5,945,011**	**-**	**-**	**-**	**-**	**-**	**5,945,011**
Public Sector Entities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**52,626**	**-**	**52,626**
Banks, Development Financial Institutions	**25,901**	**38,281**	**390,029**	**-**	**-**	**-**	**-**	**28,858**	**262,902**	**-**	**745,971**
Corporates	**954,242**	**129,595**	**630,629**	**1,516,193**	**58,629**	**140,608**	**13,831**	**-**	**3,775,538**	**-**	**7,219,265**
Regulatory Retail	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,252,224**	**5,252,224**
Residential Mortgages	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,472,376**	**4,472,376**
Higher Risk Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**424,926**	**424,926**
Total	**980,143**	**167,876**	**1,020,658**	**1,516,193**	**6,003,640**	**140,608**	**13,831**	**28,858**	**4,091,066**	**10,149,526**	**24,112,399**

Group
31 March 2015

	Rating by Approved ECAIS										
Exposure Class	**AAA**	**AA+**	**AA**	**AA-**	**A**	**BBB**	**BB+ TO BB-**	**P1/MARC1**	**Unrated**	**Others**	**Grand Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	-	-	-	-	6,056,128	-	-	-	-	-	6,056,128
Public Sector Entities	-	-	-	-	-	-	-	-	53,306	-	53,306
Banks, Development Financial Institutions	362,727	350,433	142,277	50,481	466	-	-	27,461	221,368	-	1,155,213
Corporates	1,419,310	389,900	188,676	668,873	22,458	139,042	38,624	-	4,415,746	-	7,282,629
Regulatory Retail	-	-	-	-	-	-	-	-	-	5,646,164	5,646,164
Residential Mortgages	-	-	-	-	-	-	-	-	-	3,421,905	3,421,905
Higher Risk Assets	-	-	-	-	-	-	-	-	109,315	-	109,315
Other Assets	-	-	-	-	-	-	-	-	-	421,334	421,334
Total	1,782,037	740,333	330,953	719,354	6,079,052	139,042	38,624	27,461	4,799,735	9,489,403	24,145,994

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Bank
31 March 2016

Exposure Class	Rating by Approved ECAIS										
	AAA	AA+	AA	AA-	A	BBB	BB+ TO BB-	P1/MARC1	Unrated	Others	Grand Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	-	-	-	-	**5,945,011**	-	-	-	-	-	**5,945,011**
Public Sector Entities	-	-	-	-	-	-	-	-	**52,626**	-	**52,626**
Banks, Development Financial Institutions	**25,901**	**38,281**	**390,029**	-	-	-	-	**28,858**	**262,902**	-	**745,971**
Corporates	**954,242**	**129,595**	**630,629**	**1,516,193**	**58,629**	**140,608**	**13,831**	-	**3,775,668**	-	**7,219,395**
Regulatory Retail	-	-	-	-	-	-	-	-	-	**5,252,224**	**5,252,224**
Residential Mortgages	-	-	-	-	-	-	-	-	-	**4,472,376**	**4,472,376**
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	**429,621**	**429,621**
Total	**980,143**	**167,876**	**1,020,658**	**1,516,193**	**6,003,640**	**140,608**	**13,831**	**28,858**	**4,091,196**	**10,154,221**	**24,117,224**

Bank
31 March 2015

Exposure Class	Rating by Approved ECAIS										
	AAA	AA+	AA	AA-	A	BBB	BB+ TO BB-	P1/MARC1	Unrated	Others	Grand Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	-	-	-	-	6,056,128	-	-	-	-	-	6,056,128
Public Sector Entities	-	-	-	-	-	-	-	-	53,306	-	53,306
Banks, Development Financial Institutions	362,727	350,433	142,277	50,481	466	-	-	27,461	221,368	-	1,155,213
Corporates	1,419,310	389,900	188,676	668,873	22,458	139,042	38,624	-	4,532,144	-	7,399,027
Regulatory Retail	-	-	-	-	-	-	-	-	-	5,646,164	5,646,164
Residential Mortgages	-	-	-	-	-	-	-	-	-	3,421,905	3,421,905
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	419,716	419,716
Total	1,782,037	740,333	330,953	719,354	6,079,052	139,042	38,624	27,461	4,806,818	9,487,785	24,151,459

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class		Ratings of Corporate by Approved ECAIs				
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Credit Exposures (Using Corporate Risk Weights)						
Group and Bank						
31 March 2016						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	**52,626**
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		**3,230,659**	**58,629**	**140,608**	**13,831**	**3,775,538**
Total		**3,230,659**	**58,629**	**140,608**	**13,831**	**3,828,164**
Group and Bank						
31 March 2015						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	53,306
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		2,666,759	22,458	139,042	38,624	4,532,144
Total		2,666,759	22,458	139,042	38,624	4,585,450

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	2	3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	RII Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Group and Bank						
31 March 2016						
Banks, MDBs and FDIs		**28,858**	-	-	-	-
Credit Exposures (using Corporate Risk Weights)		-	-	-	-	-
Corporates		-	-	-	-	-
Total		**28,858**	-	-	-	-
Group and Bank						
31 March 2015						
Banks, MDBs and FDIs		27,461	-	-	-	-
Credit Exposures (using Corporate Risk Weights)		-	-	-	-	-
Corporates		-	-	-	-	-
Total		27,461	-	-	-	-

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Group and Bank
31 March 2016

Exposure Class		Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		-	**5,945,011**	-	-	-	-
Total		-	**5,945,011**	-	-	-	-

Group and Bank
31 March 2015

Exposure Class		Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		-	6,056,128	-	-	-	-
Total		-	6,056,128	-	-	-	-

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class		Ratings of Banking Institutions by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Group and Bank							
31 March 2016							
Banks, MDBs and FDIs		**454,211**	**-**	**-**	**-**	**-**	**262,902**
Total		**454,211**	**-**	**-**	**-**	**-**	**262,902**
Group and Bank							
31 March 2015							
Banks, MDBs and FDIs		905,918	466	-	-	-	221,368
Total		905,918	466	-	-	-	221,368

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows:

Table 17: Credit risk disclosure by risk weights

31 March 2016

Group	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	RM'000	RM'000
Risk-Weights											
0%	**5,945,011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100,407**	**6,045,418**	**-**
20%	**-**	**51,770**	**745,969**	**1,857,722**	**-**	**-**	**-**	**-**	**-**	**2,655,461**	**531,092**
35%	**-**	**-**	**-**	**-**	**-**	**2,219,360**	**-**	**-**	**-**	**2,219,360**	**776,776**
50%	**-**	**-**	**-**	**297,777**	**22,042**	**914,597**	**-**	**-**	**-**	**1,234,416**	**617,208**
75%	**-**	**-**	**-**	**-**	**2,146,095**	**169,053**	**-**	**-**	**-**	**2,315,148**	**1,736,361**
100%	**-**	**-**	**-**	**4,963,897**	**3,068,310**	**1,169,367**	**-**	**-**	**324,519**	**9,526,093**	**9,526,093**
150%	**-**	**-**	**-**	**40,636**	**-**	**-**	**-**	**-**	**-**	**40,636**	**60,955**
Total	**5,945,011**	**51,770**	**745,969**	**7,160,032**	**5,236,447**	**4,472,377**	**-**	**-**	**424,926**	**24,036,532**	**13,248,485**

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2015

Group	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
Risk-Weights											
0%	6,056,128	-	-	-	-	-	-	-	72,464	6,128,593	-
20%	-	53,256	1,158,559	2,666,758	-	-	-	-	-	3,878,573	775,715
35%	-	-	-	-	-	1,340,013	-	-	-	1,340,013	469,005
50%	-	-	-	24,670	12,080	746,230	-	-	-	782,980	391,490
75%	-	-	-	-	3,262,774	261,533	-	-	-	3,524,308	2,643,231
100%	-	-	-	4,426,752	2,354,128	1,074,128	-	-	345,524	8,200,532	8,200,532
150%	-	-	-	86,827	-	-	-	109,315	-	196,142	294,213
Total	6,056,128	53,256	1,158,559	7,205,007	5,628,982	3,421,904	-	109,315	417,988	24,051,141	12,774,186

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2016

Bank

	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	RM'000	RM'000
Risk-Weights											
0%	**5,945,011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100,406**	**6,045,417**	**-**
20%	**-**	**51,770**	**745,969**	**1,857,723**	**-**	**-**	**-**	**-**	**-**	**2,655,462**	**531,092**
35%	**-**	**-**	**-**	**-**	**-**	**2,219,360**	**-**	**-**	**-**	**2,219,360**	**776,776**
50%	**-**	**-**	**-**	**297,777**	**22,042**	**914,597**	**-**	**-**	**-**	**1,234,416**	**617,208**
75%	**-**	**-**	**-**	**-**	**2,146,095**	**169,053**	**-**	**-**	**-**	**2,315,148**	**1,736,361**
100%	**-**	**-**	**-**	**4,964,027**	**3,068,310**	**1,169,367**	**-**	**-**	**329,215**	**9,530,919**	**9,530,919**
150%	**-**	**-**	**-**	**40,636**	**-**	**-**	**-**	**-**	**-**	**40,636**	**60,955**
Total	**5,945,011**	**51,770**	**745,969**	**7,160,163**	**5,236,447**	**4,472,377**	**-**	**-**	**429,621**	**24,041,358**	**13,253,311**

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2015

Bank	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	RM'000	RM'000
Risk-Weights											
0%	6,056,128	-	-	-	-	-	-	-	72,464	6,128,592	-
20%	-	53,256	1,158,559	2,666,758	-	-	-	-	-	3,878,573	755,715
35%	-	-	-	-	-	1,340,013	-	-	-	1,340,013	469,005
50%	-	-	-	24,670	12,080	746,230	-	-	-	782,980	391,490
75%	-	-	-	-	3,262,774	261,533	-	-	-	3,524,307	2,643,231
100%	-	-	-	4,543,150	2,354,128	1,074,128	-	-	343,908	8,315,314	8,315,312
150%	-	-	-	86,827	-	-	-	-	-	86,827	130,241
Total	6,056,128	53,256	1,158,559	7,321,405	5,628,982	3,421,904	-	-	416,372	24,056,606	12,704,994

6.0 Credit Risk Mitigation (CRM) Disclosures under the Standardised Approach

Upon assessment of a customer's credit standing and payment capacity and identification of the proposed financing's source of repayment, the Bank may provide a financing facility on a secured, partially secured or unsecured basis. In mitigating its credit exposure, the Group and the Bank may employ Credit Risk Mitigants (CRM) in the form of collaterals and other supports. Examples of these CRMs include charges over residential and commercial properties being financed; pledge over shares and marketable securities, ownership claims over vehicles being financed, and supports in the form of debentures, assignments and guarantees.

The Bank utilise specific techniques to identify eligible collaterals and securities and ascertain their value, and subsequently, implement adequate monitoring process to ensure continued coverage and enforceability.

Credit documentation, administration and disbursement are carried out under clear guidelines and procedures to ensure protection and enforceability of collaterals and other credit risk mitigants. Valuation updates of collaterals are concurrently done during the periodic review of the financing facilities to reflect current market value and ensure adequacy and continued coverage.

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group and the Bank does not have any credit exposure which is reduced through the application of other eligible collateral.

Table 18: Credit risk mitigation on credit exposures

Group 31 March 2016	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	**5,195,650**	**-**	**5,195,650**
Public sector entities	**49,981**	**856**	**49,125**
Banks, Development Financial Institution & MDBs	**668,202**	**-**	**668,202**
Corporates	**6,609,519**	**59,232**	**6,550,287**
Regulatory retail	**5,203,241**	**15,776**	**5,187,465**
Residential real estate	**4,434,585**	**-**	**4,434,585**
Higher risk assets	**-**	**-**	**-**
Other assets	**424,924**	**-**	**424,924**
Defaulted exposure	**127,918**	**-**	**127,918**
	22,714,020	**75,864**	**22,638,156**
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	**1,288,308**	**-**	**1,288,308**
Derivative financial instruments	**110,068**	**-**	**110,068**
	1,398,376	**-**	**1,398,376**
Total Credit Exposures	**24,112,396**	**75,864**	**24,036,532**

Note:

** After netting and credit risk mitigation*

6.0 Credit Risk Mitigation (CRM) Disclosures under the Standardised Approach (cont'd)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Group 31 March 2015	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	5,306,596	-	5,306,596
Public sector entities	51,481	50	51,431
Banks, Development Financial Institution & MDBs	1,040,417	-	1,040,417
Corporates	6,489,792	77,621	6,412,171
Regulatory retail	5,576,767	17,184	5,559,583
Residential real estate	3,370,971	-	3,370,971
Higher risk assets	109,315	-	109,315
Other assets	417,992	-	417,992
Defaulted exposure	178,408	-	178,408
	22,541,739	94,855	22,446,884
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,446,740	-	1,446,740
Derivative financial instruments	157,517	-	157,517
	1,604,257	-	1,604,257
Total Credit Exposures	24,145,996	94,855	24,051,141

Note:

* After netting and credit risk mitigation

6.0 Credit Risk Mitigation (CRM) Disclosures under the Standardised Approach (cont'd)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Bank 31 March 2016	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central Banks	**5,195,650**	**-**	**5,195,650**
Public Sector Entities	**49,981**	**856**	**49,125**
Banks, Development Financial Institution & MDBs	**668,202**	**-**	**668,202**
Corporates	**6,609,649**	**59,232**	**6,550,417**
Regulatory Retail	**5,203,241**	**15,776**	**5,187,465**
Residential Real Estate	**4,434,585**	**-**	**4,434,585**
Higher Risk Assets	**-**	**-**	**-**
Other Assets	**429,620**	**-**	**429,620**
Defaulted Exposures	**127,918**	**-**	**127,918**
	22,718,846	**75,864**	**22,642,982**
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	**1,288,308**	**-**	**1,288,308**
Derivative Financial Instruments	**110,068**	**-**	**110,068**
	1,398,376	**-**	**1,398,376**
Total Credit Exposures	**24,117,222**	**75,864**	**24,041,358**

Note:
** After netting and credit risk mitigation*

6.0 Credit Risk Mitigation (CRM) Disclosures under the Standardised Approach (cont'd)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Bank 31 March 2015	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central Banks	5,306,596	-	5,306,596
Public Sector Entities	51,481	50	51,431
Banks, Development Financial Institution & MDBs	1,040,417	-	1,040,417
Corporates	6,606,190	77,621	6,528,569
Regulatory Retail	5,576,767	17,184	5,559,583
Residential Real Estate	3,370,971	-	3,370,971
Higher Risk Assets	-	-	-
Other Assets	416,374	-	416,374
Defaulted Exposures	178,408	-	178,408
	22,547,204	94,855	22,452,349
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,446,740	-	1,446,740
Derivative Financial Instruments	157,517	-	157,517
	1,604,257	-	1,604,257
Total Credit Exposures	24,151,461	94,855	24,056,606

Note:

** After netting and credit risk mitigation*

7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk (CCR)

Commitments and contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers.

Notwithstanding the above, the Bank establishes specific limits to manage its exposure to off-balance sheet and counterparty risks, which are derived based on, amongst others, the respective counterparty's financial strength and credit rating, sector limits, SCEL limits, connected party, domicile country's risk rating, existing relationship with the Bank and utilization trend of allocated limits. These limits are monitored and reviewed on a regular basis. No material losses are anticipated as a result of these transactions. Risk weighted exposures of commitments and contingencies are as follows:

Table 19: Commitments and contingencies

	Group and Bank					
	31 March 2016			31 March 2015		
The commitments and contigencies 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	**61,401**	**61,401**	**60,691**	62,225	62,225	62,072
Trade-related contingencies	**9,778**	**1,956**	**1,444**	18,829	3,766	2,810
Transaction related contingencies	**247,807**	**123,904**	**123,775**	246,641	123,320	122,737
Commitments						
Credit extension commitment:						
- Maturity within one year	**808,248**	**161,650**	**155,099**	1,261,070	252,214	229,846
- Maturity exceeding one year	**1,878,796**	**939,398**	**185,501**	2,010,431	1,005,215	240,756
Islamic derivative financial instruments						
Foreign exchange related contracts	**1,333,866**	**61,167**	**37,838**	2,181,114	67,921	44,486
Profit rate related contract	**3,675,000**	**48,901**	**9,780**	3,675,000	89,596	17,920
Total off-balance sheet exposures	**8,014,896**	**1,398,377**	**574,128**	9,455,310	1,604,257	720,627

7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk (CCR) (cont'd)

Islamic derivative financial assets/(liabilities)

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

	2016			2015		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
Group and Bank	**RM'000**	**Assets RM'000**	**Liabilities RM'000**	**RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading derivatives:						
Foreign exchange contracts:						
- Currency forwards						
Less than one year	**680,222**	**21,123**	**(19,656)**	388,499	33,163	(1,166)
- Currency swaps						
Less than one year	**580,728**	**19,123**	**(15,238)**	1,489,564	10,901	(33,758)
- Currency spot						
Less than one year	**72,916**	**305**	**(512)**	303,052	313	(461)
- Dual currency investment option	**-**	**50**	**(50)**	-	1	(1)
	1,333,866	**40,601**	**(35,456)**	2,181,115	44,378	(35,386)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	**2,175,000**	**-**	**(3,359)**	3,675,000	-	(10,807)
Hedged IPRS	**1,500,000**	**-**	**(10,544)**	-	-	-
Total	**5,008,866**	**40,601**	**(49,359)**	5,856,115	44,378	(46,193)

7.0 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 2016			31 March 2015		
	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
IPRS	**1,500,000**	**-**	**(10,544)**	-	-	-

Fair Value hedges

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

For the year ended 31 March 2016, the Group and the Bank:-

(i) recognised a net loss of RM3,465,996 (31 March 2015: Nil) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM4,469,645 (31 March 2015: Nil); and

(ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM7,052,482 (31 March 2015: RM1,771,572) due to the derecognition of the hedged items.

8.0 Market Risk and Assets-Liability Management (ALM)

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Asset-Liability Management (ALM) refers to the coordinated management of the Group's and the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Group's and the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Group and the Bank.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile that is consistent with Bank's strategic and business plan.

The Bank's market risk management and ALM objectives are to:

- Ensure the implementation of an effective market risk management system in the Bank
- Assume an appropriate balance between the level of risk and the level of return desired in order to maximize the return to shareholders' funds;
- Ensure prudent management of the Bank's resources to support the growth of the Bank's economic value; and
- Proactively manage the Bank's balance sheet in order to maximize earnings and attain its strategic goal within the overall risk/return preferences.

The Bank has an independent market risk control function that is responsible for measuring and managing market risk exposures in accordance with the Board-approved policies and guidelines. The unit reports to the ALCO Working Committee on a monthly basis, where issues on balance sheet and capital management are proactively discussed and any recommendation and decision reached are then escalated to the ERMC, BRMC and Board respectively.

The Bank has formulated several strategies to effectively manage and ensure a sound balance sheet profile that complements both regulatory and business requirements Among the strategies implemented for FYE 2015/2016 were:

- Build-up of an Islamic Profit Rate Swap (IPRS) portfolio as part of the rate of return risk management, where strategies have been outlined to optimize and hedge against market rate movements;
- Establishment of a subordinated sukuk program as part of the Bank's contingency capital and funding plan that focuses on strengthening the core and stable liquidity requirements as stipulated in the Basel 3 and CAFIB guidelines;
- Concentrate more on sourcing for deposits from retail and SME customers, longer term retail deposits, and deposits from transactional and operational accounts; and
- Review and enhancement of deposit products and features and introduction of more innovative deposit and investment account products.

The Bank's market risk management and ALM processes, which include risk identification, measurement, mitigation, monitoring and reporting are guided by the Market Risk and ALM Policies and Guidelines ("MRAPG") and the Trading Book Policy Statement ("TBPS").

The Bank defines and segregates its trading and banking book positions as outlined under the Trading Book Policy Statement. The policy covers the definition of trading and banking book for financial instruments, classification, performance and limit monitoring, position valuation and hedging requirements.

8.0 Market Risk and Assets-Liability Management (ALM) (cont'd)

Market Risk Measurement

1. Value at Risk

Value at Risk which includes the historical simulation is widely used by the Bank as a tool to measure the risk of loss on a specific portfolio of financial assets, limit setting activities and market forecasting.

2. Sensitivity Analysis

The Bank uses various methodologies in assessing the sensitivity of the Bank's portfolio against changes in the market variables.

3. Stress Testing and Scenario Analyses

Stress testing and scenario analyses are used as market risk and ALM tools for evaluation of potential impact on the Bank's performance under plausible extreme adverse conditions. The stress testing include the assessment on the funding and market liquidity, rate of return risk, displaced commercial risk and currency volatility.

Valuation Policy

The Group and the Bank adhere to the minimum prudent valuation practices as stipulated in the CAFIB and FRS139 guidelines. Based on these prudential requirements, broad internal guidelines have been drawn out as summarized below:

• Systems and Controls

The Group and the Bank have established and maintained adequate systems and controls to give the management and supervisors the confidence that the valuation estimates are prudent and reliable.

• Valuation Methodologies

There are three levels of fair value hierarchy applied to reflect the level of judgment involved in estimating fair values. The hierarchy is as follows:

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

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

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

8.1 Market Risk (Disclosures for Portfolios under the Standardised Approach) (cont'd)

As at 31 March 2016, the Group and the Bank used the standardized approach in computing the market risk weighted assets of the trading book position of the Group and the Bank. The following is the minimum regulatory requirement for market risk.

Table 21: Minimum regulatory requirement for market risk

Group and Bank
31 March 2016

	Long Position RM' 000	Short Position RM' 000	Risk weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	**704**	**(586)**	**17,961**	**1,437**
Foreign Currency Risk	**16,631**	**(894)**	**46,237**	**3,699**
Total	**17,335**	**(1,480)**	**64,198**	**5,136**

Group and Bank
31 March 2015

	Long Position RM' 000	Short Position RM' 000	Risk weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	1,010	(869)	6,918	553
Foreign Currency Risk	23,534	(75,697)	75,697	6,056
Total	24,544	(76,566)	82,615	6,609

8.2 Disclosure for Equities

The classification of equity investments must be made at the point of transaction. Equities are classified under the banking book when they are acquired and held for yield or capital growth purposes.

The Bank also engages in direct acquisition of newly-listed quoted shares. As stipulated under the TBPS, these investments are considered under the trading position with the exception of investments in subsidiaries and associates which would require prior BNM approval. Equities held under the trading book position are subject to market risk capital charge as specified in the CAFIB.

The oversight and supervision of investments in equities and equity funds resides within the Investment Committee's (IC) authority. This covers decisions on purchase and sale of stocks and ongoing review and monitoring of performance.

Table 22: Equity exposures

Group and Bank
31 March 2016

Publicly Traded	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/(Losses) RM'000
Investment in Unit Trust Funds	**-**	**-**	**-**
Investment in Quoted Shares	**95,776**	**95,776**	**(27,251)**
Total	**95,776**	**95,776**	**(27,251)**

31 March 2015

Publicly Traded	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/(Losses) RM'000
Investment in Unit Trust Funds	-	-	-
Investment in Quoted Shares	67,581	67,581	(5,127)
Total	67,581	67,581	(5,127)

8.3 Disclosure for Rate of Return Risk in Banking Book ("RORBB")

Rate of Return Risk ("RoR") Management

Rate of return risk refers to the variability of the Bank's assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. The Bank actively manages the following risks:

Table 23: Rate of return risks

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

Rate of Return Risk Measurement

The Bank measures various parallel rate shocks scenarios (up to 100 basis points as per Basel II recommendations) and its impact on earnings and equities by assessing key assumptions which incorporates the Bank's balance sheet profile, business strategies, economic outlook and behavioural analysis of non-maturity deposits. Among the various analyses that are carried out are:

1. Earning at Risk (EaR)

The focus of this analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Bank by undermining its capital adequacy and reducing market confidence.

2. Economic Value of Equity (EVE)

Economic value of a bank can be viewed as the present value of the Bank's expected net repricing balance weighted by duration, which can be defined as the expected repricing balance on assets minus the expected repricing balance on liabilities plus the expected net repricing balance on off-balance-sheet position. The sensitivity of a bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

8.3 Disclosure for Rate of Return Risk in Banking Book ("RORBB") (cont'd)

Rate of Return Risk Measurement (cont'd)

3. Repricing Gap Analysis

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

4. Other Risk Assessment

Simulation analysis is used to evaluate the impact of possible decisions that includes assessment on product pricing, new product introduction, derivatives and hedging strategies, changes in the asset-liability mix and short term funding decisions.

Rate of Return Risk in the Banking Book ("RORBB")

Table 24: Sensitivity analysis of rate of return risk

The increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

		Group		Bank	
Increase/(decrease) in basis points	**Tax rate**	**-50 Basis Points RM'000**	**+50 Basis Points RM'000**	**-50 Basis Points RM'000**	**+50 Basis Points RM'000**
31 March 2016					
Effect on profit after tax	**25%**	**3,282**	**(3,282)**	**3,282**	**(3,282)**
Effect on other comprehensive income, net of tax	**25%**	**75,592**	**(75,592)**	**74,600**	**(74,600)**
Effect on equity		**117,001**	**(117,001)**	**115,644**	**(115,644)**
31 March 2015					
Effect on profit after tax	25%	5,354	(5,354)	5,560	(5,560)
Effect on other comprehensive income, net of tax	25%	79,059	(79,059)	77,275	(77,275)
Effect on equity		110,318	(110,318)	107,970	(107,970)

8.4 Liquidity Risk

Liquidity and Funding Risk

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

In view of this, it is the Bank's priority to manage and maintain a stable source of financial resources towards fulfilling the above expectation. The Bank, through active balance sheet management, ensures that sufficient cash and liquid assets availability are in place to meet the short and long term obligations as they fall due.

Generally, liquidity risk can be divided into two types, which are:

• Funding Liquidity Risk
Refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost.

• Market Liquidity Risk
Refers to the Bank's potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

As stated in the policy, the Bank's liquidity risk magnitude segregated into the following:

Table 25: Liquidity risk indicators

Magnitude	Indicators
Low	Earnings and capital exposure from the liquidity risk profile is negligible.
Moderate	Earnings or capital exposure from the liquidity risk profile is manageable.
High	Funding sources and liability structure suggest current or potential difficulty in maintaining long-term and cost-effective liquidity.

The Bank monitors the maturity profile of its assets and liabilities so that adequate liquidity is maintained at all times. The Bank's ability to maintain a stable liquidity profile relies primarily on its ability to grow and retain its customer deposit base. The Bank's marketing strategy is therefore focused on ensuring a balanced mix of deposits, hence reducing concentration or over-reliance on a specific source of deposit or funding.

Stability of the deposit base minimizes the Bank's dependency on volatile short-term deposits. Considering the effective maturities of deposits based on retention history (behavioral method/ analysis) and availability of liquid investments, the Bank is able to ensure sufficient liquidity.

The Asset & Liability Working Committee (ALCO) meets on a monthly basis to review the Bank's liquidity gap profile and deliberates on appropriate strategies to manage and mitigate the risk exposure. In addition, liquidity stress test is periodically conducted to address strategic issues concerning liquidity risk.

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

To effectively manage its liquidity, the Bank has the following policies and strategies in place:

• Management under normal condition:

Normal condition is defined as the situation in which the Bank is able to meet any liquidity demands when they come due.

The Bank monitors its liquidity positions through liquidity controls such as maximum cumulative outflows, deposits concentration, financing to deposits ratio, and controlled financing draw down level.

• Management under crisis condition:

Crisis condition is defined as the situation in which the Bank faces difficulties to meet liquidity demand when they fall due. The crisis can be classified into 4 levels as follows:

Contingency Level	Trigger / Status
Level 0	Business as usual
Level 1	Material change in funding risk, internal or external environment
Level 2	Increasing probability of liquidity crisis – ERMC to invoke contingency plan
Level 3	Liquidity crisis – escalated to BRMC for immediate actions

Further, as required under the Basel 3 guidelines, the Bank has put in place the relevant measures and monitoring processes on liquidity management through the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) computations. In accordance with the BNM guidelines on LCR issued on 31 March 2015, the Bank shall at all times hold adequate stock of High Quality Liquid Asset (HQLA) to ensure that the LCR level is maintained in compliance with minimum threshold and timeline below:

With effect from	1-Jun-15	1-Jan-16	1-Jan-17	1-Jan-18	1 January 2019 and thereafter
Minimum LCR	60%	70%	80%	90%	100%

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity.

Group 31 March 2016	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	812,501	195,890	-	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	186,355	186,355
Financial investment available-for-sale	10,283	35,782	61,003	191,329	343,335	3,604,916	1,453,517	5,700,165
Financial investment held-to-maturity	-	-	-	-	-	-	140,608	140,608
Islamic derivative financial assets	494	2,600	17,692	11,541	8,274	-	-	40,601
Financing of customers	-	1,536,172	800,037	629,805	946,379	4,794,868	5,805,616	14,512,877
Other assets	-	-	-	-	71,309	-	915,873	987,182
TOTAL ASSETS	823,278	1,770,444	939,442	832,675	1,369,297	8,399,784	8,501,969	22,636,889
LIABILITIES AND EQUITY								
Deposits from customers	7,156,697	5,350,521	3,689,945	972,379	2,406,899	27,181	39,806	19,643,428
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	8,632	-	442,252
Islamic derivative financial liabilities	569	35	13,846	13,189	7,817	13,903	-	49,359
Other liabilities	-	38,916	6,079	-	60,351	-	400,567	505,913
Total Liabilities	7,258,409	5,520,113	3,911,456	985,568	2,475,317	49,716	440,373	20,640,952
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	1,995,937	1,995,937
NET MATURITY MISMATCH	(6,435,131)	(3,749,669)	(2,972,014)	(152,893)	(1,106,020)	8,350,068	6,065,659	-

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Group 31 March 2015	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	596,194	519,615	-	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	-	111,135	-	-	-	-	111,135
Financial investments designated at fair value through profit and loss	-	3	-	-	-	-	118,654	118,657
Financial investment available-for-sale	30,664	96,951	45,166	286,663	564,672	4,028,222	1,383,141	6,435,479
Financial investment held-to-maturity	-	-	-	-	-	-	139,042	139,042
Islamic derivative financial assets	4,754	7,282	10,683	13,061	8,598	-	-	44,378
Financing of customers	-	1,007,750	631,792	574,358	949,996	4,466,025	5,784,749	13,414,670
Other assets	-	-	-	-	95,861	-	963,005	1,058,866
TOTAL ASSETS	631,612	1,631,601	798,776	874,082	1,619,127	8,494,247	8,388,591	22,438,036
LIABILITIES AND EQUITY								
Deposits from customers	2,197,902	8,846,795	4,688,006	2,617,178	1,142,842	3,395	48,431	19,544,549
Deposits and placements of banks and other financial institutions	350,513	14	50,145	250	400	7,514	-	408,836
Islamic derivative financial liabilities	703	12,028	776	8,851	13,028	7,879	2,927	46,192
Other liabilities	-	100,977	-	-	57,786	406,055	18,947	583,765
Total Liabilities	2,549,118	8,959,814	4,738,927	2,626,279	1,214,056	424,843	70,305	20,583,342
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	1,854,694	1,854,694
NET MATURITY MISMATCH	(1,917,506)	(7,328,213)	(3,940,151)	(1,752,197)	405,071	8,069,404	6,463,592	-

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 March 2016	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	812,501	195,890	-	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	177,322	177,322
Financial investment available-for-sale	10,283	35,782	61,003	191,329	343,335	3,604,763	1,453,517	5,700,012
Financial investment held-to-maturity	-	-	-	-	-	-	140,608	140,608
Islamic derivative financial assets	494	2,600	17,692	11,541	8,274	-	-	40,601
Financing of customers	-	1,536,172	800,037	629,805	946,379	4,794,868	5,814,933	14,522,194
Other assets	-	-	-	-	77,238	-	922,691	999,929
TOTAL ASSETS	823,278	1,770,444	939,442	832,675	1,375,226	8,399,631	8,509,071	22,649,767
LIABILITIES AND EQUITY								
Deposits from customers	7,169,989	5,358,021	3,689,945	972,379	2,406,899	27,181	39,806	19,664,220
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	8,632	-	442,252
Islamic derivative financial liabilities	569	35	13,846	13,189	7,817	13,903	-	49,359
Other liabilities	-	37,660	6,079	-	60,860	-	400,567	505,166
Total Liabilities	7,271,701	5,526,357	3,911,456	985,568	2,475,826	49,716	440,373	20,660,997
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	1,988,770	1,988,770
NET MATURITY MISMATCH	(6,448,423)	(3,755,913)	(2,972,014)	(152,893)	(1,100,600)	8,349,915	6,079,928	-

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 March 2015	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	596,194	519,615	-	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	-	111,135	-	-	-	-	111,135
Financial investments designated at fair value through profit and loss	-	3	-	-	-	-	114,554	114,557
Financial investment available-for-sale	30,664	96,951	45,166	286,663	564,672	4,028,222	1,383,141	6,435,479
Islamic derivative financial assets	4,754	7,282	10,683	13,061	8,598	-	-	44,378
Financing of customers	-	1,007,750	631,792	574,358	949,996	4,466,025	5,795,932	13,425,853
Other assets	-	-	-	-	95,115	-	968,518	1,063,633
TOTAL ASSETS	631,612	1,631,601	798,776	874,082	1,618,381	8,494,247	8,401,187	22,449,886
LIABILITIES AND EQUITY								
Deposits from customers	2,219,962	8,846,795	4,688,006	2,617,178	1,142,842	3,395	48,431	19,566,609
Deposits and placements of banks and other financial institutions	350,513	14	50,145	250	400	7,514	-	408,836
Islamic derivative financial liabilities	703	12,028	776	8,851	13,028	7,879	2,928	46,193
Other liabilities	-	101,524	-	-	56,706	406,055	18,947	583,232
Total Liabilities	2,571,178	8,960,361	4,738,927	2,626,279	1,212,976	424,843	70,306	20,604,870
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	1,845,016	1,845,016
NET MATURITY MISMATCH	(1,939,566)	(7,328,760)	(3,940,151)	(1,752,197)	405,405	8,069,404	6,485,865	-

9.0 Operational Risk Management("ORM") Disclosures

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 therefore is to effectively manage these risks to minimize possible financial and non-financial losses.

The management of operational risks is targeted at preventing risk events and damages, proper handling of critical situations and mitigating potential losses. These are achieved partly by instituting appropriate process and management controls and implementing clear and comprehensive contingency plans and business continuity management (BCM).

The risk management processes and controls are established in line with the Bank's own operational risks while relying on relevant guidelines, regulatory requirements and standard market practices as guidance and benchmarks. By establishing and operating a system of control procedures that commensurate with its risks, the Bank limits its exposure to an acceptable level in accordance with its risk appetite.

The Muamalat Operational Risk Solution (MORiS)

The MORiS is a newly implemented web based application that is used as a tool in risk identification and assessment, acts as a centralized loss incidents database and tracks risk exposures against established key risk indicators (KRI) overtime.

Its objective is to improve monitoring and reporting for branches and departments through Risk & Control Self-Assessment (RCSA), Incident Management Data Collection (IMDC) and Key Risk Indicator (KRI). The scope of application is primarily intended to be used for management of operational risk and in time, it will become a single point of entry to aggregate and present the Directorial Dashboard covering the key areas of risk management.

9.0 Operational Risk Management("ORM") Disclosures (cont'd)

Business Continuity Management (BCM)

The Group and the Bank adopt the Bank Negara Malaysia Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that enable the Bank to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

BCM Methodology

The Bank prepares the Business Units BCP by completing the Risk Assessment (RA) and the Business Impact Analysis (BIA). RA is a tool used to identify the potential threat on all business function. A BIA will be carried out to identify critical business functions recovery time objective (RTO) and maximum tolerable downtime (MTD) resources and infrastructure of the institution. RA and BIA session is being conducted annually with business units.

ORM Minimum Capital Requirement

The Group and the Bank adopt the Basic Indicator Approach (BIA) to determine the minimum capital requirement for its operational risk. Under this approach, the Group and the Bank set aside a fixed percentage (α or alpha factor) of 15% of positive annual average gross income, averaged over the previous three years. The Group and the Bank minimum capital is presented in table below:

Table 27: ORM minimum capital requirement

	31 March 2016		31 March 2015	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	**1,078,204**	**86,256**	1,052,745	84,220
Bank	**1,062,151**	**84,972**	1,041,853	83,348

10.0 Shariah Governance Disclosures

Overview

BMMB's shariah governance structure is governed by BNM's guidelines on "Shariah Governance Framework for Islamic Financial Institutions (IFIs)", and any related guidelines issued by the authorities, subject to any variation and amendments from time to time.

Shariah governance system as defined by The IFSB Guiding Principles on Shariah Governance System on Institutions Offering Islamic Financial Services (IFSB-10) refers to a set of institutional and organizational arrangements to oversee Shariah compliance aspects in IFIs.

In this context, Shariah non-compliance risk defined as "The risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee (SC) of BMMB and relevant Shariah Authorities (SA) committees."

This risk is managed through the Shariah Governance Framework ("the Framework"), which is endorsed by the Shariah Committee and approved by the Board. The Framework is drawn up inaccordance to the Shariah Governance Framework for Islamic Financial Institutions issued by BNM on 22 October 2010.

To ensure the operations and business activities of the Bank remain consistent with Shariah principles and its requirements, the Bank has established its own internal Shariah Committee and internal Shariah Organs, which consist of Shariah Department, Shariah Audit under Internal Audit Department, Shariah Review & Compliance under Compliance Department, Shariah Risk under Risk Management Department.

Shariah Governance Structure

Internal Shariah Control

Shariah compliance management is driven top down from the BOD through Shariah Committee ("SC"), who has the responsibility of understanding the Shariah related matters in the activities assumed by the Group and the Bank.

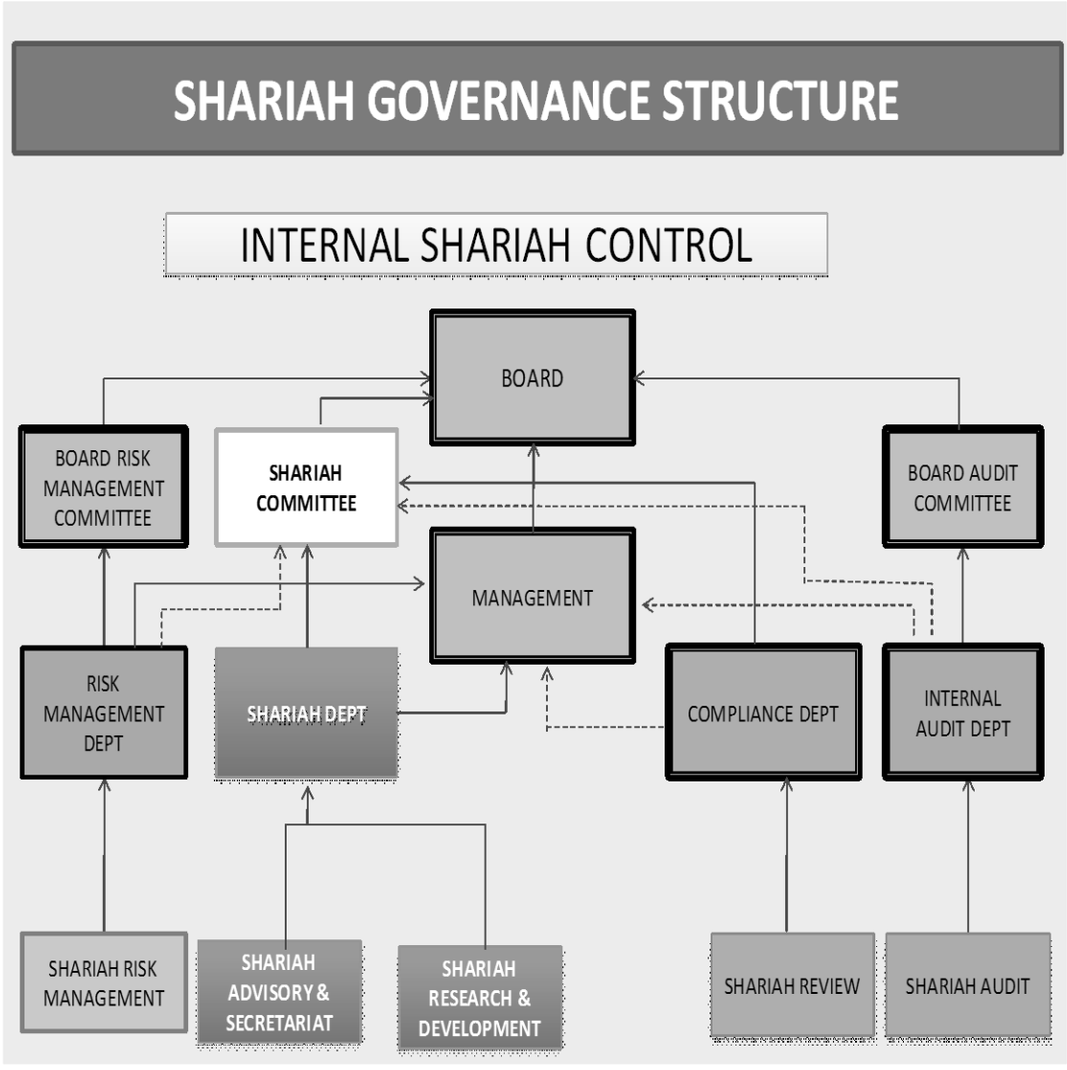
The Group and the Bank shall realign its Shariah Management & Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and shall ensure the integration of compliance management.

To ensure that the Group's and the Bank's compliance management functions are able to provide an independent evaluation of its overall business decision and strategies, the functions are segregated to the business operating units.

10.0 Shariah Governance Disclosures (cont'd)

Shariah Governance Structure (cont'd)

Table 28: Shariah governance structure



10.0 Shariah Governance Disclosures (cont'd)

Rectification Process of Shariah Non-Compliance Income (SNCI) and Unidentified Funds

Earning and Expenditure Prohibited by Shariah

Policy on Management of Shariah Non-Compliant Income is formulated pursuant to the BNM Shariah Governance Framework for IFI, which define the principles and practices to be applied by the Bank in managing its SNCI.

SNCI is an income generated from any transaction(s) that breaches the governing Shariah principles and requirements determined by the Bank's SC and/or other Shariah Authorities (SA).

The SA are as follows:

· Shariah Advisory Council of Bank Negara Malaysia.

· Shariah Advisory Council of Securities Commission Malaysia.

· Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from to time.

The amount of SNCI and events decided by SC is as follows:

31 March 2016	31 March 2015
Event - NIL plus monthly Nostro interest received	Event - NIL plus monthly Nostro interest received

Any reported SNCI will be utilised to fund charitable activities as guided by SC of the Bank.

Unidentified fund / *Shubhah*

During the bank's daily operation, there are certain funds received by the bank where the source is not clear or uncertain. These fund are therefore not recognised as income and are retained in the Maslahah Ammah account.The utilisation of the fund follows the similar procedure set for the SNCI funds.

Example of unidentified funds are cash excess at teller and ATM machines and unidentified credit balances.

The earning prohibited by Shariah and the unidentified fund during the year was recorded at RM34,722 (2015: RM44,170).

It was narrated that Abu Hurairah RA said;
The Messenger of Allah SAW said,:

"There will come a time when a man will not care where his wealth comes from,
whether (the source is) Halal or Haram."

(Source: Sunan An-Nasa'ie, no. 4454 [Sahih])

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