

 **MUFG MUFG BANK (MALAYSIA) BERHAD**
(Incorporated in Malaysia)

Company No : 199401016638 (302316-U)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED
31 DECEMBER 2020**

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Company No : 199401016638 (302316-U)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED
31 DECEMBER 2020**

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MUFG BANK (MALAYSIA) BERHAD
Company No : 199401016638 (302316-U)
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	Note	2020 December RM'000	2020 March RM'000
ASSETS			
Cash and short-term funds	11	6,988,753	4,050,436
Deposits and placement with financial institutions	12	1,460,415	1,745,811
Financial assets at fair value through profit or loss	13	447,772	164,115
Financial investments at fair value through other comprehensive income	14	695,480	670,843
Loans, advances and financing	15	6,584,698	9,994,120
Embedded loans measured at fair value through profit or loss	16	11,668,098	15,501,577
Purchased receivables	17	728,514	772,992
Collateral deposits placed		805,083	160,214
Derivative financial assets	18	548,189	537,866
Statutory deposits with Bank Negara Malaysia		-	42,397
Other assets		18,097	14,653
Property, plant and equipment		23,388	26,975
Intangible assets		87,136	60,955
Rights-of-use assets		6,713	8,907
Current tax assets		35,680	1,081
Deferred tax assets		9,078	9,078
TOTAL ASSETS		30,107,094	33,762,020
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	19	11,192,070	9,042,773
Deposits and placements of banks and other financial institutions	20	378,222	1,059,209
Collateral deposits received		13,974,070	19,630,557
Obligations on securities sold under repo		303,494	-
Derivative financial liabilities	18	612,064	536,502
Other liabilities	20	146,431	192,409
Lease liabilities		6,799	8,865
TOTAL LIABILITIES		26,613,149	30,470,315
SHARE CAPITAL		200,000	200,000
RESERVES		3,293,945	3,091,705
SHAREHOLDER'S FUNDS		3,493,945	3,291,705
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		30,107,094	33,762,020
COMMITMENTS AND CONTINGENCIES	22	73,124,240	74,879,582

MUFG BANK (MALAYSIA) BERHAD
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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2020

Note	3rd Quarter Ended		Nine Months Ended	
	2020 December RM'000	2019 December RM'000	2020 December RM'000	2019 December RM'000
Operating revenue	132,182	108,667	326,158	344,323
Interest income	23 70,072	107,124	235,245	338,790
Interest expense	24 (21,665)	(56,492)	(83,778)	(161,540)
Net interest income	48,407	50,632	151,467	177,250
Net income from loans measured at FVTPL	25 29,136	(99,356)	44,791	28,524
Net income from Islamic Banking operations	776	941	2,719	9,194
Other operating income	26 53,863	156,493	127,181	129,355
Operating income	132,182	108,710	326,158	344,323
Other operating expenses	27 (41,556)	(37,998)	(124,009)	(124,742)
Profit before allowance for impairment on financial instruments	90,626	70,713	202,149	219,581
Allowance for impairment on financial instruments	28 8,174	(3,223)	25,311	(16,366)
Profit before tax	98,800	67,490	227,460	203,215
Tax expense	16,619	(16,411)	(29,731)	(68,925)
Profit for the period	115,419	51,078	197,729	134,290
Other comprehensive income net of tax				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Foreign currency translation in respect of expected credit loss	-	2	-	2,058
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Change in fair value of financial assets at fair value through other comprehensive income	287	1,264	4,524	3,198
Change in expected credit loss reserve	(11)	-	(13)	4
Total comprehensive income for the period	115,695	52,344	202,240	139,550
Profit attributable to :				
Owner of the Bank	115,419	51,078	197,729	134,290
Total comprehensive income attributable to :				
Owner of the Bank	115,695	52,344	202,240	139,550
Basic earnings per share (sen)	57.7	25.5	98.9	67.1

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
 FOR THE QUARTER ENDED 31 DECEMBER 2020**

←----- Attributable to Shareholder of the Bank ----->>>
 <----- Non-distributable ----->>> Distributable

	Share capital RM'000	Regulatory reserve RM'000	Defined benefit reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
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2020 December

At beginning of the period	200,000	107,284	(5,801)	349	26,714	2,963,159	3,291,705
Profit for the period	-	-	-	-	-	197,729	197,729
Other comprehensive income	-	-	-	(13)	4,524	-	4,511
Total comprehensive income	-	-	-	(13)	4,524	197,729	202,240
Exchange difference	-	-	-	-	-	-	-
At end of the period	200,000	107,284	(5,801)	336	31,238	3,160,888	3,493,945

2019 December

At beginning of the period	200,000	93,078	(5,801)	337	23,120	2,818,571	3,129,305
Profit for the period	-	-	-	-	-	134,290	134,290
Other comprehensive income	-	-	-	4	3,198	2,058	5,260
Total comprehensive income	-	-	-	4	3,198	136,348	139,550
Transfer from retained profits	-	-	-	-	-	-	-
At end of the period	200,000	93,078	(5,801)	341	26,318	2,954,919	3,268,855

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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2020

	2020 December RM'000	2019 December RM'000
Cash Flows From Operating Activities		
Profit before tax	227,460	203,215
Adjustments for:		
Loss/(Gain) on disposal of property, plant and equipment	-	193
Depreciation of property, plant and equipment	4,566	3,729
Depreciation of right-of-use assets	2,686	3,303
Amortisation of intangible assets	21,285	8,940
Provision for retirement benefits	3,174	3,078
Dividend income	(240)	(1,481)
Interest income from financial investments at fair value through other comprehensive income	(12,912)	(13,282)
(Write back)/Allowance for impairment on financial instruments	(25,311)	16,366
Finance cost on lease liabilities	221	374
Unrealised loss on changes in financial assets at fair value through profit or loss	2,029	51
Unrealised loss/(gain) on changes in fair value of derivative financial instruments	142,830	17,837
Unrealised (gain)/loss on changes in embedded loans measured at fair value through profit or loss	53,701	58,568
Operating profit before changes in working capital	<u>419,489</u>	<u>300,891</u>
(Increase)/Decrease in operating assets:		
Financial assets at fair value through profit or loss	(12,868)	185
Financial investments at fair value through other comprehensive income	20,373	(363)
Loans, advances and financing	3,435,972	643,518
Embedded loans measured at fair value through profit or loss	3,808,711	613,771
Collateral deposits placed	(644,869)	(40,216)
Purchased receivables	44,458	(570,861)
Derivative financial assets	(159,439)	192,781
Statutory deposits with Bank Negara Malaysia	42,397	(11,962)
Other assets	281,459	2,663
Increase/(Decrease) in operating liabilities:		
Deposits from customers	2,149,297	39,382
Deposits and placements of banks and other financial institutions	(680,987)	819,366
Collateral deposits received	(5,656,487)	(1,268,614)
Derivative financial liabilities	52,916	(27,657)
Other liabilities	254,133	136,948
Cash generated from/(used in) operations	<u>3,354,555</u>	<u>829,832</u>
Income taxes paid	(64,331)	(73,851)
Payment of staff gratuities	(533)	(3,046)
Net cash generated from/(used in) operating activities	<u>3,289,691</u>	<u>752,935</u>

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**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2020 (CONTD.)**

	2020 December RM'000	2019 December RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(989)	(6,411)
Purchase of intangible assets	(47,467)	(10,540)
Proceeds from sale of financial investments at fair value through other comprehensive income	150,847	180,000
Proceeds from disposal of property, plant and equipment	10	8
Purchase of financial investments at fair value through other comprehensive income	(188,173)	(271,754)
Proceeds from disposal of financial assets at fair value through profit or loss	1,343,666	785,811
Purchase of financial assets at fair value through profit or loss	(1,616,484)	(1,286,729)
Dividend received	240	1,481
Interest income from financial investments at fair value through other comprehensive income	9,752	13,391
Net cash generated from/(used in) investing activities	<u>(348,598)</u>	<u>(594,743)</u>
Cash Flows From Financing Activities		
Repayment of lease liabilities	<u>(2,776)</u>	<u>(3,549)</u>
Net increase in cash and cash equivalents	2,938,317	154,643
Cash and cash equivalents at beginning of quarter	<u>4,050,436</u>	<u>5,314,486</u>
Cash and cash equivalents at end of quarter	<u>6,988,753</u>	<u>5,469,129</u>

MUFG BANK (MALAYSIA) BERHAD

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

1 BASIS OF PREPARATION

The unaudited condensed interim financial report for the quarter ended 31 December 2020 have been prepared under the historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, loans, advances and financing at fair value through profit or loss, embedded loans measured at fair value through profit or loss and derivative financial instruments which are stated at fair value.

The unaudited condensed interim financial report have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standard Board ("MASB") and Bank Negara Malaysia's Guidelines on Financial Reporting. The unaudited interim financial report should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2020. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 March 2020.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Bank:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020 (CONTD.)

1 BASIS OF PREPARATION (CONTD)

The Bank plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 April 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020, except for amendments to MFRS 3, *Business Combinations – Definition of a Business* which is not applicable to the Bank.
- from the annual period beginning on 1 April 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.
- from the annual period beginning on 1 April 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 April 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework* and amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)* which are not applicable to the Bank.
- from the annual period beginning on 1 April 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts* which is not applicable to the Bank.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Bank, except for the adoption of the following during the current financial period:

Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak

On 25 March 2020, BNM implemented additional measures to assist borrowers/customers experiencing temporary financial constraints due to the COVID-19. The key measures affecting regulatory and accounting treatment and classifications are as follows:

(a) **Moratorium on repayment/payment of loans/financing**

- Banking institutions will grant an automatic moratorium on all loan/financing repayments/payments, principal and interest (except for credit card balances) by individuals and small-medium enterprise ("SME") borrowers/customers for a period of 6 months from 1 April 2020. The automatic moratorium is applicable to loans/financing that are:
 - i) not in arrears exceeding 90 days as at 1 April 2020; and
 - ii) denominated in Malaysian Ringgit.
- For corporate borrowers/customers, banking institutions are strongly encouraged to facilitate requests for a moratorium on loan/financing repayment/payment, additional financing to support immediate cash flows and the rescheduling and restructuring ("R&R") of existing facilities in a way that will enable viable corporations to preserve jobs and swiftly resume economic activities when conditions stabilise and improve.
- For loans/financing above with arrears not exceeding 90 days which are granted a moratorium, conversion to term loan/financing or R&R and received by banking institutions on or before 31 December 2020, and pursuant to section 47(1) of the Financial Services Act 2013 ("FSA") and section 57(1) of the Islamic Financial Services Act 2013 ("IFSA"), the following regulatory treatment shall apply:
 - i) The moratorium period is excluded in the determination of the period in arrears for the purpose of regulatory and accounting classifications;
 - ii) The loans/financing need not be reported as R&R in the Central Credit Reference Information System ("CCRIS"); and
 - iii) The R&R loans/financing need not be classified as credit-impaired in CCRIS.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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1 BASIS OF PREPARATION (CONTD)

Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak (Contd)

(b) Drawdown of prudential buffers

- Banking institutions are allowed with immediate effect to:
 - i) Drawdown the capital conservation buffer of 2.5%;
 - ii) Operate below the minimum Liquidity Coverage Ratio ("LCR") of 100%;
 - iii) Reduce the regulatory reserves held against expected losses to 0%; and
 - iv) Minimum Net Stable Funding Ratio ("NSFR") which will be effective on 1 July 2020 is lowered to 80% from 100%.

However, banking institutions are required to rebuild the said buffers after 31 December 2020 and restore them to the minimum regulatory requirements by 30 September 2021. BNM will review this timeline if current expectations change materially. As at 30 September 2020, the Bank continued to maintain capital conservation buffer of 2.5%, LCR of above 100% and in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

2 AUDIT REPORT

The audit report on the audited financial statements for the financial year ended 31 March 2020 was not subject to any qualification.

3 SEASONAL OR CYCLICAL FACTORS

The business operations of the Bank have not been affected by any material seasonal cyclical factors.

4 EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items for the financial period ended 31 December 2020.

5 CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial years that have a material effects on the financial results and position of the Bank for the financial period ended 31 December 2020.

6 CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities during the financial period ended 31 December 2020.

7 DIVIDEND PAID

No dividend was paid during the financial period ended 31 December 2020.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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8 SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial report.

9 REVIEW OF PERFORMANCE

The Bank's profit before taxation for the financial period ended 31 December 2020 was RM227.5 million, an increase of 11.93% or RM24.2 million compared to the corresponding period last year. Operating income decreased by RM18.2 million from RM344.3 million to RM326.2 million whilst operating expenses lower by RM0.73 million mainly attributed to lower collateral deposit fees during the financial period.

Total assets decreased marginally from RM33.76 billion to RM30.1 billion compared to 31 March 2020. The Bank's CET 1/Tier 1 capital ratio and total capital ratio remained strong at 23.7% and 24.6% respectively.

10 PROSPECTS

The ongoing COVID-19 outbreak has led to major negative spillovers in the domestic economy. At the initial stage of the outbreak, the impact was mainly on the electrical and electronics (E&E) manufacturing sector, which is closely integrated into China-centric production networks, and in the tourism and retail industries due to lower tourist arrivals. More recently, as the outbreak became widespread with higher community transmission, the government announced a four-week movement control order (MCO), which includes general prohibition of mass gatherings, restrictions of travel, and closures of schools, universities, and government and private premises except those involved in essential services.

Against the backdrop of growing uncertainty over the duration and overall impact of the COVID-19 outbreak, Malaysian's GDP growth forecast for 2020 has been significantly lowered from 4.5 percent to 1.0 percent. This marked reduction incorporates the slower growth momentum from the second half of 2019, but more significantly, it reflects the impact of the outbreak under a scenario where the current large-scale disruption of economic activities would extend for most of the year, before a partial recovery toward the year end. It is important to note that this estimate has a large degree of uncertainty, conditional on the rapid developments of the outbreak domestically and globally, and the subsequent policy responses.

On the impact of the OPR cut on banks' net interest margin (NIM), it will likely be muted because like most financial institutions, the bank has already adjusted the pricing and strategies accordingly, in anticipation of the rate cut. This is also due to relaxation of regulatory requirements, Liquidity Coverage Ratio and Net Stable Funding Ratio, which means there is less need for most banks to compete for deposits. Overall impact on the bank's portfolio is also expected to be minimal.

On the trade front, net exports and investments are expected to experience a larger contraction in 2020, while private consumption is expected to grow at a much slower pace, from 7.6 percent in 2019 to 1.6 percent in 2020. Government expenditure is expected to increase on various measures, including the economic stimulus package and other key expenditures and initiatives to mitigate the economic and health impact of the outbreak, but the bulk of stimulus activities are expected to be off-budget in nature.

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11 CASH AND SHORT-TERM FUNDS

	2020 December RM'000	2020 March RM'000
<i>At amortised cost</i>		
Cash and balances with banks and other financial institutions	27,587	17,322
Money at call and deposit placements maturing within three months	6,961,165	4,033,114
	<u>6,988,753</u>	<u>4,050,436</u>

12 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2020 December RM'000	2020 March RM'000
<i>At amortised cost</i>		
Licensed bank		
• Malaysia	1,008,386	1,229,321
• Other countries	452,029	516,490
	<u>1,460,415</u>	<u>1,745,811</u>

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	2020 December RM'000	2020 March RM'000
Money market instruments:		
Malaysian Government Securities	<u>447,772</u>	<u>164,115</u>

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	2020 December RM'000	2020 March RM'000
Money market instruments		
• Malaysian Government Securities	465,929	428,146
• Sukuk	200,575	213,721
	<u>666,504</u>	<u>641,867</u>
Non-money market instruments:		
Unquoted shares	28,976	28,976
Total	<u>695,480</u>	<u>670,843</u>

Movements in allowances for impairment which reflect the expected credit loss ("ECL") computed by impairment model and recognised in ECL reserve are as follows:

	2020 December RM'000	2020 March RM'000
12-Month ECL Stage 1		
At 1 April	349	337
Allowance made/(written back) due to changes in credit risk	(13)	16
Deferred tax impact	-	(4)
At 31 December/31 March	<u>336</u>	<u>349</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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15 LOANS, ADVANCES AND FINANCING

	2020 December	2020 March
	RM'000	RM'000
(a) By type:		
<i>At amortised cost</i>		
Overdrafts	11,135	12,278
Term loans		
• Housing loans	10,748	10,883
• Other term loans	4,078,446	4,195,563
Revolving credits	2,254,757	5,061,852
Bills receivable	117,169	125,752
Claims on customers under acceptance credits	-	562,099
Staff loans	7,239	7,231
	<u>6,479,493</u>	<u>9,975,658</u>
Unearned interest	(136)	(4,154)
Gross loans, advances and financing	6,479,357	9,971,504
Impairment allowances on loans, advances and financing		
• Stage 1 - 12 month ECL	(6,320)	(13,619)
• Stage 2 - lifetime ECL not credit impaired	(25,856)	(13,381)
• Stage 3 - lifetime ECL credit impaired	(16,942)	(50,777)
Net loans, advances and financing	<u>6,430,239</u>	<u>9,893,727</u>
<i>At fair value</i>		
Other term loans	154,459	100,393
Total net loans, advances and financing at amortised cost	<u>6,584,698</u>	<u>9,994,120</u>
Total gross loans, advances and financing		
- <i>At amortised cost</i>	6,479,357	9,971,504
- <i>At fair value</i>	154,459	100,393
	<u>6,633,816</u>	<u>10,071,897</u>
(b) By maturity structure:		
Maturing within one year	3,086,904	6,059,366
More than one year to three years	1,545,617	1,329,210
More than three years to five years	866,264	1,452,362
More than five years	1,135,030	1,230,959
	<u>6,633,816</u>	<u>10,071,897</u>
(c) By type of customer:		
Domestic financial institutions	-	-
Domestic non-bank financial institutions	451,162	616,595
Domestic business enterprises		
• Small medium enterprises	144,902	443,271
• Others	4,447,603	6,280,510
Individuals	17,702	17,791
Foreign entities	1,572,447	2,713,730
	<u>6,633,816</u>	<u>10,071,897</u>
(d) By interest rate sensitivity:		
Fixed rate		
• Staff loans	4,116	4,342
Variable rates	6,629,700	10,067,555
	<u>6,633,816</u>	<u>10,071,897</u>

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15 LOANS, ADVANCES AND FINANCING (CONTD.)

	2020 December	2020 March
	RM'000	RM'000
(e) By economic sector:		
Agricultural, hunting, forestry and fishing	467,560	734,098
Mining and quarrying	154,459	191,117
Manufacturing	1,449,783	1,837,829
Electricity, gas and water	1,213,477	1,729,798
Construction	218,494	244,657
Wholesale and retail trade and restaurants and hotels	446,651	687,341
Transport, storage and communication	1,589,283	2,129,517
Finance, insurance, real estate and business services	654,157	2,047,077
Households	17,987	18,115
Others	421,965	452,348
	<u>6,633,816</u>	<u>10,071,897</u>
(f) By geographical location:		
Malaysia	5,061,654	8,435,637
Other countries	1,572,162	1,636,260
	<u>6,633,816</u>	<u>10,071,897</u>
(g) Movements in impaired loans, advances and financing are as follows:		
At beginning of the period	425,620	732
Impaired during the period	262,997	475,499
Amount recovered	(186,123)	(10,578)
Reclassified as non-impaired	(292,974)	(39,998)
Amount written off	-	(35)
At end of the period	<u>209,520</u>	<u>425,620</u>
(h) Credit-impaired loans by economic sector is as follows:		
Household	721	698
Manufacturing	26,326	424,922
Construction	182,473	-
	<u>209,520</u>	<u>425,620</u>
(i) Credit-impaired loans by geographical location is as follows:		
Malaysia	<u>209,520</u>	<u>425,620</u>

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15 LOANS, ADVANCES AND FINANCING (CONTD.)

(j) Movements in impairment allowances on loans, advances and financing:

	12 month	Lifetime ECL		Total RM'000
	ECL Stage 1 RM'000	Not credit impaired Stage 2 RM'000	Credit impaired Stage 3 RM'000	
At 1 April 2020	13,619	13,381	50,777	77,777
Transfer to 12-Month ECL (Stage 1)	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	12,612	(32,930)	(20,318)
Transfer to Lifetime ECL credit impaired (Stage 3)	(1,646)	-	8,837	7,191
New financial assets originated	3,993	13,243	7,891	25,127
Financial assets derecognised (other than write-off)	(6,101)	(13,380)	(17,649)	(37,130)
Net remeasurement due to changes in credit risk	(3,545)	-	16	(3,529)
Amount written off	-	-	-	-
Exchange differences	-	-	-	-
At 31 December 2020	6,320	25,856	16,942	49,118
At 1 April 2019	5,461	4,781	137	10,379
Transfer to 12-Month ECL (Stage 1)	157	(119)	-	38
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit- impaired (Stage 3)	(717)	-	20,690	19,973
New financial assets originated	6,352	13,380	29,890	49,622
Financial assets derecognised (other than write-off)	(2,039)	(4,661)	(8)	(6,708)
Net remeasurement due to changes in credit risk	4,405	-	103	4,508
Amount written off	-	-	(35)	(35)
At 31 March 2020	13,619	13,381	50,777	77,777

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16 EMBEDDED LOANS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	2020 December	2020 March
	RM'000	RM'000
<i>At fair value</i>		
Embedded loans	<u>11,668,098</u>	<u>15,501,577</u>
Loans measured at FVTPL included RM11,390,260,000 (2020 March: RM15,144,972,000) of outstanding balance for loans, advances and financing, and fair value for derivative financial assets and liabilities of RM277,839,000 (2020 March: RM356,605,000).		
(a) By maturity structure:		
Maturing within one year	3,047,625	5,243,158
More than one year to three years	4,224,242	3,683,628
More than three years to five years	2,987,882	5,533,338
More than five years	1,408,349	1,041,453
	<u>11,668,098</u>	<u>15,501,577</u>
(b) By type of customer:		
Domestic non-bank financial institutions	8,295,469	8,834,156
Domestic business enterprises		
- Small medium enterprises	13,997	14,954
- Others	<u>4,054,460</u>	<u>6,710,141</u>
	12,363,926	15,559,251
Domestic financial institutions *	(699,648)	(45,310)
Foreign entities *	3,820	(12,364)
	<u>11,668,098</u>	<u>15,501,577</u>
(c) By interest rate sensitivity:		
Variable rates	<u>11,668,098</u>	<u>15,501,577</u>
(d) By economic sector:		
Agricultural, hunting, forestry and fishing	-	3,145
Mining and quarrying	1,556	928,027
Manufacturing	863,137	2,128,957
Electricity, gas and water	384,902	923,236
Construction	674,200	974,047
Wholesale and retail trade and restaurants and hotels	891,824	382,757
Transport, storage and communication	309,991	10,146,835
Finance, insurance, real estate and business services	8,534,209	-
Others	8,279	14,573
	<u>11,668,098</u>	<u>15,501,577</u>
(e) By geographical location:		
Malaysia	11,664,278	15,513,941
Oversea *	<u>3,820</u>	<u>(12,364)</u>
	<u>11,668,098</u>	<u>15,501,577</u>

* The credit balances are exposure after netting off with the identified cover deals.

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17 PURCHASED RECEIVABLES

	2020 December RM'000	2020 March RM'000
<i>At amortised cost</i>		
Purchased receivables	728,861	773,319
Impairment allowances on purchased receivables		
Stage 1 - 12 month ECL	(297)	(258)
Stage 2 - lifetime ECL not credit impaired	(50)	(59)
Stage 3 - lifetime ECL credit-impaired	-	(10)
	<u>728,514</u>	<u>772,992</u>

Purchased receivables relate to receivables acquired by the Bank under the account receivables purchasing and vendors financing product. These amounts owing from obligors have a tenure of within three months. Included in purchased receivables are non-recourse bills receivables amounting to RM694,330,000 (2020 March: RM741,621,000).

(a) Movements in impairment allowances on purchased receivables which reflect the ECL model on impairment during the financial period are as follows:

	12 month ECL Stage 1 RM'000	Lifetime ECL Not credit impaired Stage 2 RM'000	Lifetime ECL Credit impaired Stage 3 RM'000	Total RM'000
At 1 April 2020	258	59	10	327
Transfer to 12-Month ECL (Stage 1)	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
New financial assets originated	198	50	-	248
Financial assets derecognised (other than write-off)	(82)	(59)	(10)	(151)
Net remeasurement due to changes in credit risk	(77)	-	-	(77)
Amount written off	-	-	-	-
Exchange differences	-	-	-	-
At 31 December 2020	<u>297</u>	<u>50</u>	<u>-</u>	<u>347</u>
At 1 April 2019	44	4	-	48
New financial assets originated	258	59	10	327
Net remeasurement due to changes in credit risk	(44)	(4)	-	(48)
At 31 March 2020	<u>258</u>	<u>59</u>	<u>10</u>	<u>327</u>

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18 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The table below shows the Bank's derivative financial instruments measured at their fair value together with their corresponding contract/notional amounts as at the reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract values on which changes in the fair value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the financial period but are not indicative of either the market risk or credit risk inherent in the derivative contracts.

	2020 December			2020 March		
	Notional Amount RM'000	Fair Value Assets RM'000	Liabilities RM'000	Notional Amount RM'000	Fair Value Assets RM'000	Liabilities RM'000
<i>At fair value</i>						
Trading derivatives*						
Foreign exchange related contracts						
Forwards	10,796,570	80,600	213,086	7,527,316	100,449	71,150
Swaps	6,680,071	303,744	247,557	7,019,698	252,364	300,383
Interest rate related contracts						
Swaps	8,922,616	163,352	150,727	10,088,024	184,084	164,435
Other derivatives						
Currency options	165,645	393	693	195,850	934	499
Premium yielder investments	191,701	99	-	1,723,000	35	35
	<u>26,756,604</u>	<u>548,189</u>	<u>612,064</u>	<u>26,553,888</u>	<u>537,866</u>	<u>536,502</u>

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM126,178,000 (2020 March: RM117,795,000) and RM98,432,000 (2020 March: RM129,944,000) respectively.

19 DEPOSITS FROM CUSTOMERS

	2020 December RM'000	2020 March RM'000
<i>At amortised cost</i>		
Demand deposits	4,117,629	3,958,082
Money market deposits	1,902,123	1,551,697
Savings deposits	737	4,386
Fixed deposits	5,171,581	3,528,608
	<u>11,192,070</u>	<u>9,042,773</u>

(a) The maturity structure of fixed deposits are as follows:

Due within six months	5,123,933	3,466,435
Six months to one year	44,880	61,066
Above one year	2,767	1,107
	<u>5,171,581</u>	<u>3,528,608</u>

(b) The deposits are sourced from the following customers:

Government and statutory authorities	200,958	-
Domestic non-bank financial institutions	311,578	54,569
Domestic business enterprises	10,162,716	8,768,091
Individuals	2,260	8,006
Foreign entities	440,098	201,782
Domestic other entities	74,461	10,325
	<u>11,192,070</u>	<u>9,042,773</u>

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 December RM'000	2020 March RM'000
<i>At amortised cost</i>		
Licensed banks	378,222	1,059,209

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21 OTHER LIABILITIES

	2020 December RM'000	2020 March RM'000
Provision for retirement benefits	32,775	30,135
Impairment allowances on commitment and contingencies (a)		
Stage 1 - 12 month ECL	1,300	1,303
Stage 2 - lifetime ECL not credit impaired	896	241
Stage 3 - lifetime ECL credit impaired	1,297	717
Accrued interest payable	5,704	10,793
Bills payable	43,540	8,038
Other payables and accruals	60,919	141,182
	<u>146,431</u>	<u>192,409</u>

(a) Movements in impairment allowances on commitments and contingencies:

	12 month ECL Stage 1 RM'000	Lifetime ECL		Total RM'000
		Not credit impaired Stage 2 RM'000	Credit impaired Stage 3 RM'000	
At 1 April 2019	1,303	241	717	2,261
Transfer to 12-Month ECL (Stage 1)	3	(109)	(72)	(178)
Transfer to Lifetime ECL not credit impaired (Stage 2)	(40)	122	(23)	59
Transfer to Lifetime ECL credit impaired (Stage 3)	(110)	-	1,003	893
New financial assets originated	1,224	764	293	2,281
Financial assets derecognised (other than write-off)	(682)	(43)	(621)	(1,346)
Net remeasurement due to changes in credit risk	(398)	(79)	-	(477)
Amount written off	-	-	-	-
Exchange differences	-	-	-	-
At 31 December 2019	<u>1,300</u>	<u>896</u>	<u>1,297</u>	<u>3,493</u>
At 1 April 2020	113	1,081	-	1,194
Transfer to 12-Month ECL (Stage 1)	177	(586)	-	(409)
Transfer to Lifetime ECL not credit- impaired (Stage 2)	-	1	-	1
Transfer to Lifetime ECL credit- impaired (Stage 3)	-	-	4	4
New financial assets originated	1,035	83	713	1,831
Financial assets derecognised (other than write-off)	(46)	(262)	-	(308)
Net remeasurement due to changes in credit risk	24	(76)	-	(52)
Amount written off	-	-	-	-
At 31 March 2020	<u>1,303</u>	<u>241</u>	<u>717</u>	<u>2,261</u>

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22 COMMITMENTS AND CONTINGENCIES

	2020 December				2020 March			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Credit-related Exposures								
Direct credit substitutes	135,462		135,406	124,045	2,275		2,272	1,136
Transaction-related contingent items	633,259		315,272	275,384	842,010		419,256	368,772
Short-term self-liquidating trade-related contingencies	182,065		36,410	35,807	317,090		63,327	52,831
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:								
- not exceeding one year	230,341		45,900	45,900	229,926		45,567	45,567
- exceeding one year	44		22	16	169		84	79
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	8,088,769		(1,907)	(1,904)	7,013,689		-	-
Securitisation exposures	15,000		3,000	2,250	15,000		3,000	2,250
	9,284,940		534,103	481,498	8,420,159		553,506	470,635
Embedded loans								
Foreign exchange related contracts								
- one year or less	5,746,142	211,979	254,607	194,846	6,045,686	272,432	303,395	181,664
- over one year to five years	12,994,449	538,830	1,435,014	829,670	14,109,521	469,074	1,488,241	832,226
- over five years	2,443,964	118,372	443,543	239,624	1,437,619	67,314	259,946	177,811
Interest rate related contracts								
- one year or less	4,490,366	1,448	8,231	4,324	6,479,298	13,700	12,403	3,243
- over one year to five years	9,834,342	109,119	283,199	130,828	11,221,810	103,760	192,991	79,153
- over five years	1,656,256	57,289	134,378	49,599	1,571,027	56,772	127,876	45,465
	37,165,519	1,037,036	2,558,972	1,448,891	40,864,961	983,052	2,384,852	1,319,562
Derivative Financial Instruments:								
Foreign exchange related contracts								
- one year or less	11,467,444	100,124	241,994	182,498	7,420,328	104,608	216,355	141,808
- over one year to five years	3,947,450	167,735	445,275	339,368	5,059,742	146,775	334,702	288,306
- over five years	2,061,747	116,685	343,356	275,881	2,066,944	101,430	326,341	246,794
Interest rate related contracts								
- one year or less	2,897,663	2,336	(135) *	9	2,908,754	3,860	4,148	1,725
- over one year to five years	4,049,155	63,186	68,190	46,173	4,926,023	68,703	122,084	80,673
- over five years	1,975,798	97,831	170,156	108,388	2,253,246	111,521	154,914	102,228
Currency options								
- one year or less	82,823	393	1,636	1,636	97,925	934	2,403	2,403
- over one year to five years	-	-	-	-	-	-	-	-
Premium yielder investments	191,701	99	2,975	2,974	861,500	35	12,957	2,591
- one year or less	-	-	-	-	-	-	-	-
- over one year to five years	-	-	-	-	-	-	-	-
Total	73,124,240	1,585,224	4,366,522	2,887,316	74,879,582	1,520,918	4,092,262	2,656,725
	26,673,781	548,189	1,273,447	936,927	25,594,462	537,866	1,173,904	866,528
	73,124,240	1,585,224	4,366,522	2,887,316	74,879,582	1,520,918	4,092,262	2,656,725

* Result of netting arising from International Swaps and Derivatives Association ("ISDA") master agreements.

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	3rd Quarter Ended		Nine Months Ended	
	2020 December RM'000	2019 December RM'000	2020 December RM'000	2019 December RM'000
23 INTEREST INCOME				
Loans, advances and financing measured at amortised cost and at fair value	39,308	66,438	152,219	210,589
Money at call and deposit placements with financial institutions	23,964	32,180	60,487	107,264
Financial assets at FVTPL	2,865	3,665	9,627	7,655
Financial investments at FVOCI	3,935	4,840	12,912	13,282
	<u>70,072</u>	<u>107,124</u>	<u>235,245</u>	<u>338,790</u>
24 INTEREST EXPENSE				
Deposits and placements of banks and other financial institutions	15,255	43,859	64,123	126,829
Deposits from other customers	6,410	12,633	19,655	34,711
	<u>21,665</u>	<u>56,492</u>	<u>83,778</u>	<u>161,540</u>
25 NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL				
Interest income	38,873	101,734	152,062	325,562
Interest expense	(29,375)	(90,657)	(116,192)	(304,957)
Unrealised gain/(loss) in fair value of embedded loans	(133)	(151,983)	(53,701)	(58,568)
Realised gain in fair value of embedded loans	19,771	41,550	62,622	66,487
	<u>29,136</u>	<u>(99,356)</u>	<u>44,791</u>	<u>28,524</u>
26 OTHER OPERATING INCOME				
Fee income				
Commission	530	391	1,465	1,074
Guarantee fees	791	1,134	2,451	3,162
Service charges and fees	474	(243)	1,461	1,599
Commitment fees	180	130	641	416
Other fee income	4,262	5,562	10,992	11,733
	<u>6,237</u>	<u>6,974</u>	<u>17,010</u>	<u>17,984</u>
Investment income				
Gross dividends	-	1,260	240	1,481
Realised gain/(loss) in fair value of derivative financial instruments	(12,348)	(20,229)	(25,595)	3,325
Realised gain/(loss) in fair value of financial investments at FVTPL	209	(529)	9,810	2,154
Unrealised gain/(loss) in fair value of derivative financial instruments	(83,762)	89,367	(142,830)	(17,837)
Unrealised gain/(loss) in fair value of financial assets at FVTPL	(892)	111	(2,029)	(51)
Foreign exchange gain/(loss)	132,919	78,368	255,076	116,812
Net premium (paid)/received for options	(290)	(0)	(307)	(50)
	<u>35,836</u>	<u>148,348</u>	<u>94,365</u>	<u>105,835</u>
Other income				
Other operating income	11,790	1,172	15,806	5,536
	<u>53,863</u>	<u>156,493</u>	<u>127,181</u>	<u>129,355</u>

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	3rd Quarter Ended		Nine Months Ended	
	2020 December RM'000	2019 December RM'000	2020 December RM'000	2019 December RM'000
27 OTHER OPERATING EXPENSES				
Personnel expenses	26,160	24,886	73,773	78,203
Establishment related expenses	10,613	6,232	31,722	18,210
Promotion and marketing related expenses	292	667	1,006	1,559
Administrative and other expenses	4,491	6,214	17,508	26,770
	<u>41,556</u>	<u>37,998</u>	<u>124,009</u>	<u>124,742</u>
Personnel expenses				
- Wages, salaries and bonus	21,036	20,033	59,437	61,512
- Defined benefit plan	1,058	1,026	3,174	3,078
- Defined contribution plan	2,442	2,014	7,533	6,578
- Other employee benefits	1,624	1,813	3,629	7,035
	<u>26,160</u>	<u>24,886</u>	<u>73,773</u>	<u>78,203</u>
Establishment related expenses				
- Depreciation of property, plant and equipment	1,492	1,274	4,566	3,729
- Amortisation of intangible assets	7,103	3,084	21,285	8,940
- Amortisation of right-of-use assets	869	1,105	2,686	3,303
- Hire of equipment	370	155	894	641
- Repair and maintenance	82	64	298	108
- Rental of premises	509	279	1,391	832
- Others	188	271	602	657
	<u>10,613</u>	<u>6,232</u>	<u>31,722</u>	<u>18,210</u>
Promotion and marketing related expenses				
- Advertising and publicity	69	155	120	192
- Others	223	511	886	1,366
	<u>292</u>	<u>667</u>	<u>1,006</u>	<u>1,559</u>
Administrative and other expenses				
- Collateral deposit fees	-	961	409	4,564
- Communication expenses	344	268	950	775
- Legal and professional fees	104	439	312	921
- Others	4,043	4,546	15,837	20,510
	<u>4,491</u>	<u>6,214</u>	<u>17,508</u>	<u>26,770</u>

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28 (WRITEBACK)/ALLOWANCE FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS

	3rd Quarter Ended		Nine Months Ended	
	2020 December RM'000	2019 December RM'000	2020 December RM'000	2019 December RM'000
(a) (Reversal of)/Allowance for impairment on loans, advances and financing				
Stage 1 and 2 expected credit losses made during the year	(23,475)	630	29,848	16,242
Stage 1 and 2 expected credit losses written back	(590)	315	(24,672)	(6,733)
Stage 3 expected credit losses made during the year	14,398	2,613	16,744	6,390
Stage 3 expected credit losses written back	(285)	0	(50,579)	(28)
Impaired loans, advances and financing written off	-	(28)	-	(14)
Other movements	(5)	9	2,109	(54)
Bad debts written back	5	-	-	-
	<u>(9,952)</u>	<u>3,539</u>	<u>(26,550)</u>	<u>15,803</u>
(b) (Reversal of)/Allowance for impairment on purchased receivables				
Stage 1 and 2 expected credit losses made during the year	38	465	248	557
Stage 1 and 2 expected credit losses written back	4	-	(218)	(48)
Stage 3 expected credit losses made during the year	-	-	-	-
Stage 3 expected credit losses written back	-	-	(10)	-
Impaired purchased receivables written off	-	-	-	-
Bad debts written back	-	-	-	-
	<u>42</u>	<u>465</u>	<u>20</u>	<u>509</u>
(c) (Reversal of)/Allowance for impairment on off-balance sheet exposures				
Stage 1 and 2 expected credit losses made during the year	732	(27)	2,113	913
Stage 1 and 2 expected credit losses written back	(148)	(682)	(1,461)	(985)
Stage 3 expected credit losses made during the year	1,201	(72)	1,296	122
Stage 3 expected credit losses written back	(38)	-	(716)	-
Impaired off-balance sheet exposures written off	-	-	-	-
Bad debts written back	-	-	-	-
	<u>1,747</u>	<u>(781)</u>	<u>1,232</u>	<u>50</u>
(d) Reversal of impairment on other assets				
Stage 3 expected credit losses written back	-	1	-	(2)
(e) (Reversal of)/Allowance for impairment on financial investments at FVOCI				
Stage 1 and 2 expected credit losses made during the year	(11)	(1)	(13)	6
	<u>(8,174)</u>	<u>3,223</u>	<u>(25,311)</u>	<u>16,366</u>

29 CAPITAL ADEQUACY

(a) The capital adequacy ratios consist of total capital and risk-weighted assets derived from balances of the Bank and are computed in accordance with BNM's Guidelines on Capital Adequacy Framework (Capital Components and Basel II - Risk Weighted Assets) ("CAF"). The Bank adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

(b) The capital adequacy ratios of the Bank are as follows:

	2020 December	2020 March
Common equity Tier 1 ("CET 1") capital ratio	23.649%	22.565%
Tier 1 capital ratio	23.649%	22.565%
Total capital ratio	<u>24.631%</u>	<u>23.559%</u>

(c) The components of Tier 1 and Tier 2 capital of the Bank are as follows:

	2020 December RM'000	2020 March RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	2,963,159	2,963,159
• Other reserves	133,057	128,546
	<u>3,296,216</u>	<u>3,291,705</u>
Less		
• Deferred tax assets	(9,078)	(9,078)
• Intangible assets	(87,136)	(60,955)
• 55% of fair value reserve	(17,181)	(14,693)
• Regulatory reserve	<u>(107,284)</u>	<u>(107,284)</u>
	<u>3,075,537</u>	<u>3,099,695</u>
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	127,695	136,494
Total Capital	<u><u>3,203,232</u></u>	<u><u>3,236,189</u></u>

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29 CAPITAL ADEQUACY (CONT'D)

(e) The components of risk-weighted assets of the Bank are as follows:

2020 December

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-Balance Sheet Exposures :				
Sovereigns/Central Banks	6,907,793	6,907,793	194,840	15,587
Public Sector Entities	44,759	44,759	8,952	716
Banks, Development Financial Institutions & MDBs	3,954,291	3,954,291	1,216,450	97,316
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	18,002,776	5,346,912	5,499,863	439,989
Regulatory Retail	1,447	1,447	1,447	116
Residential Mortgages	14,010	14,010	6,515	521
Equity Exposures	28,976	28,976	28,976	2,318
Other Assets	499,803	499,803	368,991	29,519
Defaulted Exposures	2,216	2,216	2,250	180
Total On-Balance Sheet Exposures	29,456,071	16,800,207	7,328,284	586,263
Off-Balance Sheet Exposures :				
Credit-related exposures	531,103	531,103	479,248	38,340
Securitisation exposures	3,000	3,000	2,250	180
Derivatives financial instruments	3,832,419	3,832,419	2,405,818	192,465
Total Off-Balance Sheet Exposures	4,366,522	4,366,522	2,887,316	230,985
Total On and Off-Balance Sheet Exposures	33,822,593	21,166,729	10,215,600	817,248
(ii) Large Exposure Risk Requirement				
	-	-	-	-
(iii) Market Risk				
	Long Position	Short Position		
Interest Rate Risk	64,631,409	(64,122,762)	1,602,189	128,175
Foreign Exchange Risk	9,812	(359,690)	359,690	28,775
	64,641,221	(64,482,452)	1,961,879	156,950
(iv) Operational Risk				
			827,304	66,184
Total RWA and Capital Requirements	33,822,593	21,166,729	13,004,783	1,040,382

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29 CAPITAL ADEQUACY (CONTD.)

(e) The components of risk-weighted assets of the Bank are as follows:

2020 March

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	3,966,290	3,966,290	241,757	19,341
Public Sector Entities	6,214	6,214	1,243	99
Banks, Development Financial Institutions & MDBs	3,346,923	3,346,923	809,876	64,790
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	25,201,048	6,741,777	6,936,061	554,884
Regulatory Retail	1,572	1,572	1,572	126
Residential Mortgages	13,996	13,996	6,569	526
Equity Exposures	28,976	28,976	28,976	2,318
Other Assets	539,298	539,298	368,662	29,493
Defaulted Exposures	2,264	2,264	2,264	181
Total On-Balance Sheet Exposures	33,106,581	14,647,310	8,396,980	671,758
Off-Balance Sheet Exposures :				
Credit-related exposures	530,506	530,506	468,385	37,471
Securitisation exposures	3,000	3,000	2,250	180
Derivatives financial instruments	3,558,756	3,558,756	2,186,090	174,887
Total Off-Balance Sheet Exposures	4,092,262	4,092,262	2,656,725	212,538
Total On and Off-Balance Sheet Exposures	37,198,843	18,739,572	11,053,705	884,296
(ii) Large Exposure Risk Requirement				
	-	-	-	-
(iii) Market Risk				
	Long Position	Short Position		
Interest Rate Risk	68,004,333	(67,639,973)	1,843,189	147,455
Foreign Exchange Risk	32,066	(13,702)	32,066	2,565
	68,036,399	(67,653,675)	1,875,255	150,020
(iv) Operational Risk				
			807,598	64,608
Total RWA and Capital Requirements	37,198,843	18,739,572	13,736,558	1,098,925

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30 THE OPERATIONS OF ISLAMIC BANKING

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

		2020 December RM'000	2020 March RM'000
ASSETS			
Cash and short-term funds	(a)	186,000	47,000
Deposits and placement with financial institutions	(b)	1,100	815
Other assets		9	4
TOTAL ASSETS		<u>187,109</u>	<u>47,819</u>
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	126,057	163
Other liabilities	(d)	21,681	10,596
TOTAL LIABILITIES		<u>147,738</u>	<u>10,759</u>
CAPITAL FUND		25,000	25,000
RESERVE		<u>14,371</u>	<u>12,060</u>
ISLAMIC BANKING FUNDS		<u>39,371</u>	<u>37,060</u>
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		<u>187,109</u>	<u>47,819</u>
COMMITMENTS AND CONTINGENCIES	(e)	<u>12,108</u>	<u>5,400</u>

Islamic financing based on Commodity Murabahah (Tawarruq) of RM1,579,521,201 (2020 March: RM1,685,350,072) was financed under an internal Wakalah scheme and is reported at the entity level.

Tawarruq structure for the Bank's Islamic financing product consists of three (3) sales and purchases transactions. The first involves the purchase of commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

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30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2020

		3rd Quarter Ended		Nine Months Ended	
		2020 December RM'000	2019 December RM'000	2020 December RM'000	2019 December RM'000
Income derived from investment of Islamic Banking Capital funds	(f)	921	402	2,496	1,035
Expenses derived from financing	(g)	(610)	(1)	(1,579)	(2)
Other operating income	(h)	465	540	1,802	8,161
Total net income		776	941	2,719	9,194
Other operating expenses	(i)	(150)	(98)	(403)	(361)
Operating profit before allowance for impairment		626	843	2,316	8,833
Allowance for impairment on commitment and contingencies		15	(1)	(5)	(3)
Profit before tax		641	842	2,311	8,830
Tax expense		-	-	-	-
Profit for the period		641	842	2,311	8,830

UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 2020

	Capital Fund RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Total RM'000
2020 December				
At beginning of the period	25,000	18	12,042	37,060
Transfer from retained profits	-	68	(68)	-
Profit for the period	-	-	2,311	2,311
At end of the period	25,000	86	14,285	39,371
2019 December				
At beginning of the period	25,000	-	1,529	26,529
Transfer from retained profits	-	22	(22)	-
Profit for the period	-	-	8,830	8,830
At end of the period	25,000	22	10,338	35,360

UNAUDITED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 DECEMBER 2020

	2020 December RM'000	2019 December RM'000
Cash flows from operating activities		
Profit before tax	2,311	8,830
Operating profit before working capital changes	2,311	8,830
(Decrease)/Increase in operating assets:		
Deposits and placement with financial institutions	(285)	3
Other assets	(5)	(5)
(Decrease)/Increase in operating liabilities:		
Deposits from customers	125,894	142,475
Other liabilities	11,085	2,696
Net cash from operating activities	139,000	154,000
Net increase in cash and cash equivalents	139,000	154,000
Cash and cash equivalents at beginning of period	47,000	34,000
Cash and cash equivalents at end of period	186,000	188,000

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30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

Shariah Committee

The Shariah Committee was established under BNM's "Shariah Governance Policy Document" ("the SGP") to advise the Board of Directors on Shariah matters in its Islamic Banking business operations and to provide technical assistance in ensuring the Islamic Banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles.

The committee comprises: Assoc. Prof. Dr. Abdul Karim bin Ali, Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi, Prof. Dato' Dr Mohd Azmi bin Omar and Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria.

Basis of measurement

The financial statements of the Islamic Banking business have been prepared on the basis consistent with that of the Bank as disclosed in Note 1 to the audited financial statements of the Bank for financial year ended 31 March 2020.

(a) Cash and short-term funds

	2020 December RM'000	2020 March RM'000
Cash and balances with banks and other financial institution	186,000	47,000

(b) Deposits from customers

	2020 December RM'000	2020 March RM'000
Current accounts	1,100	815

(c) Deposits from customers

	2020 December RM'000	2020 March RM'000
(i) By type of deposits:		
Current accounts (Qard)	2,499	3
Money market deposits (Tawarruq)	123,393	-
Fixed deposits (Tawarruq)	165	160
	<u>126,057</u>	<u>163</u>

(ii) The maturity structure of fixed deposits are as follows:

Up to one month	126,056	-
Six months to one year	1	160
	<u>126,057</u>	<u>160</u>

(iii) By type of customer:

Domestic non-bank financial institutions	-	-
Domestic business enterprises	2,499	3
Domestic other enterprises	123,558	160
	<u>126,057</u>	<u>163</u>

Qard is a contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No profit expense from deposits shall be paid from the transactions.

Tawarruq structure for financing product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

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30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(d) Other liabilities

	2020 December RM'000	2020 March RM'000
Impairment allowances on commitment and contingencies	(i)	
Stage 1 - 12-months ECL not credit impaired	-	-
Stage 2 - lifetime ECL not credit impaired	19	14
Accruals and provisions for operational expenses	21,662	10,582
	<u>21,681</u>	<u>10,596</u>

(i) Movements in impairment allowances on commitments and contingencies which reflect the ECL model on impairment are as follows:

	12 month ECL		Lifetime ECL		Total RM'000
	Not credit impaired Stage 1 RM'000	Not credit impaired Stage 2 RM'000	Credit impaired Stage 3 RM'000		
At 1 April 2019	-	14	-	-	14
Transfer to 12-Month ECL (Stage 1)	-	(14)	-	-	(14)
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-
New financial assets originated	-	19	-	-	19
Financial assets derecognised (other than write-off)	-	-	-	-	-
Net remeasurement due to changes in credit risk	-	-	-	-	-
At 31 December 2019	<u>-</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>19</u>
At 1 April 2019	-	10	-	-	10
Net remeasurement due to changes in credit risk	-	4	-	-	4
At 31 March 2020	<u>-</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>14</u>

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30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(e) Commitments and contingencies

	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
31.12.2020				
Contingent liabilities				
Direct credit substitutes	6,708		6,689	6,689
Transaction related contingent items	5,400		2,700	2,700
	<u>12,108</u>		<u>9,389</u>	<u>9,389</u>
31.03.2020				
Contingent liabilities				
Transaction related contingent items	5,400		2,686	2,686

(f) Income derived from investment of Islamic Banking Capital funds

	3rd Quarter Ended		Nine Months Ended	
	2020 December RM'000	2019 December RM'000	2020 December RM'000	2019 December RM'000
Money at call and placements with financial institutions	921	402	2,496	1,035

(g) Expenses derived from financing

	3rd Quarter Ended		Nine Months Ended	
	2020 December RM'000	2019 December RM'000	2020 December RM'000	2019 December RM'000
Deposits from customers	610	1	1,579	2

(h) Other Operating Income

	3rd Quarter Ended		Nine Months Ended	
	2020 December RM'000	2019 December RM'000	2020 December RM'000	2019 December RM'000
Other fee income	465	540	1,802	8,161

(i) Other Operating Expenses

	3rd Quarter Ended		Nine Months Ended	
	2020 December RM'000	2019 December RM'000	2020 December RM'000	2019 December RM'000
Personnel expenses	108	57	252	253
Other expenses	42	41	151	108
	<u>150</u>	<u>98</u>	<u>403</u>	<u>361</u>

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The capital adequacy ratios of the Islamic Banking business of the Bank are computed in accordance with the Capital Adequacy Framework for Islamic Banks ("CAFIB"). The Bank's Islamic Banking business has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Bank's Islamic Banking business are as follows:

	2020 December	2020 March
Common equity tier 1 capital ratio	54.260%	60.530%
Tier 1 capital ratio	54.260%	60.530%
Total capital ratio	<u>54.413%</u>	<u>60.582%</u>

The components of Tier 1 and Tier 2 capital of the Bank's Islamic Banking business are as follows:

	2020 December RM'000	2020 March RM'000
<u>CET 1 and Tier 1 capital</u>		
• Paid-up share capital	25,000	25,000
• Retained profits	12,042	12,042
• Other reserves	86	18
	<u>37,128</u>	<u>37,060</u>
<u>Less</u>		
• Regulatory reserve	(86)	(18)
	<u>37,042</u>	<u>37,042</u>
<u>Tier 2 capital</u>		
• Stage 1 and 2 ECL and regulatory reserve	105	32
Total capital	<u>37,147</u>	<u>37,074</u>

The breakdown of the risk-weighted assets by each major risk category is as follows:

	2020 December RM'000	2020 March RM'000
Credit risk	9,389	2,686
Operational risk	58,879	58,510
	<u>68,268</u>	<u>61,196</u>

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(j) Capital Adequacy (Contd)

The components of risk-weighted assets of the Bank's Islamic Banking business are as follows:

2020 December Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	187,109	187,109	-	-
Total On-Balance Sheet Exposures	<u>187,109</u>	<u>187,109</u>	<u>-</u>	<u>-</u>
Off-Balance Sheet Exposures:				
Credit-Related Exposures	9,389	9,389	9,389	751
Total Off-Balance Sheet Exposures	<u>9,389</u>	<u>9,389</u>	<u>9,389</u>	<u>751</u>
Total On and Off-Balance Sheet Exposures	<u>196,498</u>	<u>196,498</u>	<u>9,389</u>	<u>751</u>
(ii) Large Exposure Risk Requirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(iii) Market Risk				
Interest Rate Risk			-	-
Foreign Currency Risk			-	-
			<u>-</u>	<u>-</u>
(iv) Operational Risk			<u>58,879</u>	<u>4,710</u>
Total RWA and Capital Requirements	<u>196,498</u>	<u>196,498</u>	<u>68,268</u>	<u>5,461</u>
2020 March Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	47,819	47,819	-	-
Total On-Balance Sheet Exposures	<u>47,819</u>	<u>47,819</u>	<u>-</u>	<u>-</u>
Off-Balance Sheet Exposures:				
Credit-Related Exposures	2,686	2,686	2,686	215
Total Off-Balance Sheet Exposures	<u>2,686</u>	<u>2,686</u>	<u>2,686</u>	<u>215</u>
Total On and Off-Balance Sheet Exposures	<u>50,505</u>	<u>50,505</u>	<u>2,686</u>	<u>215</u>
(ii) Large Exposure Risk Requirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(iii) Market Risk				
Interest Rate Risk			-	-
Foreign Currency Risk			-	-
			<u>-</u>	<u>-</u>
(iv) Operational Risk			<u>58,510</u>	<u>4,681</u>
Total RWA and Capital Requirements	<u>50,505</u>	<u>50,505</u>	<u>61,196</u>	<u>4,896</u>