CANADA Toronto Montreal Vancouver Calgary U.S.A. New York Atlanta Boston Kentucky San Francisco Los Angeles Chicago Minnesota Seattle Houston Dallas Washington ARGENTINA Buenos Aires BRAZIL Sao Paulo Rio de Janeiro CAYMAN ISLAND Grand Cayman CHILE Santiago COLOMBIA Bogota MEXICO Mexico D.F. PERU Lima VENEZUELA Caracas BELGIUM Brussels CZECH Prague FRANCE Paris GERMANY Dusseldorf Hamburg Munich Frankfurt Berlin ITALY Milano KAZAKHSTAN Almaty NETHERLANDS Amsterdam POLAND Warszawa PORTUGAL Lisbon RUSSIA Moscow Saint Petersburg Vladivostok SPAIN Madrid Barcelona SWITZERLAND Geneve UNITED KINGDOM London Birmingham BAHRAIN Manama EGYPT Cairo IRAN Tehran QATAR Doha SOUTH AFRICA Johannesburg TURKEY Istanbul U.A.E. Dubai Abu Dhabi AUSTRALIA Sydney Melbourne Perth BANGLADESH Dhaka CAMBODIA Phnom Penh CHINA Beijing Shanghai Dalian Shenzhen Tianjin Wuxi Guangzhou Shenzhen Chengdu Qingdao Wuhan Shenyang Suzhou Fuzho HONG KONG Hong Kong Kowloon INDIA Mumbai New Delhi Chennai Neemrana Bangalore INDONESIA Jakarta Surabaya Bandung Jawa KOREA Seoul MALAYSIA Kuala Lumpur Labuan Penang MONGOLIA Ulaanbaatar MYANMAR Yangon NEW ZEALAND Auckland PAKISTAN Karachi PHILIPPINES Manila SINGAPORE Singapore TAIWAN Taipei Kaohsiung THAILAND Bangkok VIETNAM Ho Chi Minh City Hanoi

TOWARDS BEING THE WORLD'S MOST TRUSTED FINANCIAL GROUP

ANNUAL REPORT 2017

Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
A member of MUFG, a global financial group

MUFG

Contents

Mission, Vision and **Values**

MISSION

To be a foundation of strength, committed to meeting the needs of our customers, serving society, and fostering shared and sustainable growth for a better world.

VISION

To be the world's most trusted financial group

Work Together to Exceed the Expectations of Our Customers

Strive to understand and respond to the diversified needs of our customers.

Maintain and expect the highest levels of professionalism and expertise, supported by our consolidated strength.

Provide reliable and constant support to our customers

Give the highest priority to protecting the interests of our customers.

Promote healthy, sustainable economic growth.

Maintain a robust organization that is effective, professional, and responsive.

Expand and strengthen our global presence

Leverage our strengths and capabilities to attract a loyal global customer base.

Adapt rapidly to changes in the global economy and their impact on the needs of our customers.

VALUES

Integrity and Responsibility

Strive to be fair, transparent, and honest. Always act responsibly in the best interest of customers and society as a whole, building long term stakeholder relationships and giving back to our communities.

Professionalism and Teamwork

Respect the diversity of our fellow workers and foster a strong spirit of teamwork. Expect the highest levels of professionalism.

Challenge ourselves to Grow

Adopt a global perspective to anticipate trends and opportunities for growth. Create and sustain a responsive and dynamic workplace where everyone can focus on providing outstanding customer service and embrace new challenges.

Corporate **Information**

MUFG

REGISTERED OFFICE ADDRESS

Level 9, Menara IMC, No. 8 Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel : +603 - 2034 8000
+603 - 2034 8008
Fax : +603 - 2078 8870

http://www.bk.mufg.jp/global/malaysia/index.html

MANAGEMENT

Yuta Uchiyama
President/Chief Executive Officer
and Executive Director

Jun Haneji
Executive Vice President

Christopher Danker
Executive Vice President

Ravi Buchia
Executive Vice President

COMPANY SECRETARY

Wong Lai Kuan
(MAICSA 7032123)

AUDITORS

KPMG PLT
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
478000 Petaling Jaya, Selangor

Bank's **Profile**

The Bank of Tokyo, Ltd. set up its first representative office in the then Malaya in October 1957 and subsequently obtained its banking license in June 1959, making it the first Japanese bank to provide a full range of banking services.

The Bank of Tokyo, Ltd. (Kuala Lumpur Branch) successfully managed to strengthen economic ties between Malaya and Japan and played a crucial role in the economic development of Malaysia by encouraging large number of Japanese foreign direct investment into this new emerging economy. Further to Malaysian Government's "Look East Policy" in the 80's to attract Japanese investments, the Bank's International Trade and Investment Bureau which was set up in 1979, played a bigger role in disseminating vital information to attract more Japanese investors into Malaysia.

On June 1, 1994, the Bank of Tokyo (Malaysia) Berhad was locally incorporated, pursuant to the provision of the Banking and Financial Institutions Acts, 1989 (BAFIA 1989). The locally incorporated entity took over the banking operations from The Bank of Tokyo, Ltd. on July 1, 1994 and became a fully owned subsidiary of its Parent Bank in Tokyo.

On April 1, 1996, The Bank of Tokyo, Ltd. and The Mitsubishi Bank, Limited merged in Japan on an equal-term basis to form The Bank of Tokyo-Mitsubishi, Ltd. To reflect the merger, the Bank's name was changed then to Bank of Tokyo-Mitsubishi (Malaysia) Berhad. To further strengthen its presence globally, in October of 2005, the Mitsubishi UFJ Financial Group ("MUFG") was formed through the integration of Mitsubishi Tokyo Financial Group (MTFG) and the UFJ Group, uniting The Bank of Tokyo-Mitsubishi, Ltd, Mitsubishi UFJ Trust & Banking Corporation and Mitsubishi UFJ Securities under a single financial holding company.

Consequently, The Bank of Tokyo-Mitsubishi UFJ, Ltd was established on 1st January 2006 from the merger of Bank of Tokyo-Mitsubishi Ltd and UFJ Bank, marking the birth of the largest bank in the world in terms of total assets. On the same day, Bank of Tokyo-Mitsubishi (Malaysia) Berhad was renamed to Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad ("BTMU (M)").

Since the creation of The Bank of Tokyo-Mitsubishi UFJ, Ltd., the positive synergies and economies of scale has continuously kept the bank on the leading edge of new products development and service capabilities for the benefit of its clients worldwide. BTMU (M) has further strengthen its presence in Malaysia with the increased number of customers and its long-term relationship with the existing large number of Japanese investors especially in the manufacturing, construction and services sectors. From 2006 onwards, a strategic alliance with a leading regional financial institution has further strengthened our presence in Malaysia and as a leading banking institution in the region.

BTMU (M) opened its first branch in Penang in July 2012. The Penang branch caters for the fast growing economy in the northern region of Peninsula Malaysia and continues to extend better quality service to the new and existing customers.

BTMU (M) also continuously enjoys strong support and backing of its Parent Bank and its Group with 125 years tradition of pioneer ship in international and domestic banking. The worldwide network of the Group with specialised knowledge and skills especially in treasury products and international trade enable the Group to serve customers well. We sincerely believe in building good long-term relationships with our valued customers. Our customers can be assured of access to the international network and services of MUFG's over 2,000 offices across more than 50 countries. The Group has about 150,000 employees and close to 300 entities, offering services including commercial banking, trust banking, securities, credit cards, consumer finance, asset management, and leasing.

This year in 2017 marks our 60th anniversary of the Bank in Malaysia and the Bank looks forward to serve our customers in Malaysia for many years to come. This is part of our pledge as we work towards becoming the World's Most Trusted Financial Group.

Banking **Services**

CORPORATE BANKING

- Export Credit Refinancing
- Loans - Term Loans
  - Revolving Credit
  - Foreign Currency Loan
- Loans to Small & Medium Enterprise
- Bankers Acceptance
- Letter of Guarantee
- Account Receivables Purchases
- Vendors Financing

CORPORATE FINANCE

- Advising on Private Debt Securities (both Conventional and Islamic)
- Advising on Asset Securitisation
- Other Corporate Investment and Advisory Services

DEPOSIT

- Current Account
- Savings Account
- Money Market Deposit
- Fixed Deposit
- Cashier's Order
- Domestic Remittance
- Foreign Currency Account
- Standing Order Service

HOUSING LOAN

- Housing Loans

STRATEGIC RESEARCH

- Strategic Research

INTERNATIONAL TRADE FINANCE AND SERVICES

- Export - L/C Advising
  - I/C Confirmation
  - Bills Bought
  - Bills for Collection
- Import
- Trade Services Utility

REMITTANCE

- Outward Remittance
- Inward Remittance
- Clean Bills for Collection

TREASURY

- Foreign Exchange: Spot and Forward
- Derivatives and Options
- Money Market

ISLAMIC BANKING

- Murabahah Working Capital Financing-i
- Commodity Murabahah Financing-i
- Foreign Currency Account-i
- Bank Guarentee-i
- Stand-By Letter of Credit-i
- Ijarah Financing-i
- Istisna' Financing-i
- Profit Rate Swap-i
- Fixed Deposit-i
- Money Market Deposit-i
- Call Money-i
- Cross Currency Swap-i

CASH MANAGEMENT SERVICES

- GCMS Plus
- Global Payment Hub
- Vendor Payment Systems
- GIRO with Email Notification
- TOHLINE: On-line balance inquiry by phone

Board of **Directors**

Y.Bhg Dato Abdul Rahim bin Osman
Chairman of the Board

YUTA UCHIYAMA
President / Chief Executive Officer and Executive Director

1. **Shigekatsu Niwa**
   Non-Independent Non-Executive Director
2. **Y.Bhg Dato' Mohd Sallehuddin bin Othman**
   Independent Director
3. **Ismail bin Mahbob**
   Independent Director

Board of **Directors**

BOARD OF DIRECTORS

Y.Bhg Dato Abdul Rahim bin Osman
Chairman of the Board

Yuta Uchiyama
President / Chief Executive Officer
and Executive Director

Y.Bhg Dato' Mohd Sallehuddin bin Othman
Independent Director

Ismail bin Mahbob
Independent Director

Shigekatsu Niwa
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Y.Bhg Dato' Mohd Sallehuddin bin Othman
Chairman

Y.Bhg Dato Abdul Rahim bin Osman

Ismail bin Mahbob

RISK MANAGEMENT COMMITTEE

Ismail bin Mahbob
Chairman

Y.Bhg Dato Abdul Rahim bin Osman

Y.Bhg Dato' Mohd Sallehuddin bin Othman

NOMINATION COMMITTEE

Y.Bhg Dato' Mohd Sallehuddin bin Othman
Chairman

Yuta Uchiyama

Y.Bhg Dato Abdul Rahim bin Osman

Ismail bin Mahbob

Shigekatsu Niwa

REMUNERATION COMMITTEE

Ismail bin Mahbob
Chairman

Y.Bhg Dato Abdul Rahim bin Osman

Y.Bhg Dato' Mohd Sallehuddin bin Othman

SHARIAH COMMITTEE

Dr. Luqman bin Haji Abdullah
(Chairman)

Assoc. Prof. Dr. Abdul Karim bin Ali
Member

Assoc. Prof. Dr. Syed Musa Alhabshi
Member

Assoc. Prof. Dr. Mek Wok binti Mahmud
Member

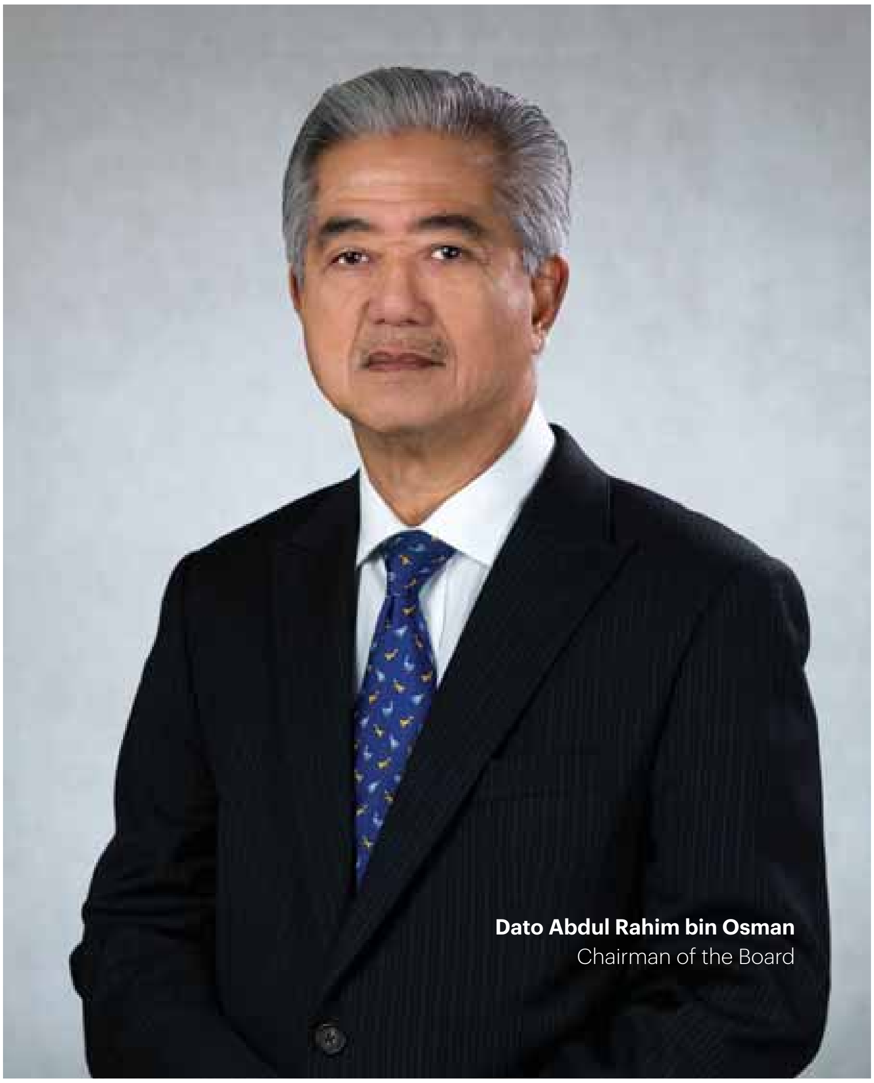
Dr. Safinar binti Salleh
Member

Chairman's **Statement**

We have made good strides in the past year, despite the challenges in the external and domestic economic environments. Against this backdrop, businesses have been focusing on enhancing operational efficiencies to sustain continued profitability and Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad (hereinafter referred to "the Bank") has progressively achieved financial targets as planned.

Our progress is also measured by non-financial metrics such as the engagement level of our staff and strategically harnessing their talent to meet our corporate objectives. An engaged workforce contributes to better efficiency and performance and long term development of our staff. Further, as a responsible corporate citizen, we are consistently working towards serving our community better through our corporate social responsibility initiatives each year.

Our progress is also measured by non-financial metrics such as the engagement level of our staff and strategically harnessing their talent to meet our corporate objectives.



Dato Abdul Rahim bin Osman
Chairman of the Board

The Malaysian financial system, continues to be well-capitalised, sustaining resilience in both liquidity and asset quality as the banking sector continues to ride on opportunities driven by the national economic transformation plan. Hence, credit expansion will continue to be supportive of private consumption spending amid accommodative monetary policy stance. The domestic economy, which remains intact with a healthy labour market and full-rate of employment, would also contribute to continued growth in consumer spending. Overall, the appetite for growth remains on the positive side which is in line with the bank's forecast for the year ahead.

The prevailing economic fundamentals remain stable, with manageable inflationary risk, accommodative macro policies and stable employment condition. In addition, private investments will continue to be supported by ongoing mega projects within the 11th Malaysia Plan.

Our focus this year remains grounded to upholding prudent cost management, stringent credit policies, strong corporate governance and sound risk management practices. The Bank's initiatives to enhance value creation and its unrelenting pursuit of operational excellence will augur well for the Bank's growth prospects.

In order to streamline and align the business plans with Mitsubishi UFJ Financial Group (MUFG), the ultimate financial holding company, the Bank has changed its financial year end to coincide with the holding company – from 31 December to 31 March.

I am pleased to share with you that the Bank has achieved a satisfactory performance in FY 2016/2017. The Bank's sustained profitability remained supported by its loans growth of 9.0%. In line with Bank Negara Malaysia's decision to reduce its Overnight Policy Rate by 25 basis

As we embrace the trends of our era, technology and mobility are increasingly shaping consumer behaviour, the Bank is mindful of the increasing demand for electronic banking and has been proactively extending its digital initiatives to facilitate banking convenience for customers without compromising data security.

points to 3.00% in July 2016, the Bank revised downwards its base rate and base lending rate/base financing rate, to pass on the benefit to consumers. On deposit-taking, the bank's total deposits achieved a growth rate of 16.8% in FY 2016/2017, supported by a strong customer base.

The Bank has successfully registered an operating income of RM642.1 million for FY 2016/2017, with a pre-tax profit of RM366.7 million and a net profit after tax of RM303.7 million. The operating income was accomplished with the continuous effort to increase business volume, number of transactions, market share and pro-active participation in the financing activities related to the large merger & acquisition deals and partly attributed to the Bank's strategic plan and focus on profitable segments.

The Bank will continue to exercise and practise prudence and stay focused on delivering quality growth, while being watchful of emerging risks. We are fully committed to uphold responsible financing which is reflected through prudent lending practices, rigorous data security, digital and IT infrastructure transformation as well as sustainability in its supply chain.

As we embrace the trends of our era, technology and mobility are increasingly shaping consumer behaviour, the Bank is mindful of the increasing demand for electronic banking and has been proactively extending its digital initiatives to facilitate banking convenience for customers without compromising data security. The Bank prides itself for maintaining a superior standard of customer service and quality to keep our competitive edge very much alive.

We look forward to exciting times ahead as we continue to embark on our journey to 'Be the world's most trusted financial group'.

On behalf of the Board, I wish to thank Mr. Yuta Uchiyama, the Chief Executive Officer of BTMU Malaysia, the senior management team and all staff for a successful year.

I wish to also extend my utmost gratitude to our valued customers, our shareholder, and my colleagues on the Board, the Shariah Committee, and Bank Negara Malaysia for their endless support and guidance.

I am most grateful for their support in ensuring the Bank continues to be a positive contributor to the Malaysian banking industry. With that, I look forward to another fulfilling year with BTMU Malaysia.

Dato Abdul Rahim bin Osman
Chairman of the Board

President/Chief Executive Officer and Executive Director's **Review**

I am fortunate to be given the opportunity to serve with the team in Malaysia this year and it has indeed been a year full of realignment of strategies and carefully executed plans.

I am proud to note that we have achieved most of the initiatives that we can set out to accomplish through our strategic imperatives that continues to hold us in good stead.

The environment in Malaysia has faced various challenges stemming from multiple external and domestic headwinds. Continuous volatility in global oil prices and geopolitical tensions and events like Brexit, Britain's referendum to exit from the European Union, United States of America presidential election and abrupt end of Trans-Pacific Partnership Agreement talks led to increased uncertainties in the global economy and financial markets.

These risk aversions had resulted in the fall of regional currencies, including the Malaysian ringgit. As we look into our domestic economy, the persistent low commodity prices, weak ringgit and high cost of living continued to weigh on consumer and business sentiments. However, as domestic demand remained on a positive trajectory, the Malaysian gross domestic product saw growth at 4.2% in 2016. With this the Bank remains positive in not only achieving our targets but also to enjoy greater growth in the near future. After all, positivity, consistency and teamwork can overcome any challenge.

I believe that the most valuable assets in the Bank is our people and we have achieved our targets and beyond thanks to the hard work and dedication of our team.

YUTA UCHIYAMA
President / Chief Executive Officer
and Executive Director

In recent years, financial services companies around the world have experienced several different challenges. We are proud of our successful track record of balancing the interest of our stakeholders, including shareholders, customers, employees and the communities we work in.

I believe that the most valuable assets in the Bank is our people and we have achieved our targets and beyond thanks to the hard work and dedication of our team.

The Bank's continuous endeavour to improve service quality and promote better delivery has indeed contributed to building closer relationship with customers. The Bank continued to emphasize on 'fast, efficient and accurate' service while focusing on relationship management. To improve the scope and capabilities to provide a broader spectrum of services, the Bank had effectively introduced a series of new products including Islamic financing products to fulfil the unique needs of customers. The Bank's internal processing system has greatly improved overall efficiency of the Bank's services with the introduction of the improved version of the Global Cash Management System, the GCMS plus, GIRO and JomPay payment systems to meet customer needs.

I firmly believe that the combination of the Bank's focused strategy and diversified business model, which is unique among our competitors, will create long-term value for our shareholders.

The Bank has also put efforts of collaborating with regional teams for strategic marketing and customer relationship management, has greatly facilitated in supporting customers' needs better and increase our market share.

In FY 2016/2017, I am pleased to note that the Bank continued to provide value-added services; such as customer-oriented seminars to disseminate timely information on economic trends and foreign exchange related strategies, latest product information and financial solutions using electronic banking and structured products, which had encouraged more of our customers to continuously utilise the Bank's services and products.

We continue to proactively look at new ways to encourage a sustainable investments from Japanese corporations based in Japan and elsewhere to Malaysia. Due to these ongoing efforts, many Japanese companies have established their regional base in Malaysia as Malaysia is now not only the most attractive destination in the ASEAN Economic Community ("AEC") but is also fast becoming a global hub for manufacturers and also as a global production base for their halal certified items.

Moving on to our Islamic product offering in Islamic Finance business by introducing new products in both MYR and foreign currencies. Since 2014 the Bank had successfully issued Sukuk bonds denominated in both Japanese Yen and US dollars, creating history, as being the first-of-its-kind within the extended network of BTMU and MUFG Group. This issuance was a part of Sukuk Program denominated in multi-currencies and structured under the Shariah principle of Wakalah Bi Al-Istithmar.

This issuance was the first Sukuk issuance for a Japanese commercial bank issued out of Malaysia and in the global market that was recognised as the world's first Yen denominated Sukuk. It provided an alternative funding source for the Bank to manage its liquidity to match increasing and growing exposures in multi-currencies Shariah compliant financing. By emphasising on its strengths in dealing with regional players, the Bank is fast becoming the 'Hub' for Islamic Banking business within BTMU global network and has collaborated with affiliates to explore potential deals that cover South East Asia, Middle East and Japan.

The Islamic Finance market had again recognised the Bank's major deals when the Bank was voted for the fourth consecutive years as the Best Islamic Bank of the Year in an international industry poll organised by Islamic Finance News ("IFN"). The Bank had also been awarded with the 'Emas' status from BNM for the Sukuk issuance.

To expand its business further, the Bank will continue to tap on its own global network and the extensive network provided by strategic alliance partners, wide array of innovative products and packages, and other delivery channels such as Internet banking and regional business development offices.

We are working hard to achieve a delicate balance of progression both externally and internally in the Bank. Our external efforts have been well strategised and communicated Banks wide. However, what it is the well-being and development of our staff and communities which we do business in are what we are looking into the

The Bank continued to emphasize on 'fast, efficient and accurate' service while focusing on relationship management.

most. We believe in creating value for the sustainability of our business and beyond.

Over the past 12 months, I met with many of our shareholders, customers, key stakeholders and employees around the world. These interactions made it clear that the Bank is widely viewed as having a strong global industry position with excellent opportunities for growth. Our strategy is clear and well understood. Our customers appreciate the knowledge, expertise and commitment of our people. We are bringing our 'values' to the world. Something that we are all very proud off.

In recent years, financial services companies around the world have experienced several different challenges. We are proud of our successful track record of balancing the interests of our stakeholders, including shareholders, customers, employees and the communities in which we live and work.

We have a strong foundation of integrity, trust, and ethical behaviour in all of our businesses. Combined with our values, I have no doubt that we will achieve our vision of becoming the world's most trusted financial group.

I am most fortunate to be able to celebrate two significant milestones with the Bank this year, the first being our 60th anniversary in Malaysia and the second being the strategic name change of the Bank next year. In order to match the growth of our expanding global network and becoming a truly global household name, we will be known as MUFG Bank globally and MUFG Bank Malaysia from April 2018 onwards.

On behalf of the Bank , I would like to express our sincere thanks and appreciation to all our valued customers for their un-wavered support and also to our staff for their effort and commitment throughout the year. The Bank is also grateful, as always, for the assistance and guidance from Bank Negara Malaysia and other relevant authorities.

With a continuously expanding global network and a strong financial standing, the Bank is confident to expand beyond the expectations as we identify further prospects for business growth.

YUTA UCHIYAMA
President / Chief Executive Officer

Awards **& Accolodates**

2016

Global Islamic Finance Awards (GIFA)
Best Islamic Project Finance House 2016

IFN Best Banks 2016
Best Islamic Bank in Japan

IFN Most Innovative Deal of the Year
Ziya Capital MYR900 million of MYR20 billion Wakalah bi-al Istithmar Sukuk

2015

IFN Best Bank Poll 2015
The Best Japanese Bank Offering Islamic Services

2014

RAM Award of Distinction 2014
Market Pioneer Awards World's 1st Yen Sukuk (Joint Lead Managers) RAM Award of Distinction 2014 Market Pioneer Awards-Lead Managers' Recognition -World's

RAM Award of Distinction 2014
Market Pioneer Awards-Lead Managers' Recognition - World's 1st Yen Sukuk (Joint Lead Managers)

IFN Best Bank Poll 2014
The Best Japanese Bank Offering Islamic Services

IFN Cross Border Deal of the Year 2014
For Islamic Corporation for the Development of the Private Sector $100M Financing Facility

Bank Negara Malaysia
Conferment of "Emas" Status to Both US Dollar and Yen-Denominated Sukuk

2013

Islamic Finance News Awards
Best Banks Poll 2013, Best Islamic Bank in Japan

Islamic Finance News Awards
Deals of the Year 2013, Wakalah Deal of the Year (PT Astra Sedaya US$50 million Wakalah Syndicated Financing)

CSR **Activities**

Each year we embark on carefully thought out initiatives for our Corporate Social Responsibility programmes. This year, our initiatives including our Global Volunteer Month in November ("GVM"), focused on the education of Women and Children as well as the well-being of senior citizens in our community. At MUFG, it is imperative for us to be able to elevate the lives of the community we do business in. We believe that sustainability is key and we take great care to ensure continuous support for all of our initiatives.

Frog classroom project with Sekolah Kebangsaan Perempuan Jalan Batu.

Everyone is fabulous in purple.

Global Volunteer Month 2016, Ampang old folk home

Contents

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Bank for the financial period ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Bank during the period are banking and related financial services. There has been no significant change in the nature of the principal activities during the financial period.

HOLDING COMPANIES

The holding and ultimate holding companies of the Bank are The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi UFJ Financial Group, Inc. ("MUFG") respectively, both are incorporated in Japan, and regarded by the Directors as the Bank's holding and ultimate holding company, during the financial period and until the date of this report.

CHANGE OF FINANCIAL YEAR END

During the financial period, the Bank changed its financial year end from 31 December to 31 March. As a result of this, the audited financial statements are prepared for a period of 15 months from 1 January 2016 to 31 March 2017.

RESULTS

	RM'000
Profit after tax for the period	303,699

In the opinion of the Directors, the results of the operations of the Bank for the financial period ended 31 March 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial period under review except as disclosed in the statement of changes in equity.

DIVIDENDS

No dividend was paid during the financial period and the Directors do not recommend any dividend to be paid for the financial period under review.

SHARE CAPITAL AND DEBENTURES

There were no changes in the authorised, issued and paid up share capital of the Bank during the financial period.

There were no issues of debentures during the financial period.

DIRECTORS OF THE BANK

Directors who served during the financial period until the date of this report are:

Y.Bhg. Dato Abdul Rahim bin Osman
Mr. Yuta Uchiyama (appointed on 27 August 2016)
Y.Bhg. Dato' Mohd Sallehuddin bin Othman
En. Ismail bin Mahbob
Mr. Shigekatsu Niwa
Mr. Saburo Arai (resigned on 22 July 2016)
Mr. Naoki Nishida (resigned on 26 August 2016)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in Note 26 to the financial statements or the fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial period which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

The interests in the shares of its related corporations of those who were Directors at financial period end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Ordinary Shares			
	At 1 January 2016 / # Date of Appointment	Bought	Sold	At 31 March 2017 / * Date of Resignation
Ultimate Holding Company				
Mitsubishi UFJ Financial Group, Inc.				
Mr. Yuta Uchiyama #	7,417.331	521.075	-	7,938.406
Mr. Shigekatsu Niwa	949.134	35.499	-	984.633
Mr. Naoki Nishida *	7,645.571	93.569	-	7,739.140
Mr. Saburo Arai *	6,109.823	87.108	-	6,196.931

None of the other Directors holding office at 31 March 2017 had any interest in shares in the Bank and of its related corporations during the financial period.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Bank during the financial period.

BUSINESS REVIEW FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017 ("FY 2017")

In FY 2017, the business environment in Malaysia faced various challenges stemming from multiple external and domestic headwinds. Continuous volatility in global oil prices and geopolitical tensions and events like Brexit, Britain's referendum to exit from the European Union, United States of America presidential election and abrupt end of Trans-Pacific Partnership Agreement talks led to increased uncertainties in the global economy and financial markets. The environment of risk aversion resulted in the fall of regional currencies, including the Malaysian ringgit. In the domestic economy, the persistent low commodity prices, weak ringgit and high cost of living continued to weigh on consumer and business sentiments. However, as domestic demand remained on a positive trajectory, the Malaysian gross domestic product growth by 4.2% in 2016.

The macroeconomic challenges exerted downside pressure on banks' earnings. During the year, industry loans growth trended downwards as both household and business loans posted lower growth. In addition, Bank Negara Malaysia's ("BNM") macro prudential measures to tighten credit conditions and property cooling measures continued to have an impact on loans growth. Nevertheless, sustained domestic demand supported demand for financing whilst banks continued to compete intensely in both the corporate and retail space for market share. Although interest margin continued to be compressed, it remained generally steady. In terms of asset quality, gross impaired loans ratio remained low and stable during the year.

The Bank achieved satisfactory performance in FY 2017. The Bank's sustained profitability remained supported by its loans growth of 9.1%. In line with BNM's decision to reduce its Overnight Policy Rate by 25 basis points to 3.00% in July 2016, the Bank revised downwards its base rate and base lending/financing rate, to pass on the benefit to consumers. On deposit-taking, the Bank's total deposits achieved a growth rate of 16.8% in FY 2017, supported by strong customer base.

Notwithstanding the many challenges and moderation in external demands, the Bank managed to register an operating revenue of RM642.1 million for FY 2017. The profit before tax was RM366.7 million while the profit after tax was RM303.7 million. The operating income was accomplished with the continuous efforts to increase business volume, number of transactions, market share and pro-active participation in the financing activities related to the large merger & acquisition deals and partly attributed to the Bank's strategic plan and focus on profitable segments.

The Bank's continuous endeavour to improve service quality and promote better delivery has indeed contributed to building closer relationship with customers. The Bank continued to emphasize on 'fast, efficient and accurate' service while focusing on relationship management. To improve the scope and capabilities to provide a broader spectrum of services, the Bank had effectively introduced a series of new products including Islamic financing products to fulfil the unique needs of customers. The Bank's internal processing system has greatly improved overall efficiency of the Bank's services with the introduction of the improved version of the Global Cash Management System ("GCMS"), the GCMS plus, GIRO and JomPay payment system to meet customer needs.

The Bank's collaboration with regional teams for strategic marketing and customer relationship management, has greatly facilitated in supporting customers' needs better and increase our market share. This effort has been further supported by the Bank's long standing strategic alliance and collaboration with CIMB Bank Berhad and global alliance with Morgan Stanley.

For FY 2017, the Bank continued to provide value-added services; such as customer-oriented seminars to disseminate timely information on economic trends and foreign exchange related strategies, latest product information and financial solutions using electronic banking and structured products, which had encouraged more customers to continuously utilise the Bank's services and products.

To proactively encourage new investments from Japanese corporations based in Japan and elsewhere to Malaysia, the Bank continuously conducts joint investment seminars both locally and in Japan. Due to these ongoing efforts, many Japanese companies have established their regional base in Malaysia as Malaysia continues to be an attractive destination in the ASEAN Economic Community ("AEC") as a global hub for service providers and also as a global production base for their halal certified items.

ECONOMIC OUTLOOK FOR THE FINANCIAL YEAR ENDING 31 MARCH 2018 ("FY 2018")

In FY 2018, economic headwinds stemming from persistent uncertainties in the global economy will continue to pose major risks to the economic outlook. However, the Malaysian economy is likely to weather through the headwinds with sustained domestic demand supporting the economy. Gross domestic product is likely to grow at a steady pace of between 4.8% and 5.0% in 2017.

The economic headwinds are likely to continue weighing on banks' earnings prospect. Industry loans are expected to grow at a moderate pace as households and businesses will remain cautious on spending. Nevertheless, supportive measures from Budget 2017 will help to stimulate the economy and spur demand for financing.

In the near term, economic uncertainty in the domestic market is expected to persist with associated volatility in the financial market. Against this backdrop, businesses are likely to focus on enhancing operational efficiencies to sustain financial performance.

Meanwhile, Banks are anticipated to exercise prudent cost management, maintain balance sheet efficiencies and drive market share by offering competitive pricing and attractive terms as well as improving product innovations. Amid the challenging market environment, the Malaysian real GDP is expected to grow between 4.5% and 5.0% in 2017, with domestic demand as the main growth driver underpinned by sustained private sector activities.

The prevailing economic fundamentals remain stable, with manageable inflationary risk, accommodative macro policies and stable employment condition. In addition, private investments will continue to be supported by ongoing mega projects within the 11th Malaysia Plan.

The Malaysian financial system continues to be well-capitalised, sustaining resilience in both liquidity and asset quality as the banking sector continues to ride on opportunities driven by the national economic transformation plan. Hence, credit expansion will continue to be supportive of private consumption spending amid accommodative monetary policy stance. The domestic economy, which remains intact with a healthy labour market and full-rate of employment, would also contribute to continued growth in consumer spending.

The private sector will continue to spearhead growth while the economy continues to expand led by healthy private consumption expenditure. In addition, private investments will be supported by on-going infrastructure projects in the 11th Malaysia Plan 2016 – 2020. The prevailing economic fundamentals supported by manageable inflationary risk, accommodative macro policies and stable employment condition will be supportive of growth. Monetary policy will continue to focus on price stability and growth sustainability.

Despite the foreign exchange volatility and weak Ringgit, the weaker-than-expected ringgit could potentially spur domestic growth due to better discretionary spending in ringgit terms and increase in local expenses. Globally, lacklustre commodity prices and weak global demand will continue to weigh on Malaysian exports. However, the implementation of prudent economic policies will continue to ensure that growth trajectory remains on track.

STRATEGIES AND DIRECTIONS FOR FY 2018

Despite the challenging operating environment, the Bank will continue to exercise and practise prudence and stay focused on delivering quality growth, while being watchful of emerging risks. The Bank is fully committed to uphold responsible financing which is reflected through its prudent lending practices, rigorous data security, digital and IT infrastructure transformation as well as sustainability in its supply chain. The Bank also puts much emphasis on forward looking risk management, immaculate compliance standards and robust corporate governance.

Further, as technology and mobility are increasingly shaping consumer behaviour, the Bank is mindful of the increasing need for electronic banking and has been continuously extending its digital initiatives to facilitate banking convenience for customers without compromising data security. In addition, maintaining a superior standard of customer service delivery remains paramount to the Bank as this will ensure the Bank keeps its competitive edge.

The Bank's strategic focus remains upholding prudent cost management, stringent credit policies, strong corporate governance and sound risk management practices. The Bank's initiatives to enhance value creation and its unrelenting pursuit of operational excellence will augur well for the Bank's growth prospects. To streamline and align the business plans with MUFG, the ultimate financial holding company, the Bank has changed its financial year end to be the same as the holding company – from 31 December to 31 March.

The Bank aims to sustain its presence and position and remain true to the MUFG's slogan to 'Be the world's most trusted financial group'.

For the corporate lending business, the Bank will continue to grow existing corporate portfolio organically and concurrently seek to acquire targeted new corporate clients. In the face of heightened market uncertainties, the Bank's treasury and capital market operations will continue to strengthen its risk management capabilities and maintain strong liquidity positions to weather any potential market stress.

BUSINESS OUTLOOK AND PROSPECTS FOR FY 2018

The Malaysian banking sector's sound fundamentals will continue to underpin the sector's resilience. Amid the ongoing uncertainties in the economy and pressure on earnings, the banking landscape is expected to remain competitive and managing balance sheet as well as pursuing cost efficiency will remain the key strategies for banks.

In the face of the challenging operating environment, the Bank will remain vigilant to maintain a competitive advantage and further strengthen its market share in the corporate banking business by leveraging on our strong global network and well-reputed service values.

Lending to the corporate banking segment will continue to be the Bank's key strategy. New target segments are being considered using industry vertical approach to further enhance our new business channels and expand on our existing and new/potential customers need and requirements.

On the funding side, the Bank will continue to enhance its deposits products by offering attractive features and competitive interest rates. The Bank will also step up its efforts to tap on potential new segments particularly the telecommunications and healthcare business sectors.

To supplement its interest revenue, the Bank will continue to promote its non-interest income through its extensive range of products such as foreign exchange-related transactions and transactional banking services. The increased sophistication among customers and demand for diversified transactional banking needs will continue to sustain demand and utilisation of new products and services. Cross-selling will also continue to play an important part in promoting the Bank's fee-based products and services. Given the continued market volatility and heightened customer concern, the Bank will remain agile and vigilant of emerging risks.

The Bank will continue to grow and strengthen our operations. To sustain business growth, the Bank will continue to focus on improving its delivery standards and infrastructure, enhance its cost efficiency and productivity, as well as continue to invest into digital transformation, fintech and innovative technologies.

In 2017 external demand is expected to recover gradually as a result of stronger US and Euro area economic performance. Growth momentum in Malaysia is expected to be sustained on the back of resilient domestic demand and private investment. Growth will also be supported by public infrastructure projects and strong exports of commodities and resource-based manufactured goods. Against this backdrop, the Malaysian economy is projected to grow by 4.8% - 5.0% in 2017.

With relatively strong economic fundamentals such as low inflation, low unemployment and higher foreign reserve, Malaysia's economic growth is expected to be led by private investment and private consumption, supported by a revival in capital expenditure and higher disposable household income. The various initiatives and measures in the annual budget and the implementation of projects under the Economic Transformation Programme will further support economic activities.

On the supply side, growth is expected to be broad-based. The services sector will benefit from the roll-out of programmes and initiatives under the National Key Economic Areas while strong domestic investment and consumption activities will fuel expansion in the manufacturing sector. The construction and agriculture sectors are expected to remain healthy. Monetary policy will continue to be accommodative as inflation is likely to remain modest. However, the flow of short-term capital into emerging market economies including Malaysia, will pose a challenge for the conduct of macroeconomic policies.

The banking industry in Malaysia is expected to sustain its profitability with healthy capital and strong asset quality in 2017. The competitive landscape will intensify further due to the more liberal operating environment for incumbent foreign controlled banks, the entry of new players and ample liquidity in the banking system, leading to greater pressure on interest margins.

Loan growth in FY 2018 is expected to remain robust due to anticipated strong corporate requirement, healthy business confidence and a low interest rate environment. Asset quality of the banking system is also expected to remain stable due to low unemployment, improved risk management practices and prudent credit underwriting by banks. The current low rate of new impaired loan formation is expected to be maintained in 2017. With high domestic savings and low interest rates, household debt burden is expected to stay manageable with the introduction of guidelines on responsible financing by BNM. The banking system will continue to maintain satisfactory funding and liquidity profiles with stable loan to deposit ratios.

The banking industry in Malaysia is expected to grow positively and remain resilient due to its strong capitalisation, healthy asset quality and improved risk management practices. The banking industry will remain competitive; however the pressure on net interest margins will intensify due to increase competition and more liberal operating environment for banks in Malaysia.

BUSINESS OUTLOOK AND PROSPECTS FOR FY 2018 (CONTD)

In view of this intense competition, Banks are consistently introducing new innovative and competitive products and services at a faster pace and strengthen their customer relationship management and delivery standards to gain market share. The rather competitive financial landscape is forcing banking institutions to continue to pursue competitive pricing strategies, expand further multiple delivery channels and accelerate product innovation. Banks are also expected to further grow their fee-based activities to mitigate pressures on net interest margins.

To further intensify efforts to improve our business and profitability, emphasis will be on cross selling and promoting transactional banking activity, mainly to capture more business opportunities and to improve both interest and fee-based income. Coupled with innovative and competitive products and corporate advisory services that provide best options and solution to our customers' ever-evolving banking needs, the Bank expects transactional banking to contribute significantly to the expansion of the Bank's future business.

In terms of conventional products, the Bank will revamp its approach to reduce over-dependence on the balance sheet by not only diversifying but through cross-selling and expanding on strategies to increase deposits from customers. The Bank will continue to focus on new corporate loans, syndicated loan deals, bilateral deals and in promoting Islamic financing facilities, while maintaining our strong relationship with existing customers. This will further enhance the Bank's corporate banking services, improve cash management business, investment banking and Islamic banking services. Going forward, the Bank expects customers' keen interest in eco-friendly schemes and strong support for green technology financing.

On deposit taking, the Bank will continue to promote wholesale deposits, foreign currency deposit and structured deposit products. The Bank will continue to grow its Islamic banking business through the International Currency Business Unit ("ICBU") and Islamic Banking Window ("IBW") by introducing innovative Islamic banking products and expanding on the Bank's network while continuously tapping onto other business opportunities provided under the Malaysian International Islamic Financial Centre ("MIFC").

The Bank's business strategies going forward is to provide various solutions to all types of customer segments including aggressive participation in major finance deals of Government Linked Companies ("GLCs"). This is realised by proposing and utilising Debt Capital Market ("DCM") tools and solutions in collaboration with the Regional Office in Singapore, the holding company and affiliates for their financials needs.

The collaboration with the holding company will also be extended to participation in sizeable deals with regards to overseas investments of large Malaysian corporations while commencement of business relationship with other new local customers would be undertaken based on market demands. In enhancing our Islamic finance business, continuous support from the holding company has enabled us to strive towards enhancing greater financial cooperation in the area of Islamic finance between Malaysia and Japan.

For the Multi-National Corporations ("MNCs"), an integrated operations scheme would be structured for an enduring coalition between the Bank and the holding company to support the business strategies. In addition to collaboration with the holding company, the Bank aims to capture significant foreign exchange deals through transactional banking tools with the MNCs.

The Bank would also increase its share in deposit and foreign exchange business by promoting transactional banking, conduct aggressive marketing of market products, merger & acquisition, proposals for privatisation, large investments, etc. to Japanese customers. The Bank will continue to promote the enhanced cash management system to its customers.

On the product front, emphasis will be to promote a diverse array of products of the Bank to the customers and to unlock new business opportunities while giving the Bank's customers the best solutions and best options in financing and business needs.

In this respect, the Bank would offer the best DCM and Corporate Advisory solutions for customers' financial needs by way of enhancing debt underwriting business, to promote multi-seller type securitisation scheme for the existing Asset-Backed Medium Term Note programme, to promote Account Receivable Purchase Scheme, to improve customers' financial conditions, to enhance capability of Private Debt Securities arrangement business, to provide debt related advisory services to existing and new customers, to identify and capture opportunities in project finance business locally inclusive of financing of infrastructure projects and to identify and capture opportunities in Export Credit Agency ("ECA") finance especially to support customers requirement to import goods and services from countries with ECA set-up.

The Bank's Transactional Banking model would be enhanced with its promotion further with the introduction of new products and efficient services with improved delivery time and customer satisfaction. This is to capture the whole flow of customer's business and to propose comprehensive plans to improve efficiency which will significantly increase both settlement business and effective cross-selling opportunities.

BUSINESS OUTLOOK AND PROSPECTS FOR FY 2018 (CONTD)

The Bank continues to enhance its product offering in Islamic Finance business by introducing new products in both MYR and foreign currencies. Since 2014, the Bank had successfully issued Sukuk bonds denominated in both Japanese Yen and US Dollars, creating history, as being the first-of-its-kind within the extended network of the Bank and MUFG Group. This issuance was a part of Sukuk Program denominated in multi-currencies and structured under the Shariah principle of Wakalah Bi Al-Istithmar (Wakalah contract entered for the purpose of investment). This issuance was the first Sukuk issuance for a Japanese commercial bank issued out of Malaysia and in the global market that was recognised as the world's first Yen denominated Sukuk. It provided an alternative funding source for the Bank to manage its liquidity to match increasing and growing exposures in multi-currencies Shariah compliant financing. By emphasising on its strengths in dealing with regional players, the Bank is fast becoming the 'Hub' for Islamic Banking business within BTMU global network and has collaborated with affiliates to explore potential deals that cover South East Asia, Middle East and Japan.

The Islamic Finance market had again recognised the Bank's major deals when the Bank was voted for the fourth consecutive year as the Best Islamic Bank of the Year in an international industry poll organised by Islamic Finance News ("IFN"). The Bank had also been awarded with the 'Emas' status from BNM for the Sukuk issuance.

To expand its business further, the Bank will continue to tap on its own global network and the extensive network provided by strategic alliance partners, wide array of innovative products and packages, and other delivery channels such as Internet banking and regional business development offices.

CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

The Bank's Board of Directors ("The Board") has always maintained the highest standards of corporate governance to protect and enhance the interest of all stakeholders, which include depositors and borrowers, shareholders and employees. The Board is responsible for the strategic direction of the Bank, formulation of policies and stewardship of its resources. The policies of the Bank will not only continue to exist in their present form but will continually be reviewed and enhanced. The Board of Directors ensures effective application of the principles and standards established by BNM in the Guidelines on Corporate Governance ("CG") and is reflective of good corporate governance best practices set out in the Malaysian Code on Corporate Governance 2012.

The Board consists of five (5) members, with one (1) Executive Director/Chief Executive Officer ("CEO"), one (1) Non-Independent Non-Executive Directors and three (3) Independent Directors.

The Independent Directors are Y.Bhg. Dato Abdul Rahim bin Osman (Dato Abdul Rahim), Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Dato' Sallehuddin) and En. Ismail bin Mahbob (En. Ismail).

Dato Abdul Rahim, aged 70, was appointed as a Director of the Bank on 1 June 2011. On 24 March 2014, Dato Abdul Rahim was appointed as Chairman of the Board. Dato Abdul Rahim relinquished the position as the Chairman of both the Nomination Committee and Remuneration Committee on 1 January 2017 and remained as member of the Nomination Committee and Remuneration Committee. He is also a member of the Audit Committee and Risk Management Committee. He graduated with a Bachelor of Science, and holds a Masters of Business Administration from Northern Illinois University, Dekalb, Illinois, USA.

Mr. Yuta Uchiyama (Mr. Uchiyama), aged 52, was appointed as CEO/President and Executive Director of the Bank on 27 August 2016. Mr. Uchiyama is a member of the Nomination Committee. He graduated with a B.A. in Political Science from the Waseda University in Japan.

Dato' Sallehuddin, aged 65, was appointed as a Director of the Bank on 20 November 2013. He is Chairman of the Audit Committee and on 1 January 2017, he was appointed as the Chairman of Nomination Committee. He is also a member of the Risk Management Committee and Remuneration Committee. He graduated from MARA Institute of Technology with ACCA qualification and from Luton College of Technology, UK with ICMA qualification. He holds a M. Sc in Administrative Sciences from City University of London, UK.

En. Ismail, aged 65, was appointed as a Director of the Bank and Chairman of Risk Management Committee. He was appointed as the Chairman of Remuneration Committee on 1 January 2017. He is also a member of Audit Committee and Nomination Committee. He holds a Diploma of Marketing from the Chartered Institute of Marketing, UK and Association of Chartered Islamic Finance Professional (ACIFP) from the International Centre for Education in Islamic Finance (INCEIF), Malaysia.

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Mr. Shigekatsu Niwa, aged 48, was appointed as a Director of the Bank on 28 March 2016. On 22 July 2016, he was appointed as a member of the Nomination Committee . He graduated with a Bachelor of Art, Foreign Study from the Nanzan University, Japan and Master of Management from Kellogg Graduate School of Management, Northwestern University, USA.

The members of the Board are professionals in their own rights and they possess wide-ranging experiences, skills and expertise in the private sector as well as the banking industry. The members of the Board are persons of high calibre and integrity and they fulfil the Standards on Fit and Proper Criteria under the Financial Services Act 2013 ("FSA 2013").

The roles of the Chairman and CEO are independent with clearly defined roles and responsibilities, authority and accountability to ensure proper balance of responsibility and authority. The independent directors are distinct from management and do not have any business or other relationship that could materially interfere with the exercise of their independent judgment. The Chairman is not involved in the daily management of the Bank.

(a) Roles and Responsibilities of the Board

- Review and approve strategies, business plans, other initiatives which would singularly or cumulatively, have a material impact on the Bank's risk profile, significant policies and monitor Management's performance in implementing them;
- Ensure that the Bank establishes comprehensive risk management policies, processes, infrastructure and resources, to manage the various types of risks;
- Ensure the effectiveness of Risk Management Framework by taking into consideration the changes in business environment to control the Bank's risk taking activities. Also, to provide constructive challenge on the credibility and robustness of the framework;
- Establish periodic review on quantity and quality of the Risk Management reporting;
- Oversee and approve the recovery and business continuity management for the Bank to restore its financial strength, critical operations and critical services when it comes under stress;
- Set up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit functions, covering the financial and management audit;
- Establish a rigorous process for the appointment and removal of directors;
- Oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank;
- Establish a written policy to address directors' actual and potential conflict of interest;
- Establish and ensure the effective functioning of various Board committees;
- Promote Shariah compliance in accordance with expectations set out in Shariah Governance Framework for Islamic Financial Institutions and ensure its integration with the Bank's business and risk strategies;
- Ensure the effective management of the Bank's capital and capital adequacy levels to ensure fulfillment of regulatory and internal requirements;
- Ensure that the relevant stakeholders discharge their responsibilities for the development and effective implementation of the Bank's capital management policies and processes;
- Approve credit transactions to connected parties based on Guidelines on Credit Transactions and Exposures with Connected Parties;
- Engage with Chief Compliance Officer ("CCO") on a regular basis to provide the opportunity for the CCO to discuss issues faced by the compliance function. The Board should also consider engaging the CCO without the presence of other members of Senior Management from time to time;
- Provide the CCO with direct and unimpeded access to the Board;
- Ensure that the CCO is supported with sufficient resources, including competent officers, to perform his/her duties effectively;
- Oversee the implementation of the Bank's governance framework and internal control environment, and periodically review whether these remain appropriate in the light of material changes to the size, nature and complexity of the Bank's operations;
- Promote, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;
- Promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- Promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank; and
- Undertake the Board's duties and responsibilities as well as oversight functions as stipulated in the FSA 2013, BNM Guidelines and any other regulations or directives issued by BNM from time to time.

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

(b) Performance Criteria used to assess the Board as a whole and individually

The effectiveness of the Board is measured against the Bank's performance in terms of profitability, internal controls, compliance, risk management and cost effectiveness.

(c) Directors' Training

The Board acknowledges the importance of continuing education for its Directors to ensure each Director possesses the knowledge and skills necessary to fulfil their responsibilities.

During the financial period ended 31 March 2017, all the Directors have attended various trainining programmes on issues relevant to their duties and responsibilities to further enhance their skills and knowledge and keep abreast with the latest developments in the industry and changes in the new statutory and regulatory requirements.

No.	Training Programmes	Organiser	Attended by
1	A Dialogue on "The New and Revised Auditor Reporting Standards: Implications to Financial Institutions"	FIDE Forum	Dato Abdul Rahim bin Osman
2	Industry Briefing on Directors Register Implementation	FIDE Forum	Dato Abdul Rahim bin Osman
3	Directors' Remuneration Report 2015: Briefing Session for Directors	FIDE Forum	Dato Abdul Rahim bin Osman Ismail bin Mahbob
4	Bank Negara Malaysia Annual Report 2015 / Financial Stability and Payments Systems Report 2015 Briefing Session	BNM	Dato Abdul Rahim bin Osman
5	Responsible Finance Summit	RFI Foundation & Middle East Global Advisors	Dato' Mohd Sallehuddin bin Othman
6	Launch of Directors Register	FIDE Forum & Korn Ferry	Dato' Mohd Sallehuddin bin Othman
7	Directors and Officers Liability Insurance	FIDE Forum & Jardine Lloyd Thompson Ltd	Dato' Mohd Sallehuddin bin Othman
8	Avoiding Financial Myopia	FIDE Forum & Professor Dr. Jeffrey Sampler	Dato' Mohd Sallehuddin bin Othman
9	Updates on AMLATFPUAA - Complexity and Its Impact on Financial Institutions	Export-Import Bank Malaysia Berhad	Ismail bin Mahbob
10	BTMUM Islamic Finance Forum	BTMUM - ICBU/IBW	Dato Abdul Rahim bin Osman Dato' Mohd Sallehuddin bin Othman Ismail bin Mahbob Shigekatsu Niwa
11	Global Islamic Finance Forum 5.0	Association of Islamic Banking Institution	Dato Abdul Rahim bin Osman
12	Cope Annual Investors' Conference	CMS Opus Private Equity	Dato' Mohd Sallehuddin bin Othman
13	In-House Director's Orientation Programme	BTMUM	Yuta Uchiyama Shigekatsu Niwa
14	Updates on Companies Bill 2015 and Its Implications to Directors	FIDE Forum	Ismail bin Mahbob
15	An Exclusive Session for Directors: Implementation of FIDE FORUM's Directors Register	FIDE Forum	Dato Abdul Rahim bin Osman Dato' Mohd Sallehuddin bin Othman Ismail bin Mahbob

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

(c) Directors' Training (Contd)

No.	Training Programmes	Organiser	Attended by
16	Information Security Awareness Training	BTMUM - ORMD	Dato Abdul Rahim bin Osman Dato' Mohd Sallehuddin bin Othman Ismail bin Mahbob Shigekatsu Niwa
17	FinTech: Business Opportunity or Disruptor	FIDE Forum	Dato Abdul Rahim bin Osman Dato' Mohd Sallehuddin bin Othman
18	International Foundation of Directorship	MINDA and Australian Institute of Company Directors	Ismail bin Mahbob
19	Global Symposium on Innovative Financial Inclusion	BNM/World Bank	Dato' Mohd Sallehuddin bin Othman
20	FIMM 2016 Annual Convention	Federation of Investment Managers Malaysia	Dato' Mohd Sallehuddin bin Othman
21	Technology-based Innovation that Counts	FIDE Forum	Dato Abdul Rahim bin Osman Dato' Mohd Sallehuddin bin Othman
22	Strategy to Leverage Technology for Business Solutions	FIDE Forum	Dato Abdul Rahim bin Osman
23	Financial Crime Risk in Asia Pacific	BTMUM - Compliance	Dato Abdul Rahim bin Osman Dato' Mohd Sallehuddin bin Othman Ismail bin Mahbob Yuta Uchiyama
24	Board of Directors' Training	MSIG Insurance	Dato' Mohd Sallehuddin bin Othman
25	Asia Regional Audit Committee Roundtable 2017	MSIG Asia Holdings Ltd	Dato' Mohd Sallehuddin bin Othman
26	Anti-Money Laundering/Sanction	BTMUM - Compliance	Shigekatsu Niwa
27	New Companies Act 2016	BTMUM - Legal Department	Dato Abdul Rahim bin Osman Dato' Mohd Sallehuddin bin Othman Ismail bin Mahbob Shigekatsu Niwa
28	Engagement with MOF (Procurement Fraud and New Companies Act)	MOF Inc. Ministry of Finance Malaysia	Dato' Mohd Sallehuddin bin Othman
29	Emerging Markets Regulatory Conference 2017	Securities Commission Malaysia	Dato' Mohd Sallehuddin bin Othman
30	ACGA Corporate Governance Watch 2016 - Ecosystems Matter	FIDE Forum	Dato Abdul Rahim bin Osman
31	Financial Institution Directors' Education (FIDE) - Corporate Governance Programmes - Module A	The ICLIF Leadership & Governance Centre	Yuta Uchiyama
32	Understanding Liquidity Risk Management in Banking	FIDE Forum	Ismail bin Mahbob
33	BNM Annual Report 2016/Financial Stability and Payments Systems Report 2016 Briefing Session	BNM	Dato Abdul Rahim bin Osman

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

(d) Tenure of Independent Directors

The Board considers that fundamentally the independence of Directors is based on their capacity to put the best interests of the Bank and its shareholder ahead of other interests, that Directors are capable of exercising objective independent judgement.

The Board shall ensure that the length of service of the Directors does not impair the independent judgement of decision making or materially interfere with the Directors ability to act in the best interest of the Bank.

The tenure limits for Independent Director should generally not exceed nine year, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Bank.

(e) Frequency and Conduct of Board Meetings

Board meetings are conducted not less than six (6) times a year to discuss key issues of the Bank including review of the financial performance, operations and risk management of the Bank and to deliberate on matters that require the Board's decision and approval.

A total of eighteen (18) Board meetings were held during the financial period ended 31 March 2017. The details of attendance of each member at the Board meetings held during the financial period ended 31 March 2017 are as follows:

	Number of Meetings	
Director	**Held**	**Attended**
Y.Bhg. Dato Abdul Rahim bin Osman *Chairman & Independent Director*	18	18
Mr. Naoki Nishida *CEO / Managing Director*	8	7
Mr. Yuta Uchiyama *CEO / President and Executive Director*	10	9
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Independent Director*	18	18
En. Ismail bin Mahbob *Independent Director*	18	17
Mr. Shigekatsu Niwa *Non-Independent Non-Executive Director*	15	14
Mr. Saburo Arai *Non-Independent Non-Executive Director*	7	6

The Board established Board Committees to oversee critical and major functional areas of the Bank.

The function and terms of reference of Board Committees as well as authority delegated by the Board to the Committees have been approved by the Board and are revised from time to time to ensure that they are relevant and up-to-date.

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES

(a) Nomination Committee ("NC")

The composition of NC is as follows:

Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Chairman) (appointed as Chairman on 1 January 2017)
Mr. Yuta Uchiyama (Member) (appointed on 27 August 2016)
Y.Bhg. Dato Abdul Rahim bin Osman (Member) (relinquished the Chairmanship on 1 January 2017)
En. Ismail bin Mahbob (Member)
Mr. Shigekatsu Niwa (Member) (appointed on 22 July 2016)
Mr. Naoki Nishida (Member) (resigned on 26 August 2016)
Mr. Saburo Arai (Member) (resigned on 22 July 2016)

The NC meets quarterly or as and when required.

The Committee held fourteen (14) meetings during the financial period ended 31 March 2017.

The details of attendance of each member at the NC Meetings held during the financial period ended 31 March 2017 are as follows:

	Number of Meetings	
NC Member	**Held**	**Attended**
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Chairman*	14	14
Mr. Yuta Uchiyama *Member*	5	4
Y.Bhg. Dato Abdul Rahim bin Osman *Member*	14	14
En. Ismail bin Mahbob *Member*	14	14
Mr. Shigekatsu Niwa *Member*	6	5
Mr. Saburo Arai *Member*	8	3
Mr. Naoki Nishida *Member*	9	8

NC is responsible for the following matters:

- to establish the minimum requirements for the Board on the required mix of skills, experience, qualifications and other core competencies of a Director and CEO. The requirements and criteria shall be approved by the full Board;
- to assess and recommend to the Board the nominees for appointment of Directors, Senior Management and Company Secretary;
- to assess and recommend to the Board, the re-appointment of Directors/CEO upon the expiry of their respective terms of appointment as approved by BNM;
- to oversee the overall composition of the Board and Board Committees in terms of appropriate size, required mix of skills, experience and core competencies and adequate balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review;
- to recommend to the Board the removal of a Director/Senior Management/Company Secretary if he/she is no longer meets the minimum requirements set out in paragraphs 10.2 to 10.5 and 17.2 to 17.4 of the CG, or has been assessed to be ineffective, errant or otherwise unsuited to carry out his/her responsibilities;

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

(a) Nomination Committee ("NC") (Contd)

- to establish the mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO as well as other Senior Management and Company Secretary. The annual assessment to be conducted shall be based on objective performance criteria as approved by the full Board;
- to ensure that all Directors receive appropriate continuous training programmes in order to keep abreast with the latest developments in the industry and changes in the new statutory and regulatory requirements;
- to support the Board oversight on the appointment, succession planning and performance evaluation of Senior Management and Company Secretary;
- to assess on an annual basis that the Directors/CEO and Senior Management are not disqualified under Section 59 of the FSA 2013 and that the Directors and CEO continue to comply with the standards for 'fit and proper' criteria as approved by the Board;
- to assess and to ensure Independent Directors comply with the definition of Independent Director as defined in the CG;
- to carry out such other responsibilities as may be specified by BNM or delegated by the Board from time to time;
- to assess and nominate the appointment or renewal of appointment of Expatriates Officers and Shariah Committee members consistent with the qualifications, experience and criteria applicable in BNM's guidelines; and
- to monitor the effectiveness of transfer of skills and expertise from expatriates employed in Senior Management and specialist positions to staff of the Bank as well as the industry generally.

(b) Remuneration Committee ("RC")

The composition of RC is as follows:

En. Ismail bin Mahbob (Chairman) (appointed as Chairman of RC on 1 January 2017)
Y.Bhg. Dato Abdul Rahim bin Osman (Member) (relinquished the Chairmanship on 1 January 2017)
Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Member)
Mr. Saburo Arai (Member) (resigned on 22 July 2016)

The RC meets at least once a year or as and when required.

The Committee held seven (7) meetings during the financial period ended 31 March 2017.

The details of attendance of each member at the RC meetings held during the financial period ended 31 March 2017 are as follows:

	Number of Meetings	
RC Member	**Held**	**Attended**
En. Ismail bin Mahbob *Chairman*	7	7
Y.Bhg. Dato Abdul Rahim bin Osman *Member*	7	7
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Member*	7	7
Mr. Saburo Arai *Member*	4	2

The RC is responsible for the following matters:

- to review periodically and recommend to the Board the remuneration policy of the Bank, including material changes made to the policy to ensure that the remuneration remains appropriate to each Director, Member of Shariah Committee ("SC"), member of Senior Management and other Material Risk Taker's contribution, taking into account the level of expertise, commitment and responsibilities undertaken;
- to review annually the remuneration for each Director, member of Senior Management and other Material Risk Taker;

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

(b) Remuneration Committee ("RC") (Contd)

- to recommend to the Board a framework of remuneration for Directors, SC members, CEO and Senior Management covering fees, salaries, allowances, bonuses and benefits-in-kind in discharging their duties;
- to recommend to the Board the adjustments in remuneration package reflecting the SC members, Executive Directors and CEO's contributions for the year; and which are competitive and consistent with the Bank's culture, objectives and strategy;
- to ensure that the level of remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board;
- to review the remuneration package of the Senior Management; and
- to carry out such other responsibilities as may be specified by BNM or delegated by the Board from time to time.

(c) Audit Committee ("AC")

The composition of AC is as follows:

Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Chairman)
Y.Bhg. Dato Abdul Rahim bin Osman (Member)
En. Ismail bin Mahbob (Member)
Mr. Saburo Arai (Member) (resigned on 22 July 2016)

The AC meets at least four (4) times a year.

The AC held ten (10) meetings during the financial period ended 31 March 2017.

The External Auditors may request a meeting with or without the presence of the Management.

The AC may at their discretion to invite any director, executive directors or any person to attend the meeting.

The details of attendance of each member at the AC meetings held during the financial period ended 31 March 2017 are as follows:-

	Number of Meetings	
AC Member	**Held**	**Attended**
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Chairman*	10	10
Y.Bhg. Dato Abdul Rahim bin Osman *Member*	10	10
En. Ismail bin Mahbob *Member*	10	9
Mr. Saburo Arai *Member*	4	3

The terms of reference of the AC include the reinforcement of the independence and objectivity of the internal audit function and the specification of the scope and review of the Bank's financial statements which includes the findings of both the Internal and External Auditors. The AC also recommends the appointment and re-appointment of the External Auditors as well as reports to the Board on the maintenance of sound internal control system and adequacy of risk management processes and the fulfilment of regulatory compliances.

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

(c) Audit Committee ("AC") (Contd)

The primary objectives of the AC are:

- to support the Board in ensuring that there is reliable and transparent financial reporting process within the Bank;
- to oversee the effectiveness of the internal audit function of the Bank;
- to foster a quality audit of the Bank by exercising oversight over Internal Auditor; and External Auditors in accordance with the expectations set out in the policy document on External Auditor;
- to act as a committee of the Board to assist in discharging the Board's responsibilities in relation to the Bank's good governance, management and internal controls, accounting policies and financial reporting;
- to provide, by way of regular meetings, a line of communication between the Board and the External Auditors; and
- to enhance the perceptions held by other interested parties (such as shareholders, regulators and other financial institutions) of the credibility and objectivity of financial reports.

The AC is authorised by the Board:-

- to be provided with sufficient support and resources to investigate any matter within their mandates;
- to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the AC; and
- to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, and the cost of such advice shall be borne by the Bank.

The functions and responsibilities of the AC are:

Internal Audit

- to approve on the appointment, performance appraisal and remuneration, transfer and dismissal of the Head of Internal Audit;
- to review and approve the audit plan, audit charter, procedure manual and budgeted man-days;
- to review the scope of Internal Audit and to confirm that Management has placed no restrictions on the scope of audits;
- to establish a mechanism to assess the performance and effectiveness of the internal audit function;
- to ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank and to ensure coordination between the Internal and External Auditors;
- to consider the findings of Bank Negara Malaysia (Banking Supervision Department) (if any) and Management's response;
- to review the key audit reports and consider the major findings of internal investigations; and ensuring that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the Internal Audit and other control functions; and
- to note the significant disagreements between Head of Internal Audit and the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings.

External Auditors

- to review and make recommendation on the appointment/re-appointment, removal and remuneration of the External Auditors to the Board;
- to monitor and assess the objectivity, performance and independence of the External Auditors and their services including by approving the provisions of non-audit services by External Auditor;
- to monitor and assess the effectiveness of the external audit including by meeting with the External Auditors without the presence of Management at least annually;
- to review the External Auditors' Management Letter and ensure Management takes necessary corrective actions in a timely manner to address external audit findings and recommendations; and
- to maintain regular, timely, open and honest communication with the External Auditors, and requiring the External Auditors to report to the AC on significant matters.

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

(c) Audit Committee ("AC") (Contd)

Financial Reporting

- to review the accuracy and adequacy of the Chairman's Statement in the directors' report, corporate governance disclosure and interim financial reports in relation to the preparation of financial statements; and
- to review the interim and annual financial statements before submission to the Board, focusing particularly on:
  (i) any changes in accounting policies and practices
  (ii) major judgemental areas
  (iii) significant adjustments resulting from the audit
  (iv) the going concern assumption
  (v) compliance with applicable financial reporting standards
  (vi) compliance with Bank Negara Malaysia and legal requirements
  (vii) adequacy of provision for contingencies and bad and doubtful debts

Risk Management and Governance

- to review the adequacy and effectiveness of the Bank's governance processes, risk management and internal controls prior to endorsement by the Board;
- to review third-party opinions on the design and effectiveness of the Bank's internal control framework; and
- to monitor compliance with the Board's conflicts of interest policy which at a minimum must:
  (i) identify circumstances which constitute or may give rise to conflicts of interests
  (ii) clearly define the process for directors to keep the Board informed on any change in his circumstances that may give rise to a conflict of interests
  (iii) identify those responsible for maintaining updated records on each director's conflicts of interest
  (iv) articulate how any non-compliance with the policy will be addressed

Related Party Transactions

- to review and update the Board on all related party transactions and conflicts of interest situations that may arise within the Bank including any transaction, procedure or conduct that raises questions of management integrity.

Other matters

- to consider other matters as the AC considers appropriate or as authorised by the Board.

Internal Audit

Control Activities

Internal Audit is an independent and objective function to assist the Audit Committee of the Board of Directors in discharging the responsibilities defined in the terms of reference of the Audit Committee. Reviews are conducted on the operations, activities, systems, procedures and practices of the Bank and reports on the findings are submitted with recommendations to the Audit Committee. Such reporting serves to provide the desired status of independence for the Internal Auditors to determine adequate coverage of audit and to be impartial and unbiased in performing audit examinations.

In carrying out its responsibilities, the Internal Audit Department has full, free and unrestricted access to all activities, records, property and personnel. The Internal Auditors are encouraged to be consulted for advice such as to provide comments based on lessons learnt from past audit experience which could be beneficial when new systems are planned to be introduced incorporating significant changes in internal control processes and standards. Such advice does not exempt the subjects from being audited subsequently for possible additional improvements.

Internal Audit is governed by the policies and objectives of the Bank, applicable laws and regulations such as the FSA 2013, BNM's Guidelines on Minimum Audit Standards for Internal Auditor of Financial Institutions and the Institute of Internal Auditors' International Standards for Professional Practice of Internal Auditing.

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

(c) Audit Committee ("AC") (Contd)

Responsibilities

Internal Audit is entrusted with the responsibility to appraise the appropriateness and effectiveness of the internal control system of the Bank's operations, activities, systems, procedures and practices and for advising Management on their condition. The Department will include the evaluation of the following in its scope of work to effectively discharge its responsibilities:

- compliance with internal policies, applicable laws and regulations;
- adequacy and effectiveness of risk management, internal controls and governance process;
- appropriateness of Management's approach to risk and control in relation to the Bank's objectives;
- reliability, integrity and continuity of the information technology, payment systems and electronic delivery channels;
- adequacy and effectiveness of the system of assessing capital and robustness of stress testing procedures;
- reliability, integrity and timeliness of regulatory reporting, accounting records, financial reports and management information;
- adequacy and effectiveness of anti-money laundering measures;
- compliance with Shariah principles as determined by the Shariah Committee;
- provide independent assurance on the adequacy and effectiveness of departments entrusted to oversee the compliance function and responsible for oversight of the risk management function;
- conduct ad-hoc/special assignments/reviews as requested by Management or the AC;
- planning audit assignments and presenting the annual audit plan for approval by the AC; and
- monitor progress of rectification actions by auditees.

(d) Risk Management Committee ("RMC")

The primary objectives of the RMC are to oversee the Bank's activities in managing credit, market, liquidity, operational, legal and other risks; and to ensure that a risk management process is in place and functioning.

RMC is authorised to assist the Board in ensuring that the overall objectives of the Bank in risk management are achieved.

The composition of RMC is as follows:

En. Ismail bin Mahbob (Chairman)
Y.Bhg. Dato Abdul Rahim bin Osman (Member)
Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Member)
Mr. Saburo Arai (Member) (resigned on 22 July 2016)

The RMC meets at least once every quarter.

The RMC held sixteen (16) meetings during the financial period ended 31 March 2017.

The details of attendance of each member at the RMC meetings held during the financial period ended 31 March 2017 are as follows:

	Number of Meetings	
RMC Member	**Held**	**Attended**
En. Ismail bin Mahbob *Chairman*	16	15
Y.Bhg. Dato Abdul Rahim bin Osman *Member*	16	16
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Member*	16	16
Mr. Saburo Arai *Member*	8	6

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

(d) Risk Management Committee ("RMC") (Contd)

The RMC's functions and responsibilities are to oversee the management activities in managing key risk areas of the Bank covering credit risk, market risk, liquidity risk, operational risk and information security risk and to ensure that the risk management process is in place and functioning effectively. Its responsibilities also include the review of risk policies and risk tolerance. A comprehensive Risk Management Policy approved by the Board has been implemented. It reviews and assesses the adequacy of risk management to identify, measure, monitor, control and manage the overall risk profile of the Bank.

The RMC's responsibilities and functions are:

Risk Governance

- to review and recommend risk management strategies, policies and risk tolerance for Board's approval;
- to review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;
- to review periodic reports from respective departments which include Risk Management Units, Compliance, Housing Loan, Treasury, etc;
- to ensure infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems and performing those duties independently of the Bank's risk taking activities;
- to oversee the formal development of policies (including Credit Policy, and other Market and Operational Policies, Compliance related policies etc.) within the Bank, encompassing all products and businesses; and ensuring the development of policy manual and procedures;
- to execute oversight role regarding implementation of the Bank's Internal Capital Adequacy Assessment Process ("ICAAP");
- to approve credit transactions with connected parties based on Guidelines on Credit Transactions and Exposures with Connected Parties (at least 2 non-executive directors who are independent of the transaction) as delegated by the Board;
- to adhere to items 1 to 3 and 6 to 15 under Section 2 of BNM's "Guidelines on Management of IT Environment (GPIS 1)" on "Board and Management Oversight";
- to provide input to the design and implementation of the remuneration system to ensure that risk exposures and risk outcomes are adequately considered;
- to approve the appointment, performance review and remuneration, and dismissal of the Chief Risk Officer; and
- to provide constructive challenge to senior management and critically review the risk information and developments affecting the Bank.

Risk Strategy

- to evaluate and assess the adequacy of strategies to manage the overall risk associated with the Bank's activities;
- to ensure strategies, policies and procedures of the ICAAP as well as internal capital target and risk appetite are reviewed annually under a formal review process that is well documented;
- to ensure that the capital management policies and activities are effectively integrated into the overall risk management framework;
- to recommend to the Board on the appropriateness and suitability of the Risk Appetite; and
- to review the capital planning and funding strategy.

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

(d) Risk Management Committee ("RMC") (Contd)

Risk Management & Control

- to review Management's periodic reports on risk exposures, risk portfolio composition, risk management activities;
- to monitor, assess and advise on the credit risk portfolio composition of the Bank;
- to evaluate risks under stress scenarios and the capacity of the Bank's capital to sustain such risks;
- to assess the risk-return trade-off;
- to review reports of the credit review process, asset quality and ensure that corrective action is taken;
- to review and evaluate the various credit products engaged by the Bank to ensure that it is conducted within the standards and policies set by the Board;
- to evaluate and assess risk concerning development and introduction of new products and services;
- to review and evaluate business continuity management and processes;
- to oversee capital quantification and scenario analysis methodologies;
- to review the IT risk management framework of the Bank;
- to review the Bank's Single Counterparty Exposure Limit;
- to review the Threshold Limits for Business Sectors;
- to oversee the risk management for Islamic banking; and
- to ensure that the cyber security risk of the Bank is properly managed.

Overall Risk Management Policy

The risks faced by the Bank are broadly divided into two categories:

- credit and market risks that are inherent in our profit-seeking activities; and
- risks associated with the Bank's operations.

The Bank's goal is to achieve a balance between earnings and risks. For this purpose, the Bank has instituted an integrated Risk Management Policy to identify, measure, control, monitor and manage risks using consistent standards and techniques in each of the Bank's business.

Outline of risk management and control responsibilities:

- the Board is ultimately responsible for the management of risks; the Board through the RMC maintains overall responsibility for risk oversight of the Bank;
- the RMC oversees Senior Management's functions in managing the key risk areas of the Bank in order to ensure that the risk management process is in place and functioning effectively. The Committee is responsible for the risk oversight for the major areas of risk covering credit risk, operational risk, market risk, liquidity risk and information security risk. Its responsibilities also include the review and recommendation of the risk management strategies, policies and risk tolerance. It also reviews and assesses adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling the overall risk; and
- dedicated independent risk management and control committees are responsible for identification, monitoring of risks and monitoring of compliance with the risk policies.

The independent risk management committees which comprise members of the management team, relevant heads of department and chaired by CEO are as follows:

(a) Assets & Liabilities Management Committee
(b) Market Risk Committee
(c) Credit Risk Management Committee
(d) Business Continuity Management Committee

The Chief Risk Officer chairs the Operational Risk Management and Control Committee.

The AC, supported by Internal Audit Department, is to provide an independent assessment of the adequacy and reliability of the risk management processes, and compliance with risk policies and regulatory guidelines of the above risk management committees.

The SC is responsible to provide Shariah decision, views and opinions relating to Islamic financial business of the Bank including the edorsement of product-related documentation and Shariah-related policies and procedures.

RISK MANAGEMENT PROCESS

The Bank has established, within its risk management policy, a structured approach to enterprise wide risk management which balances risk and return, and integrating risk management processes for market risk, credit risk, operational risk and liquidity risk for more effective risk management. The risk management process is categorised into the following processes:

- Risk Identification and Assessment;
- Risk Evaluation and Measurement;
- Risk Control and Mitigation; and
- Risk Monitoring and Reporting.

(a) Credit Risk Management

(i) Risk Identification, Assessment and Measurement

- A comprehensive Credit Rating system is used to grade the quality of loans and track changes in credit risk profile of the loan portfolio;
- An independent assessment of loan applications are performed by the holding company;
- Regular review of watch list borrowers and delinquent accounts are conducted to monitor progress of recovery;
- Stress testing of loan portfolio are performed to test the Bank's capability to absorb shocks under the test scenarios; and
- Benchmarking of asset quality against industry peers.

(ii) Risk Control, Mitigation and Monitoring

- Credit Policy documents the core credit processes including the process of credit risk rating and collateral policy;
- Impairment Policy documents the general requirements for classification of impaired loans and provisioning and the circumstances under which a loan can be rescheduled/restructured/written off;
- Extensive analysis and reporting to the Board on loans exposure, quality of loans portfolio, movement of impaired loans and adequacy of impairment allowances;
- Review of counterparty limits of money market activities, foreign exchange activities and other business activities; and
- Single Counterparty Exposure Limit ("SCEL") Policy documents the requirements in managing and monitoring exposures to a single counterparty and persons connected to it.

(b) Market Risk Management

(i) Risk Identification, Assessment and Measurement

- Mark-to-market technique is used to revalue marketable securities, equities, interest rate and foreign currency positions; and
- Exposures such as position size, Value-at-Risk and loss amounts are computed as a measurement of market risks.

(ii) Risk Control, Mitigation and Monitoring

- The market risk limits are set after taking into consideration the risk appetite of the Bank and the risk-return relationship;
- Market risk exposures of both the trading and banking book positions are monitored against pre-determined market risk limits;
- Both the utilisation and compliance status of market risk limits are regularly reported to Market Risk Committee by the Market Risk Management Department ("MRMD");
- Regular reviews on interest rate outlook, vulnerability of net interest income to movement in interest rates and development of strategies to mitigate interest rate risks;
- Changes in market value of investment and dealing securities due to interest rate movements are monitored and reported; and
- Stress testing of trading and banking portfolios are performed to test the Bank's capability to absorb simulated shocks from market risk factors.

RISK MANAGEMENT PROCESS (CONTD)

(c) Liquidity Risk Management

(i) Risk Identification, Assessment and Measurement

- The Bank's assets and liabilities as well as off-balance sheet positions are included in liquidity risk measurement;
- The primary tools for assessing liquidity risk are the maturity mismatch analysis, assessment on the concentration of funding and the availability of unencumbered assets; and
- Establish Early Warning Indicator to identify potential warning signs in relation to the Bank's funding liquidity risk position.

(ii) Risk Control, Mitigation and Monitoring

- Internal liquidity risk management limits are set;
- Compliance with BNM's Liquidity Coverage Ratio and internal liquidity risk management policy are monitored and reported to Assets & Liabilities Management Committee;
- Liquidity contingency funding plans are in place and documented;
- Monitoring of changes (if any) in the Bank's funding structure;
- Stress testing of assets and liabilities are performed to test the Bank's capability to absorb simulated shocks from liquidity risk factors; and
- Monitoring and reporting of Liquidity Coverage Ratio requirements.

(d) Operational Risk Management

(i) Risk Identification, Assessment and Measurement

- Implementation and utilisation of Risk Control Self Assessment ("RCSA") process;
- Review of new and existing procedures by Operational Risk Management and Control Committee prior to implementation and approval;
- Collecting Loss Event Data ("LED") and analyse causes and preventative actions taken on losses from fraud and control lapses;
- Review of systems and network confidentiality, integrity and availability;
- Review of New and Existing Products/Services to identify and minimise risk;
- Implementation and review of Business Continuity Management ("BCM") Programme and coordinate simulation runs;
- Implementation of System Risk Evaluation to identify and manage system risk;
- Identify the potential Operational Risk based on the results of Self-Inspection findings, Global Control Self Assessment ("GCSA") and Outsourcing review activities; and
- Development of Shariah Risk Register to assist in risk identification for islamic business transactions.

(ii) Risk Control, Mitigation and Monitoring

- Procedures and methods established to control and mitigate operational risk;
- Regular risk and Key Risk Indicator (generic/specific "KRI" of Business Units and BNM's Operational Risk Integrated Online Network) reporting on operational risk matters via Operational Risk Management and Control Committee and RMC;
- Implementation of periodic User ID and Access Management review process in adherence to the principle of segregation of duties, independent checks, segmented system access control and multi-tier authorisation processes;
- Implementation of Post Incident Reporting process to review the effectiveness of countermeasures committed to minimize risk of operational incidents and to identify weaknesses in operational processes and procedures;
- Implementation of Annual Review on Products & Services to manage and minimise risk;
- Execution of Testing and Exercising as planned in ensuring back-up procedures and contingency plans are up-to-date;
- Review on the Outsourcing Management process to manage risks from service providers on outsourced operations;
- Overall assurance on the adequacy and reliability of the operational risk management system by Internal Audit Department; and
- Analyse and monitor countermeasures of Self-Inspection findings to minimize Operational Risk.

RISK MANAGEMENT PROCESS (CONTD)

(e) Information Security Risk Management

(i) Risk Identification, Assessment and Measurement

- Use of self-assessment checklist; and
- Review of Information Security Incident reports to identify weaknesses in Information Security processes and procedures.

(ii) Risk Control, Mitigation and Monitoring

- Review and report on information security discussed at regular IT Steering Committee Meeting;
- Exceptions will be reported to Operational Risk Management and Control Committee and RMC regularly; and
- Comprehensive and up-to-date documentation of Information Security Standards and Procedures.

SHARIAH COMMITTEE

The Bank's Shariah Committee was established to ensure that the Bank's Islamic banking aims and operations, business, affairs and activities are in compliance with Shariah rules and principles. The roles and responsibilities of the Bank's Shariah Committee are as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by BNM and in compliance with the respective members' letter of appointment.

The key roles and responsibilities of the Shariah Committee include:

- To advise and provide input to the Board on Shariah matters including regular update or reporting, and attending the Board meeting whenever required by the Board;
- To advise the Bank on Shariah matters in ensuring the Bank's Islamic banking operations comply with Shariah principles at all times;
- To endorse Shariah and other relevant policies and procedures for Islamic banking operations and to ensure that the contents are Shariah compliant;
- To approve the Bank's Islamic banking products including the relevant documentations as follows:
  (i) The terms and conditions contained in the forms, contracts, agreements or legal documentations used in executing the transactions; and
  (ii) The product manuals, advertisements, sales illustrations and brochures used to describe the product.
- To perform an oversight role on Shariah compliance related matters to the Bank's Islamic banking operations including assessing the work carried out by Shariah Review and Shariah Audit to ensure Shariah compliance;
- To provide report as part of the Bank's annual report on the state of Shariah compliance by confirming the appropriate tests, procedures and review works have been performed;
- To provide necessary assistance on Shariah matters to the Bank's related parties such as legal, compliance, auditors or consultants etc. in ensuring Shariah compliance;
- To advise on matters to be referred to the Shariah Advisory Council ("SAC") of BNM and/or SAC of Securities Commission Malaysia ("SC") for matters that could not be resolved (whenever necessary); and
- To provide written Shariah opinions in circumstances where the Bank makes reference to the SAC of BNM and/or SAC of SC for further deliberation, or where the Bank submits applications to BNM for new product approval as outlined in BNM guidelines.

The Shariah Committee of the Bank consists of five (5) members and their profiles are as follows:

Dr. Luqman bin Haji Abdullah obtained his Bachelor of Shariah (Hons) from University of Malaya in 1993, and Ph.D in Islamic Studies from the University of Edinburgh, Scotland in 2005. At present, he is a lecturer at the Academy of Islamic Studies, University of Malaya. He also serves as a member of JAKIM's Shariah Panel Review, a Committee Member of Scholars and Fatwa for Kelantan Islamic Religious Council and the Chairman of Madrasah Rahmaniah Pondok Lubuk Tapah, Kelantan. He has been a member of the Shariah Committee of the Bank since 2008.

Assoc. Prof. Dr. Abdul Karim bin Ali obtained his Bachelor of Shariah (First Class Honours) from the University of Malaya in 1990 and Ph.D in Islamic Studies from the University of Edinburgh, Scotland in 1996. At present, he is a lecturer at the Academy of Islamic Studies, University of Malaya. Previously, he was the Deputy Director (Undergraduate) at the Academy of Islamic Studies, University of Malaya (2010-2014) and the Head of Fiqh and Usul Fiqh Department at the Academy of Islamic Studies, University of Malaya (2009-2010). He has been a member of the Shariah Committee of the Bank since 2008.

SHARIAH COMMITTEE (CONTD)

Assoc. Prof. Dr. Mek Wok binti Mahmud obtained her Bachelor of Laws from the International Islamic University Malaysia ("IIUM") in 1988, Master Degree in Islamic Revealed Knowledge from IIUM in 1991 and Ph.D in Islamic Studies from the International University of Africa, Sudan in 2000. At present, she is the lecturer at the Department of Fiqh and Usul Fiqh, Kuliyyah of Islamic Revealed Knowledge International, IIUM. Previously, she was the Deputy Dean Postgraduate & Research of Kuliyyah of Islamic Revealed Knowledge, IIUM (2011-2014). She has been a member of the Shariah Committee of the Bank since 2008.

Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi obtained his Diploma in Business Studies from Ngee Ann Polytechnic, Singapore in 1984, Bachelor of Business Administration (First Class Honours) from the International Islamic University Malaysia ("IIUM") in 1989 and Doctor in Business Administration (DBA) from University of Strathclyde, Glasgow, United Kingdom in 1994. At present, he is the Dean of the Institute of Islamic Banking and Finance ("IIBF"), IIUM. He also serves as a member of Shariah Supervisory Council of Labuan Financial Services Authority since 2014. Previously he was the Dean of IIBF, IIUM (2014), and Dean of Graduate School of Business, University Tun Abdul Razak (2012-2013). He had also served as AAOIFI Accounting and Auditing standards committee and was engaged as consultant to IFSB Transparency and Market Discipline standard. He has been a member of the Shariah Committee of the Bank since 2012.

Dr. Safinar binti Salleh obtained her Bachelor of Shariah from al-Azhar University, Cairo in 1999, Master in Shariah from University of Malaya in 2005 and Ph.D in Islamic Studies from Glasgow Caledonian University, United Kingdom in 2013. At present she is a lecturer at the Ahmad Ibrahim Kuliyyah of Law, International Islamic University Malaysia. She has been a member of the Shariah Committee of the Bank since 2014.

The Shariah Committee meets at least once in every two (2) months.

The Shariah Committee held seven (7) meetings during the financial period.

The details of attendance of each member at the Shariah Committee meetings held during the financial period ended 31 March 2017 are as follows:

	Number of Meetings	
Shariah Committee Member	**Held**	**Attended**
Dr. Luqman bin Haji Abdullah *Chairman*	7	7
Assoc. Prof. Dr. Abdul Karim bin Ali *Member*	7	7
Assoc. Prof. Dr. Mek Wok binti Mahmud *Member*	7	7
Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi *Member*	7	6
Dr. Safinar binti Salleh *Member*	7	7

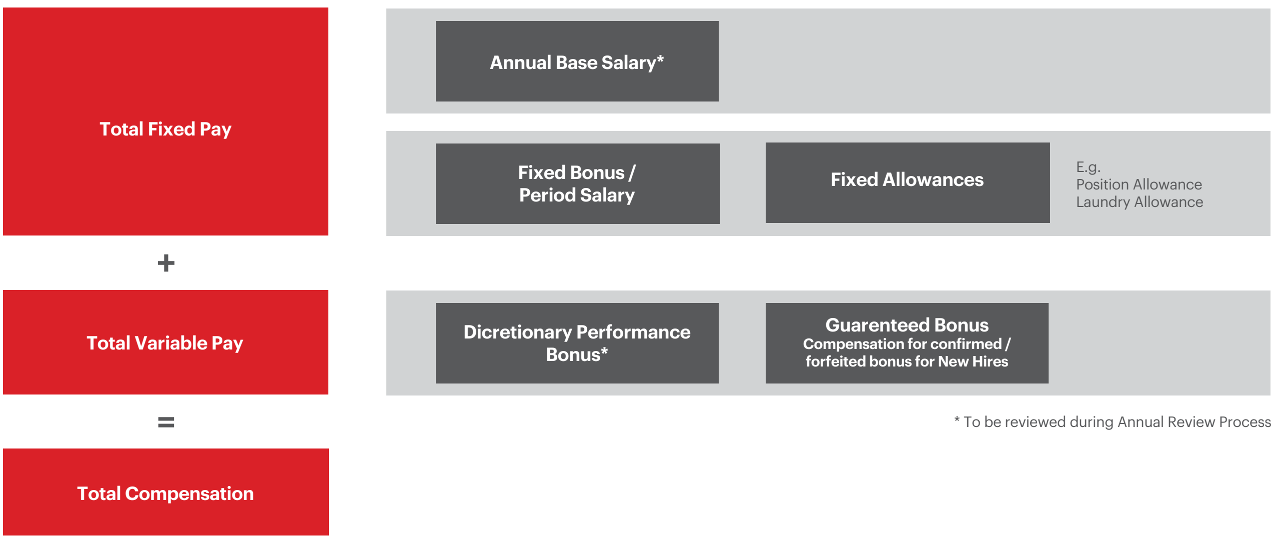
REMUNERATION STRATEGY

The Bank's Remuneration Policy, which has been endorsed by the Bank's Remuneration Committee and approved by the Board, applies to all of the Bank and acts as a guiding principle in relation to the design and management of our remuneration programmes.

Principles	Description
Motivation and Reward	To motivate and reward individuals for high levels of performance in achieving the Bank's Key Performance Indicators ("KPI") and business results.
Recruitment and Retention	To recruit and retain highly qualified and competent individuals at various levels and responsibilities in job positions in the Bank.
Fairness and Equity	To achieve fairness and achieve fairness and equity by systematically evaluating relative levels of jobs to ensure equitable remuneration for similar responsibilities internally and externally as well as taking into account performance, merit, and other relevant factors.
Remuneration Survey and Updates	To periodically conduct or participate in remuneration survey to determine if different levels of jobs and responsibilities are appropriately aligned to relevant comparators in the market and continue to be effectively competitive.
Alignment of Remuneration	To ensure that remuneration is aligned with business and risk strategies, corporate values and to the long-term interest of the Bank.
Promotion of Prudent Risk Taking	To promote prudent risk-taking behaviour and encourage individuals to act in the interests of the financial institution as a whole, taking into account the interests of its customers.

(a) Components of Remuneration

Total compensation



The Discretionary Performance Bonus is paid in the following financial year. Adding the fixed pay given in the financial year to the Discretionary Performance Bonus, the Total Compensation is computed.

REMUNERATION STRATEGY (CONTD)

(a) Components of Remuneration (Contd)

Fixed	Consists of base salary and fixed allowances	Fixed pay strategy (a) BTMU has the ability to pay across the full Peer Group Market Range. (b) BTMUM Fixed Pay Strategy employs a long-term approach to determine desired pay levels for each role considering the said role's fixed pay market position and preceding years' Performance Reviews. i. Consistent Exceptional Performer shall have a target pay at the upper end of the Market Range; and ii. Consistent Poor Performers shall have a target pay at the lower end of the Market Range.
Variable	Payable annually through cash bonus	(a) Bonus will be differentiated towards top performers to ensure Total Compensation reflects their performance for the year. Bonus should be differentiated enough to reward top performers but still align to BTMU's culture and not encourage excessive risk taking and / or inappropriate behaviors; (b) Bonus are not linked to current Fixed Pay or Base Salary levels; (c) Variable Pay differentiated at a Department and Individual Level based on performance; (d) Discretionary differentiated bonuses to be awarded during Annual Pay Review excercise; (e) Poor Performers to receive zero variable pay; and (f) To safeguard the independence and authority of individuals engaged in control functions, BTMUM shall ensure that the remuneration of such individuals is based principally on the achievement of control functions objectives, and determined in a manner that is independent from the business lines they oversee.

(b) Measurement of Performance

The Bank's performance is determined in accordance with a balanced scorecard which includes key measures on profitability, cost, capital, shareholders' return, medium to long-term strategic initiatives, as well as, audit and compliance positions.

The Bank's key measures are cascaded to the business units and functions accordingly, and subsequently to the KPI scorecards of individuals.

For each employee in the Bank, performance is tracked through KPIs (standardised Bank Performance Management Format) in a balanced scorecard. In addition to financial targets, KPIs in the balanced scorecard could include measures or customer experience, risk management and operational efficiency process controls, audit and compliance findings, as well as development related measures.

At the end of the year, Performance of each individual is then holistically assessed through the Bank's performance management framework which is based on the balanced scorecard and the individual's competencies.

(c) Determination of Variable Remuneration

Based on the Bank's performance, the Management will determine the overall variable remuneration pool taking into consideration key performance measures. The Bank's pool will be allocated by the Management to the business units and functions based on their respective performance and adjustment in view of market relevance of the employment remuneration.

Variable remuneration of each individual employee is the determined based on individual assessment and the adequacy of bonus pool allocated to the business unit function to which the individual belongs.

REMUNERATION STRATEGY (CONTD)

(c) Determination of Variable Remuneration (Contd)

The control functions of Audit, Compliance and Risk operate independently from the business units in the Bank, and have appropriate authority to carry out their individual functions without intervention from the business units. To prevent conflict of interest, remuneration of employees in these control functions are not dictated by business units that they support. Remuneration of the Chief Risk Officer, Chief Compliance Officer and the Chief Internal Auditor are approved by the Board and the relevant Board Committees.

(d) Directors' Remuneration

This is disclosed in Note 26 of the financial statements.

(e) Remuneration Disclosure For Senior Management And Other Material Risk Takers

	31 March 2017			31 December 2015		
Total value of remuneration awards for the financial period/year	**Unrestricted**	**Deferred**	**Number of Officers**	**Unrestricted**	**Deferred**	**Number of Officers**
	Senior Management			**Senior Management**		
	RM'000	**RM'000**		**RM'000**	**RM'000**	
Fixed remuneration						
• Cash based	3,883	-	7	2,441	-	5
• Shares and share-linked instruments	-	-	-	-	-	-
• Others	-	-	-	-	-	-
Variable remuneration						
• Cash based	1,476	-	7	894	-	5
• Shares and share-linked instruments	-	-	-	-	-	-
• Others	-	-	-	-	-	-

	Other material risk takes ("ORMT")			Other material risk takes ("ORMT")		
	RM'000	**RM'000**		**RM'000**	**RM'000**	
Fixed remuneration						
• Cash based	4,981	-	14	3,567	-	12
• Shares and share-linked instruments	-	-	-	-	-	-
• Others	-	-	-	-	-	-
Variable remuneration						
• Cash based	2,434	-	14	1,095	-	12
• Shares and share-linked instruments	-	-	-	-	-	-
• Others	-	-	-	-	-	-

RELATED PARTY TRANSACTIONS

Payments made on services rendered by the holding company are on documented contractual terms and there is no related party transaction with the Board of Directors or Senior Management.

RATING BY EXTERNAL RATING AGENCIES

On 31 October 2016, RAM Rating Services Berhad has assigned the Bank a long-term rating of AA1 and a short-term rating of P1 with stable outlook.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that BNM's expectations on financial reporting have been complied, including those as set out in the Guidelines on Financial Reporting and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

INDEMNITY AND INSURANCE COSTS

During the financial period, the total amount of indemnity given to for Directors of the Bank is RM50.0 million.

OTHER STATUTORY INFORMATION

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts have been written off and that adequate provision made for doubtful debts; and
(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Bank inadequate to any substantial extent, or
(ii) that would render the values attributed to current assets in the financial statements of the Bank misleading, or
(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate, or
(iv) not otherwise dealt with in this report or financial statements that would render any amount stated in the financial statements of the Bank misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Bank which has arisen since the end of the financial period and which secures the liabilities of any other person; or
(ii) any contingent liability in respect of the Bank which has arisen since the end of the financial period.

No contingent liability or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Bank for the financial period ended 31 March 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occured in the interval between the end of that financial period and the date of this report.

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016) have indicated their willingness to accept re-appointment.

The auditors' remenuration is disclosed in Note 25 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 22 August 2017.

<Signed>
Yuta Uchiyama
Director

<Signed>
Y.Bhg. Dato Abdul Rahim bin Osman
Director

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Yuta Uchiyama and Y.Bhg. Dato Abdul Rahim bin Osman, being two of the Directors of Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 49 to 124 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as of 31 March 2017 and of their financial performance and cash flows for the financial period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 22 August 2017.

<Signed>
Yuta Uchiyama
Director

(Signed>
Y.Bhg. Dato Abdul Rahim bin Osman
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, Yuta Uchiyama, the Director primarily responsible for the financial management of Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 124 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Yuta Uchiyama, passport no: TZ1145034 at Kuala Lumpur in the Federal Territory on 22 August 2017.

<Signed>
Yuta Uchiyama
Director

Before me,

SHARIAH COMMITTEE REPORT

In the name of Allah, the Most Gracious, the Most Merciful. All praise is due to Allah, prayers and peace be upon the Allah's Prophet Muhammad, his kin and his companions.

In carrying out the roles and responsibilities as the Shariah Committee of Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad ("the Bank") as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia ("the SGF"), the Bank's policy on Shariah governance and term of reference of the Shariah Committee, we hereby submit our Shariah Committee Report for the financial period ended 31 March 2017.

In accordance to the SGF, it is the responsibility of the Bank's Management to ensure that the Bank's Islamic banking operations, business, affairs and activities are in accordance with the Shariah rules and principles. As the Bank's Shariah Committee, it is our responsibility to provide an independent view on the status of Shariah compliance conduct of the Islamic banking operations and to produce this report.

For the financial period ended 31 March 2017, the Shariah Committee has held seven (7) meetings and that in each meeting the committee reviewed various products, dealings, contracts, policies, procedures and related transactions presented by the Bank, through the Bank's Shariah unit that examined the Shariah requirements to be adhered to in such undertakings, to ensure conformity with Shariah requirements.

We have also performed the oversight role through the Shariah review, Shariah risk management and Shariah audit functions in ensuring that the Bank's Islamic banking operations comply with the Shariah principles and rulings issued by the Shariah Advisory Council of Bank Negara Malaysia as well as Shariah policy endorsement and product approval by us.

In discharging our duties, we had obtained 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 rules and principles in all transactions that has been presented to us with regard to Islamic banking operations and business activities.

Pursuant to the above, we, the Shariah Committee of Bank, while perceiving on several areas are being improved, are of the view that:

1 the products, dealings, contracts, policies, procedures and related transactions proposed and entered into by the Bank during the financial period ended 31 March 2017 are generally in compliance with the Shariah rules and principles;
2 the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3 no earning has been realised from sources or by means prohibited by the Shariah principles within the financial period; and
4 the Bank is not required to pay zakat for the financial period ended 31 March 2017 because its shareholders has no obligation to do so.

SHARIAH COMMITTEE REPORT (CONTD)

On that note, we, the Shariah Committee of Bank of Tokyo-Mitsubishi UFJ Malaysia Berhad, do hereby confirm that, at our level best while perceiving on several areas are being improved, the Islamic banking operations and business activities of the Bank of Tokyo-Mitsubishi UFJ Malaysia Berhad for the financial period ended 31 March 2017 have, in general, been conducted in conformity with the Shariah rules and principles.

We pray to Allah the Almighty to grant us success and the right path of straight-forwardness.

<Signed>
Dr. Luqman Abdullah
Chairman of the Shariah Committee

<Signed>
Assoc. Prof. Dr. Abdul Karim Ali
Member of the Shariah Committee

<Signed>
Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi
Member of the Shariah Committee

<Signed>
Dr. Safinar Salleh
Member of the Shariah Committee

Kuala Lumpur, Malaysia
Date : 22 August 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK OF TOKYO-MITSUBISHI UFJ (MALAYSIA) BERHAD
Company No : 302316-U (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad, which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 124.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2017, and of its financial performance and its cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis of opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Bank and our auditors' report thereon.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Bank and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Our opinion on the financial statements of the Bank does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Bank, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Bank or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report , we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK OF TOKYO-MITSUBISHI UFJ (MALAYSIA) BERHAD
Company No : 302316-U (Incorporated in Malaysia) (Contd)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matter

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

<Signed>
KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Malaysia

Date : 22 August 2017

<Signed>
Siew Chin Kiang @ Seow Chin Kiang
Approval Number : 02012/11/2018 (J)
Chartered Accountant

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	31.03.2017 RM'000	31.12.2015 RM'000
ASSETS			
Cash and short-term funds	3	7,398,702	7,312,418
Securities available-for-sale	4	686,869	174,874
Loans and advances	5	18,838,262	17,295,638
Purchased receivables	6	51,095	31,701
Derivative financial assets	7	2,775,724	3,144,942
Statutory deposits with Bank Negara Malaysia	8	3,268	3,268
Amount due from holding company	9	480,344	550,233
Amount due from related companies	9	6,256	23,200
Other assets	10	31,046	30,721
Property, plant and equipment	11	23,441	24,080
Intangible assets	12	34,830	20,975
Deferred tax assets	13	-	40,677
Tax recoverable		39,275	6,617
TOTAL ASSETS		30,369,112	28,659,344
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	14	9,062,320	7,755,646
Deposits and placements of banks and other financial institutions	15	2,580	5,000
Collateral deposits	16	12,531,310	10,109,477
Derivative financial liabilities	7	2,555,888	2,872,158
Amount due to holding company	9	3,750,338	5,730,022
Amount due to related company	9	1	1
Other liabilities	17	118,659	141,995
Deferred tax liabilities	13	803	-
TOTAL LIABILITIES		28,021,899	26,614,299
SHARE CAPITAL	18	200,000	200,000
RESERVES	19	2,147,213	1,845,045
SHAREHOLDER'S FUNDS		2,347,213	2,045,045
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		30,369,112	28,659,344
COMMITMENTS AND CONTINGENCIES	20	64,826,256	50,209,237

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	Note	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Operating revenue	21	642,103	426,156
Interest income	22	643,543	388,687
Interest expense	23	(288,255)	(160,363)
Net interest income		355,288	228,324
Other operating income	24	286,815	197,832
Operating income		642,103	426,156
Other operating expenses	25	(252,196)	(158,592)
Operating profit before allowance for impairment		389,907	267,564
Allowance for impairment on loans and advances	27	(23,381)	(20,030)
Write back for impairment on other assets		180	1,561
Profit before tax		366,706	249,095
Tax expense	28	(63,007)	(55,959)
Profit after tax for the period/year		303,699	193,136
Other comprehensive income, net of tax			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	29	(165)	7,961
Item that are or may be reclassified subsequently to profit or loss			
Change in fair value of securities available-for-sale	29	(1,366)	2,335
Other comprehensive income for the period/year, net of tax		(1,531)	10,296
Total comprehensive income for the period/year		302,168	203,432
Profit attributable to:			
Owner of the Bank		303,699	193,136
Total comprehensive income attributable to:			
Owner of the Bank		302,168	203,432
Basic earnings per share (sen)	30	151.85	96.57

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

		<------ Non-distributable				------>	Distributable	
	Note	Share Capital RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000	Defined Benefit Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2015		200,000	204,187	-	(13,323)	43	1,450,706	1,841,613
Remeasurement of defined benefit liability	29	-	-	-	7,961	-	-	7,961
Change in fair value of securities available-for-sale	29	-	-	-	-	2,335	-	2,335
Transfer to regulatory reserve		-	-	150,388	-	-	(150,388)	-
Total other comprehensive income for the year		-	-	150,388	7,961	2,335	(150,388)	10,296
Profit for the year		-	-	-	-	-	193,136	193,136
Total comprehensive income for the year		-	-	150,388	7,961	2,335	42,748	203,432
At 31 December 2015		200,000	204,187	150,388	(5,362)	2,378	1,493,454	2,045,045
At 1 January 2016		200,000	204,187	150,388	(5,362)	2,378	1,493,454	2,045,045
Remeasurement of defined benefit liability	29	-	-	-	(165)	-	-	(165)
Change in fair value of securities available-for-sale	29	-	-	-	-	(1,366)	-	(1,366)
Transfer to regulatory reserve		-	-	13,961	-	-	(13,961)	-
Total other comprehensive income for the period		-	-	13,961	(165)	(1,366)	(13,961)	(1,531)
Profit for the period		-	-	-	-	-	303,699	303,699
Total comprehensive income for the period		-	-	13,961	(165)	(1,366)	289,738	302,168
At 31 March 2017		200,000	204,187	164,349	(5,527)	1,012	1,783,192	2,347,213

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	Note	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Cash Flows From Operating Activities			
Profit before tax		366,706	249,095
Adjustments for:			
Depreciation of property, plant and equipment		5,987	4,127
Amortisation of intangible assets		7,773	3,653
Gain on disposal of property, plant and equipment		(13)	-
Allowance for impairment on loans and advances		23,381	20,030
Write back for impairment on other assets		(180)	(1,561)
Write back for impairment on securities available-for-sale		(12)	-
Provision for retirement benefits		4,536	4,665
Dividend income		(274)	(274)
Amortisation and accretion of securities available-for-sale		318	379
Gain on disposal of securities available-for-sale		(1,094)	(3,887)
Interest income from securities available-for-sale		(11,322)	(12,120)
Unrealised (gain)/loss on changes in fair value of derivative financial instruments		(20,478)	102,791
Operating profit before working capital changes		375,328	366,898
(Increase)/Decrease in operating assets:			
Loans and advances		(1,566,005)	(9,333,125)
Purchased receivables		(19,214)	158,058
Derivative financial assets		552,874	(1,973,614)
Other assets		1,093	(32)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		1,306,674	1,294,427
Deposits and placements of banks and other financial institutions		(2,420)	(26,030)
Net movement in inter-company balances		(1,979,701)	3,771,071
Derivative financial liabilities		(479,448)	1,782,678
Collateral deposits		2,421,833	6,728,133
Other liabilities		(24,893)	(12,636)
Cash from operations		586,121	2,755,828
Income taxes paid		(54,253)	(75,444)
Income tax refund		551	3,000
Payment of staff gratuities		(3,196)	(583)
Net cash from operating activities		529,223	2,682,801

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017 (Contd)

	Note	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(5,348)	(8,333)
Purchase of intangible assets		(21,628)	(10,160)
Proceeds from disposals of property, plant and equipment		13	-
Proceeds from sale of securities available-for-sale		139,640	755,135
Purchase of securities available-for-sale		(652,656)	(300,042)
Interest received from securities available-for-sale		9,916	2,674
Dividend received		274	274
Net cash from investing activities		(529,789)	439,548
Cash Flows From Financing Activity			
Net proceeds from maturity of sukuk		-	(160,240)
Net cash used in financing activity		-	(160,240)
Net (decrease)/increase in cash and cash equivalents		(566)	2,962,109
Cash and cash equivalents at beginning of period/year		7,885,450	4,923,341
Cash and cash equivalents at end of period/year		7,884,884	7,885,450
Analysis of cash and cash equivalents			
Cash and short term funds	3	7,398,702	7,312,418
Amount due from holding and related companies			
- current accounts	9	486,600	573,433
Amount due to holding and related companies			
- current accounts	9	(418)	(401)
		7,884,884	7,885,450

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Bank is Level 9, Menara IMC, No. 8 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia.

The principal activities of the Bank during the period are banking and related financial services. There has been no significant change in the nature of the principal activities during the financial period.

The immediate holding and ultimate holding companies during the financial period were The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi UFJ Financial Group, Inc. respectively. Both companies were incorporated in Japan.

During the financial period, the Bank changed its financial year end from 31 December to 31 March. As a result of this, the audited financial statements are prepared for a period of 15 months from 1 January 2016 to 31 March 2017.

These financial statements were authorised for issue by the Board of Directors on 22 August 2017.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

The following are accounting standards, amendments and interpretations 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 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for 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*

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

- from the annual period beginning on 1 April 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017, except for Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)* which is not applicable to the Bank.

1. BASIS OF PREPARATION (CONTD)

(a) Statement of compliance (Contd)

- from the annual period beginning on 1 April 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*, Amendments to MFRS 4, *Insurance Contracts – Applying* MFRS 9 *Financial Instruments with* MFRS 4 *Insurance Contracts*, Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)* and Amendments to MFRS 140, *Investment Property – Transfers of Investment Property* which are not applicable to the Bank.
- from the annual period beginning on 1 April 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Bank except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Bank is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Bank is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise indicated in the accounting policies.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand ("RM'000"), unless otherwise stated.

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those as follows:

(i) Fair value estimation of securities

As disclosed in Note 34, where the quoted and observable market prices of certain securities are not available, fair value is estimated using pricing models or discounted cash flow techniques. The usage of these models and techniques require the Bank to make certain estimates and assumptions, including but not limited to estimated future cash flows and discount rates.

1. BASIS OF PREPARATION (CONTD)

(d) Use of estimates and judgments (Contd)

(ii) Impairment allowance on financial assets

The specific counterparty component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the amount and timing of future cash flows in determining the recoverable amount. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

(iii) Defined Benefit Plan

The defined benefit obligation is determined based on an actuarial valuation. The actuarial valuation involves making assumptions regarding the discount rate, future salary increases and attrition rates. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. The amount of defined benefit asset recognised in the statement of financial position is limited to the present value of economic benefits in the form of refunds or reductions in future contributions to the fund. The levels of future contributions to the plan which are used to assess this limit is subject to some uncertainty due to other assumptions made regarding fund membership levels and future salary increases.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Recognition of Interest Income and Expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Recognition of Fees and Other Income

Loan processing and arrangement, management and participation fees, commissions and service charges/fees are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(c) Investment Income

Investment income comprises gains less losses related to financial assets and liabilities, and includes all realised and unrealised fair value changes, gain or loss on disposal.

(d) Dividends

Dividend income is recognised in profit or loss on the date that the Bank's right to receive payment is established.

(e) Financial Instruments

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Bank categorises financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with the gain or loss recognised in profit or loss.

(b) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest income on loans and receivables is recognised as "interest income" in profit or loss. Impairment losses on loans and advances are recognised in profit or loss as "allowance for impairment on loans and advances". Regular way recognition of loans and advances is recorded at settlement date, when all the conditions under the loan contract have been fulfilled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(e) Financial Instruments (Contd)

(ii) Financial instrument categories and subsequent measurement (Contd)

Financial assets (Contd)

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(f)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivative that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

The Bank does not have any non-derivative financial liabilities designated at fair value through profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair values arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(e) Financial Instruments (Contd)

(iv) Regular way purchase or sale of financial assets (Contd)

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer on the trade date.

(v) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under MFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's dealing activity.

(vi) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Impairment

(i) Financial Assets

Loans and Advances

Loans of the Bank are classified as impaired when they fulfil any of the following criteria:

(a) principal or interest or both are past due for three (3) months or more; or

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

For the determination of impairment on loans, the Bank assesses at each reporting date whether there is any objective evidence that a loan or a group of loans is impaired. A loan or a group of loans is impaired and impairment losses are recognised 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 asset (i.e. an ''incurred loss event'') and that loss event has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Impairment (Contd)

(i) Financial Assets (Contd)

Loans and Advances (Contd)

The criteria that the Bank uses to determine that there is objective evidence of an impairment include:

(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as default or delinquency in interest and principal payments;
(c) Bank grants concession to the borrower due to borrower's financial difficulty;
(d) it becomes probable that the borrower will enter bankruptcy or other financial re-organisation;
(e) the disappearance of an active market for that asset because of financial difficulties;
(f) when there is observable data indicating that there is a measurable decrease in the estimated future cash flows from the asset; and
(g) adverse news report on the company or sub sector.

The Bank first assesses individually whether objective evidence of impairment exists individually for loans which are individually significant, or collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is then assessed collectively by using the Bank's historical loss experience to compute the collective impairment allowance for both its corporate and retail portfolio. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment. Collective assessment impairment allowance is made on any shortfall resulting from the above computational exercise.

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

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans 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 profit or loss.

Available-for-sale financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial investment classified as available-for-sale is impaired.

In the case of quoted equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised) is removed from equity and recognised in profit or loss. For unquoted equity investments which are measured at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market value of return for a similar financial asset. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

For debt instruments, impairment is assessed based on the same criteria as other financial investments available-for-sale. Where impairment losses have been previously recognised in profit or loss, if there is a subsequent increase in the fair value of the debt instrument that can be objectively related to a credit event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(ii) Other Assets

The carrying amounts of other assets other than deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Impairment (Contd)

(ii) Other Assets (Contd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(g) Property, Plant and Equipment (Contd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value and is recognised in profit or loss on a straight-line basis over the estimated useful lives of each individual component of an item of property, plant and equipment from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Buildings and leasehold improvements	6 - 50 years
Computer equipment	5 years
Furniture, fixtures and equipment	4 - 20 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(h) Leases

Leases where the Bank does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instruments designated as a hedge of currency risk, which are recognised in other comprehensive income.

(j) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised 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 profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(k) Employee Benefits

(i) Short-term employee benefits

Short-term employee benefits obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined contribution plans

The Bank contributes to the Employees Provident Fund, the national defined contribution plan, on a mandatory basis. The contributions are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Bank has no further payment obligation.

(iii) Defined benefit plans

The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, exclude interest) are recognised immediately in other comprehensive income. The Bank determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(l) Cash and Short-Term Funds

Cash and short-term funds consist of notes and coins on hand, unrestricted balance held with BNM and deposits and placements with financial institutions that are readily convertible into cash without significant risk of changes in value.

Cash and short-term funds are carried at amortised cost in the statement of financial position.

(m) Obligations on Securities Sold under Repurchase Agreements

Obligations on securities sold under repurchase agreements are securities which the Bank had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statement of financial position.

(n) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(o) Intangible Assets

Intangible assets, comprising computer software that are not an integral part of a tangible asset, are stated at cost less accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(f). Intangible assets are recognised only if it is probable that the future economic benefits that are attributable to such assets will flow to the Bank and the costs of such assets can be measured reliably.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods for the computer software are 5 years.

(p) Earnings Per Share

Earnings per ordinary share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

(q) Fair Value Measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Bank uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 : unobservable inputs for the asset or liability.

The Bank recognises transfers between levels of the fair value hierachy as of the date of the event or change in circumstances that caused the transfers.

3. CASH AND SHORT-TERM FUNDS

	31.03.2017 RM'000	31.12.2015 RM'000
Cash and balances with banks and other financial institutions	120,413	48,405
Money at call and deposit placements maturing within one month to three months *	7,278,289	7,264,013
	7,398,702	7,312,418

* Included in money at call and deposit placements is money at call placed by a branch of the holding company amounting to RM289,000 (2015: RM423,000).

4. SECURITIES AVAILABLE-FOR-SALE

	31.03.2017 RM'000	31.12.2015 RM'000
At fair value		
Money market instruments		
• Malaysian Government Securities	462,371	171,881
• Sukuk	221,505	-
At cost		
Unquoted bonds #	27	27
Unquoted shares	2,966	2,966
	686,869	174,874

Unquoted bonds are stated net of impairment loss amounting to RM2,429,000 (2015: RM2,429,000).

5. LOANS AND ADVANCES

	31.03.2017 RM'000	31.12.2015 RM'000
(a) By type:		
At amortised cost		
Overdrafts	9,458	11,041
Term loans		
• Housing loans	13,490	13,078
• Other term loans	14,081,108	11,426,378
Revolving credits	4,764,994	5,855,887
Bills receivable	57,299	21,447
Claims on customers under acceptance credits	10,494	40,633
Staff loans	5,600	5,466
	18,942,443	17,373,930
Unearned interest	(83)	(188)
Gross loans and advances	18,942,360	17,373,742
Impairment allowances on loans and advances		
• Individual assessment	(3,343)	(3,037)
• Collective assessment	(100,755)	(75,067)
Net loans and advances	18,838,262	17,295,638

Loans and advances to customers amounting to RM9,897,578,000 (2015: RM7,208,396,000) contain embedded derivatives. The carrying amounts of the embedded derivatives are separately recognised as derivative financial assets and derivative financial liabilities as appropriate.

5. LOANS AND ADVANCES (CONTD)

(b) By maturity structure:

	31.03.2017 RM'000	31.12.2015 RM'000
Maturing within one year	7,097,742	7,495,070
More than one year to three years	7,756,692	5,590,940
More than three years to five years	2,200,285	2,709,998
More than five years	1,887,641	1,577,734
	18,942,360	17,373,742

(c) By type of customer:

	31.03.2017 RM'000	31.12.2015 RM'000
Domestic non-bank financial institutions	5,918,234	4,783,208
Domestic business enterprises		
• Small medium enterprises	1,848,638	1,626,388
• Others	7,904,658	7,035,599
Individuals	66,780	18,435
Foreign entities	3,204,050	3,910,112
	18,942,360	17,373,742

(d) By interest rate sensitivity:

	31.03.2017 RM'000	31.12.2015 RM'000
Fixed rate		
• Staff loans	5,600	5,466
Variable rates	18,936,760	17,368,276
	18,942,360	17,373,742

5. LOANS AND ADVANCES (CONTD)

(e) By economic sector:

	31.03.2017 RM'000	31.12.2015 RM'000
Agricultural, hunting, forestry and fishing	727,883	1,371,052
Mining and quarrying	205,875	199,172
Manufacturing	2,716,265	2,745,410
Electricity, gas and water	2,496,031	2,069,112
Construction	1,385,430	362,291
Wholesale, retail trade, restaurants and hotels	984,824	732,177
Transport, storage and communication	1,060,190	665,147
Finance, insurance, real estate and business services	9,330,971	9,204,941
Households	19,090	18,544
Others	15,801	5,896
	18,942,360	17,373,742

(f) By geographical location:

	31.03.2017 RM'000	31.12.2015 RM'000
Malaysia	17,509,927	16,261,837
Other countries	1,432,433	1,111,905
	18,942,360	17,373,742

(g) Movements in impaired loans and advances are as follows:

	31.03.2017 RM'000	31.12.2015 RM'000
At 1 January	4,429	4,601
Classified as impaired during the period	1,178	1,309
Amount recovered	(77)	(50)
Reclassified as performing	(948)	(880)
Amount written off	(20)	(551)
At 31 March/December	4,562	4,429

5. LOANS AND ADVANCES (CONTD)

(h) Impaired loans according to economic sectors are as follows:

	31.03.2017 RM'000	31.12.2015 RM'000
Household	927	1,060
Finance, insurance and business services	3,635	3,369
	4,562	4,429

(i) Impaired loans by geographical location are as follows:

	31.03.2017 RM'000	31.12.2015 RM'000
Malaysia	4,562	4,429

(j) Movements in impairment allowances on loans and advances are as follows:

	31.03.2017 RM'000	31.12.2015 RM'000
Allowance for individual assessment		
At 1 January	3,037	2,838
Allowance made during the period	306	199
At 31 March/December	3,343	3,037
Allowance for collective assessment		
At 1 January	75,067	55,402
Allowance made during the period	25,688	19,665
At 31 March/December	100,755	75,067

(k) Details of collective impairment allowance:

	31.03.2017 RM'000	31.12.2015 RM'000
Allowance on impaired loans	310	261
Allowance on unimpaired loans	100,445	74,806
	100,755	75,067

6. PURCHASED RECEIVABLES

	31.03.2017 RM'000	31.12.2015 RM'000
Purchased receivables	51,280	32,066
Allowance for collective assessment	(185)	(365)
	51,095	31,701

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 one to two months. Included in purchased receivables are non-recourse bills receivable amounting to RM19,312,000 (2015: RM4,331,000).

(a) Movements in impairment allowances on purchased receivables

	31.03.2017 RM'000	31.12.2015 RM'000
At 1 January	365	-
(Writeback)/allowance made during the period	(180)	365
At 31 March/December	185	365

7. 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. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 33 to the financial statements.

	31.03.2017			31.12.2015		
	Contract/ Notional Amount	Fair Value Assets	Fair Value Liabilities	Contract/ Notional Amount	Fair Value Assets	Fair Value Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At Fair Value						
Trading Derivatives *						
Foreign exchange related contracts						
• Forwards	6,648,182	43,098	48,828	7,861,430	134,812	116,120
• Swaps	30,293,807	2,608,985	2,391,942	21,864,337	2,916,712	2,711,505
Interest rate related contracts						
• Swaps	21,711,631	123,379	114,800	14,089,050	93,393	44,519
Other derivatives						
• Currency options	88,546	262	318	2,958	25	14
	58,742,166	2,775,724	2,555,888	43,817,775	3,144,942	2,872,158

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company amounting to RM51,664,000 (2015: RM20,566,000) and RM344,684,000 (2015: RM447,810,000) respectively.

8. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia ("BNM") in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.

9. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party and relationships

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial or operating decisions, or if one other party controls both or exercises significant influence over both.

(b) Related party transactions and balances

The related party transactions during the finacial period are as follows:

	31.03.2017 Holding Company RM'000	31.03.2017 Related Companies RM'000	31.03.2017 Total RM'000	31.12.2015 Holding Company RM'000	31.12.2015 Related Companies RM'000	31.12.2015 Total RM'000
Income						
Interest on advances	15	-	15	17	-	17
Other operating income	17,984	1	17,985	9,448	-	9,448
	17,999	1	18,000	9,465	-	9,465
Expenditure						
Interest on advances	170,011	-	170,011	96,426	-	96,426
Other operating expenses	7,487	109	7,596	10,031	99	10,130
	177,498	109	177,607	106,457	99	106,556
Amount due from						
Current accounts	480,344	6,256	486,600	550,233	23,200	573,433
Money at call and deposit placements maturing within one month	289	-	289	423	-	423
Derivative assets	51,664	-	51,664	20,566	-	20,566
	532,297	6,256	538,553	571,222	23,200	594,422
Amount due to						
Advances	3,744,321	-	3,744,321	5,718,346	-	5,718,346
Current accounts	417	1	418	400	1	401
Accrued interest payable	5,600	-	5,600	11,276	-	11,276
	3,750,338	1	3,750,339	5,730,022	1	5,730,023
Cash collaterals	10,095,022	-	10,095,022	7,276,411	-	7,276,411
Derivative liabilities	344,684	-	344,684	447,810	-	447,810
	14,190,044	1	14,190,045	13,454,243	1	13,454,244
Capital expenditures	7,707	-	7,707	2,550	-	2,550

9. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD)

(b) Related party transactions and balances (Contd)

Related companies refer to the holding companies and its subsidiaries as listed below:

Company	**Relationship**
Mitsubishi UFJ Financial Group Inc.	Ultimate holding company
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Immediate holding company
MUFG Bank (Europe) N.V.	Subsidiary of immediate holding company
Bank of Tokyo-Mitsubishi UFJ (China), Ltd.	Subsidiary of immediate holding company
Bank of Ayudhya PCL	Subsidiary of immediate holding company

Interest rates on advances, current accounts and fixed deposits were at normal commercial rates.

(c) Credit transactions and exposures with connected parties

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

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

	31.03.2017 RM'000	31.12.2015 RM'000
Outstanding credit exposures with connected parties	900,302	614,230
Total credit exposures	27,262,526	26,498,766
Percentage of outstanding credit exposures to connected parties		
• as a proportion of total credit exposures	3.3%	2.3%
• as a proportion of total capital	39.4%	31.2%

There are currently no exposures to connected parties which are classified as impaired.

9. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD)

(d) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank are the Directors and Executive Vice Presidents.

The remuneration of the Executive Vice Presidents included in profit or loss is as follows:

	31.03.2017 RM'000	31.12.2015 RM'000
Short-term employee benefits	3,430	2,339
Defined contribution plans	252	184
Defined benefit plans	258	238
	3,940	2,761

Directors' remuneration is disclosed in Note 26.

10. OTHER ASSETS

	31.03.2017 RM'000	31.12.2015 RM'000
Cash collaterals	5,480	1,331
Accrued interest receivable	16,615	3,953
Other receivables, deposits and prepayments	9,005	25,503
	31,100	30,787
Allowance for impairment on other assets	(54)	(66)
	31,046	30,721

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM'000	Buildings and Leasehold Improvements RM'000	Computer Equipment RM'000	Furniture, Fixtures and Equipment RM'000	Motor Vehicles RM'000	Total RM'000
31.03.2017						
Cost						
At 1 January 2016	2,963	13,736	25,831	8,168	1,147	51,845
Additions	-	51	4,782	195	320	5,348
Disposals	-	-	(1,432)	-	-	(1,432)
At 31 March 2017	2,963	13,787	29,181	8,363	1,467	55,761
Accumulated Depreciation						
At 1 January 2016	-	7,037	14,273	6,102	353	27,765
Charge for the period	-	1,198	3,899	623	267	5,987
Disposals	-	-	(1,432)	-	-	(1,432)
At 31 March 2017	-	8,235	16,740	6,725	620	32,320
Carrying Amount	2,963	5,552	12,441	1,638	847	23,441
31.12.2015						
Cost						
At 1 January 2015	2,963	12,314	20,129	7,831	1,580	44,817
Additions	-	1,432	5,708	634	559	8,333
Written off	-	(10)	(6)	(297)	(992)	(1,305)
At 31 December 2015	2,963	13,736	25,831	8,168	1,147	51,845
Accumulated Depreciation						
At 1 January 2015	-	6,124	11,819	5,806	1,194	24,943
Charge for the year	-	923	2,460	593	151	4,127
Written off	-	(10)	(6)	(297)	(992)	(1,305)
At 31 December 2015	-	7,037	14,273	6,102	353	27,765
Carrying Amount	2,963	6,699	11,558	2,066	794	24,080

12. INTANGIBLE ASSETS

Intangible assets comprised computer software which are in itself not integral to any other tangible assets.

	31.03.2017 RM'000	31.12.2015 RM'000
Cost		
At 1 January	43,927	33,767
Additions	21,628	10,160
At 31 March/December	65,555	43,927
Accumulated Amortisation		
At 1 January	22,952	19,299
Charge for the period/year	7,773	3,653
At 31 March/December	30,725	22,952
Carrying Amount	34,830	20,975

13. DEFERRED TAX (LIABILITIES)/ASSETS

	31.03.2017 RM'000	31.12.2015 RM'000
At 1 January	40,677	8,155
Recognised in profit or loss (Note 28)	(41,963)	35,955
Recognised in other comprehensive income (Note 29)	483	(3,433)
At 31 March/December	(803)	40,677

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 they relate to income taxes levied by the same fiscal tax authority on the same taxable entity.

13. DEFERRED TAX (LIABILITIES)/ASSETS (CONTD)

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

	Allowance for Collective Impairment on Loans and Advances RM'000	Fair Value Reserve RM'000	Defined Benefit Reserve RM'000	Property, Plant and Equipment RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2015	13,855	(16)	4,442	(7,579)	(2,547)	8,155
Credited to profit or loss (Note 28)	5,008	-	-	1,682	29,265	35,955
Credited to other comprehensive income (Note 29)	-	(779)	(2,654)	-	-	(3,433)
At 31 December 2015	18,863	(795)	1,788	(5,897)	26,718	40,677
Charged to profit or loss (Note 28)	(18,863)	-	(1,089)	(2,815)	(19,196)	(41,963)
Credited to other comprehensive income (Note 29)	-	431	52	-	-	483
At 31 March 2017	-	(364)	751	(8,712)	7,522	(803)

14. DEPOSITS FROM CUSTOMERS

	31.03.2017 RM'000	31.12.2015 RM'000
At amortised cost		
Demand deposits	4,560,342	3,314,168
Money market deposits	779,548	707,234
Savings deposits	20,779	14,516
Fixed deposits	3,701,651	3,719,728
	9,062,320	7,755,646

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

	31.03.2017 RM'000	31.12.2015 RM'000
Due within six months	3,634,833	3,649,215
More than six months to one year	54,462	57,272
More than one year to two years	12,356	13,241
	3,701,651	3,719,728

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

	31.03.2017 RM'000	31.12.2015 RM'000
Business enterprises	8,969,100	7,667,485
Individuals	93,220	88,161
	9,062,320	7,755,646

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.03.2017 RM'000	31.12.2015 RM'000
At amortised cost		
Non-bank financial institutions	2,580	5,000

16. COLLATERAL DEPOSITS

	31.03.2017 RM'000	31.12.2015 RM'000
Cash collaterals received	12,531,310	10,109,477

The cash collaterals are received in respect of derivative balances pursuant to agreements in accordance with International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") entered into with respective counterparties, and Cash Collateral Scheme entered into with a branch of the holding company amounting to RM10,095,022,000 (2015: RM7,276,411,000).

17. OTHER LIABILITIES

		31.03.2017 RM'000	31.12.2015 RM'000
Provision for retirement benefits	(i)	23,429	21,872
Accrued interest payable		6,580	7,045
Other payables and accruals		88,650	113,078
		118,659	141,995

(i) Provision for retirement benefits

The Bank operates an unfunded defined benefit plan. Actuarial valuation of the plan was performed in April 2017.

Movements in provision for retirement benefits are as follows:

	31.03.2017 RM'000	31.12.2015 RM'000
At 1 January	21,872	28,405
Included in profit or loss (Note 25)		
Current service cost	3,090	3,181
Interest cost	1,446	1,484
	4,536	4,665
Included in other comprehensive income		
Remeasurement loss		
- Actuarial loss/(gain) arising from:		
• Experience adjustments	217	(10,615)
	217	(10,615)
Others		
Benefits paid	(3,196)	(583)
	(3,196)	(583)
At 31 March/December	23,429	21,872

17. OTHER LIABILITIES (CONTD)

(i) Provision for retirement benefits (Contd)

The charge to profit or loss is included under personnel expenses as disclosed in Note 25 under Other Operating Expenses.

Principal actuarial assumptions at the end of the reporting period (expressed as weighted average):

	31.03.2017 %	31.12.2015 %
Discount rate	5.0	5.3
Expected rate of salary increment	6.0	6.0

At 31 March 2017, the duration of the defined benefit obligation was 9.4 years (2015: 9.5 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to the following relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Defined Benefit Obligation	
	Increase RM'000	Decrease RM'000
31.03.2017		
Discount rate (1% movement)	(1,930)	2,211
Rate of salary (1% movement)	2,215	(1,973)
31.12.2015		
Discount rate (1% movement)	(1,818)	2,081
Rate of salary (1% movement)	2,088	(1,860)

The sensitivity results above determine their individual impact on the Plan's end of period defined benefit obligation. In reality, the Plan is subject to multiple external experience items which may move the defined benefit obligation in similar or opposite directions, while the Plan's sensitivity to such changes can vary over time.

18. SHARE CAPITAL

	Number of Ordinary Shares of RM1.00 Each 31.03.2017 '000	31.12.2015 '000	Amount 31.03.2017 RM'000	31.12.2015 RM'000
Authorised	300,000	300,000	300,000	300,000
Issued and Fully Paid-up	200,000	200,000	200,000	200,000

19. RESERVES

		31.03.2017 RM'000	31.12.2015 RM'000
Non-distributable			
Statutory reserve	(a)	204,187	204,187
Fair value reserve		1,012	2,378
Defined benefit reserve	(b)	(5,527)	(5,362)
Regulatory reserve	(c)	164,349	150,388
Distributable			
Retained profits		1,783,192	1,493,454
		2,147,213	1,845,045

(a) The statutory reserve is maintained in compliance with Section 12 of the Financial Services Act 2013, and is not distributable as dividends.

There was no transfer to statutory reserve during the financial year as statutory reserve exceeds the issued share capital of the Bank.

(b) The defined benefit reserve is in respect of actuarial gains and losses arising from remeasurement of the Bank's defined benefit plan.

(c) The transfer of retained profits to regulatory reserve is in respect of the requirement from Bank Negara Malaysia for the revised Impairment Provisions Framework and Policy on Write-off and Rescheduled Loans/Financing of minimum 1.20% on Collective Impairment Provision and Regulatory Reserve.

20. COMMITMENTS AND CONTINGENCIES

The commitments and contingencies exposures and their related counterparty credit risk of the Bank are as follows:

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
31.03.2017				
Contingent liabilities				
Direct credit substitutes	2,975		2,975	1,488
Transaction related contingent items	1,240,845		620,422	387,527
Short term self liquidating trade-related contingencies	143,610		28,722	28,722
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	-		-	-
• exceeding one year	44,943		22,472	22,472
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	4,636,717		-	-
Securitisation exposures	15,000		3,000	2,250
	6,084,090		677,591	442,459
Derivative Financial Instruments				
Foreign exchange related contracts				
• less than one year	10,984,962	610,793	776,359	426,526
• one year to less than five years	17,639,245	1,764,566	795,781	629,201
• five years and above	8,317,782	276,724	1,579,316	1,067,695
Interest rate related contracts				
• less than one year	2,505,495	657	5,344	1,603
• one year to less than five years	12,602,255	77,401	164,045	75,882
• five years and above	6,603,881	45,321	317,529	180,224
Currency options				
• less than one year	88,546	262	1,591	1,591
	58,742,166	2,775,724	3,639,965	2,382,722
	64,826,256	2,775,724	4,317,556	2,825,181

20. COMMITMENTS AND CONTINGENCIES (CONTD)

The commitments and contingencies exposures and their related counterparty credit risk of the Bank are as follows: (Contd)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
31.12.2015				
Contingent liabilities				
Direct credit substitutes	4,005		4,005	2,003
Transaction related contingent items	1,348,176		674,088	384,352
Short term self liquidating trade-related contingencies	19,211		3,842	3,842
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	50,000		10,000	10,000
• exceeding one year	152,131		76,066	76,019
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	4,317,939		-	-
Securitisation exposures	500,000		100,000	75,000
	6,391,462		868,001	551,216
Derivative Financial Instruments				
Foreign exchange related contracts				
• less than one year	10,988,419	696,158	912,661	414,844
• one year to less than five years	12,593,822	1,952,480	1,948,059	810,919
• five years and above	6,143,526	402,886	1,175,178	742,109
Interest rate related contracts				
• less than one year	2,868,572	1,785	5,428	1,524
• one year to less than five years	6,793,533	50,080	75,437	32,710
• five years and above	4,426,945	41,528	216,581	150,519
Currency options				
• less than one year	2,958	25	70	70
	43,817,775	3,144,942	4,333,414	2,152,695
	50,209,237	3,144,942	5,201,415	2,703,911

21. OPERATING REVENUE

Operating revenue of the Bank comprise of net interest income, fee and commission income, investment income, income derived from investment securities, gross dividends and other income derived from conventional banking and Islamic banking operations.

22. INTEREST INCOME

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Loans and advances	389,019	196,822
Money at call and deposit placements with financial institutions	243,202	179,745
Securities available-for-sale	11,322	12,120
	643,543	388,687

23. INTEREST EXPENSE

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Deposits and placements of banks and other financial institutions	144,739	61,366
Deposits from customers	143,516	98,997
	288,255	160,363

24. OTHER OPERATING INCOME

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Fee income		
Commission	1,576	847
Guarantee fees	5,372	3,626
Service charges and fees	2,565	3,452
Commitment fees	839	790
Other fee income	31,749	18,149
	42,101	26,864
Investment income		
Gross dividends	274	274
Realised gain in fair value of derivative financial instruments	88,406	170,542
Unrealised gain/(loss) in fair value of derivative financial instruments	20,478	(102,791)
Net premium paid for options	(242)	(532)
	108,916	67,493
Other income		
Foreign exchange gain	134,670	95,536
Other operating income	1,128	7,939
	135,798	103,475
	286,815	197,832

25. OTHER OPERATING EXPENSES

		Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Personnel expenses	**(i)**	106,270	85,821
Establishment related expenses	**(ii)**	22,835	14,915
Promotion and marketing related expenses	**(iii)**	2,719	2,181
Administrative and other expenses	**(iv)**	120,372	55,675
		252,196	158,592

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
(i) Personnel expenses		
Wages, salaries and bonuses	82,386	66,709
Defined benefit plan (Note 17(i))	4,536	4,665
Defined contribution plan	8,885	6,890
Other employee benefits	10,463	7,557
	106,270	85,821
(ii) Establishment related expenses		
Depreciation of property, plant and equipment	5,987	4,127
Amortisation of intangible assets	7,773	3,653
Hire of equipment	954	863
Repair and maintenance	959	494
Rental of premises	6,187	4,930
Others	975	848
	22,835	14,915
(iii) Promotion and marketing related expenses		
Advertising and publicity	432	298
Others	2,287	1,883
	2,719	2,181
(iv) Administrative and other expenses		
Cash collateral fees	97,832	36,837
Communication expenses	1,502	1,316
Legal and professional fees	5,550	3,988
Auditors' remuneration		
• Statutory audit	350	170
• Non audit related services	65	65
Others	15,073	13,299
	120,372	55,675

26. DIRECTORS' REMUNERATION

Remuneration in aggregate for all directors charged to profit or loss for the period are as follows:

	Period ended 31.03.2017					Year ended 31.12.2015				
	Fee RM'000	Salary and Bonus RM'000	Other Remuneration RM'000	Benefits-in-Kind RM'000	Total RM'000	Fee RM'000	Salary and Bonus RM'000	Other Remuneration RM'000	Benefits-in-Kind RM'000	Total RM'000
Executive Directors										
Mr. Naoki Nishida	-	1,071	-	327	1,398	-	973	-	496	1,469
Mr. Yuta Uchiyama	-	335	-	165	500	-	-	-	-	-
Non-Executive Directors										
Y.Bhg. Dato Abdul Rahim bin Osman	88	-	191	-	279	60	-	120	-	180
Y.Bhg. Dato' Mohd Sallehuddin bin Othman	88	-	139	-	227	60	-	77	-	137
En. Ismail Bin Mahbob	88	-	128	-	216	60	-	74	-	134
	264	1,406	458	492	2,620	180	973	271	496	1,920

The remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind, during the financial period amounted to RM1,898,000 (2015: RM1,469,000).

27. (ALLOWANCE)/WRITE BACK FOR IMPAIRMENT ON LOANS AND ADVANCES

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Individual impairment *	2,254	(199)
Collective impairment	(25,688)	(19,665)
Impaired loans and advances written off	-	(166)
Bad debts written back	53	-
	(23,381)	(20,030)

* This amount included foreign exchange gain of RM2,560,000 (2015: Nil).

28. TAX EXPENSE

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Current tax		
• Malaysian income tax in respect of current financial period	68,100	86,123
• (Over)/Underprovision in prior years	(47,056)	5,791
	21,044	91,914
Deferred tax (Note 13)		
• Relating to origination and reversal of temporary differences	(3,560)	(37,045)
• Effect of changes in tax rate	-	1,838
• Under/(Over)provision in prior years	45,523	(748)
	41,963	(35,955)
	63,007	55,959

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) on the estimated assessable profit for the year.

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

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Profit before tax	366,706	249,095
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	88,009	62,274
Income not subject to tax	(25,004)	(13,653)
Expenses not deductible for tax purposes	1,535	457
Over/(Under)provision of deferred tax in prior years	45,523	(748)
(Over)/Underprovision of current tax expense in prior years	(47,056)	5,791
Effect of changes in tax rate	-	1,838
Tax expense for the period	63,007	55,959

29. OTHER COMPREHENSIVE INCOME

	31.03.2017 Before Tax RM'000	31.03.2017 Tax (Expense)/ Benefit RM'000	31.03.2017 Net of Tax RM'000	31.12.2015 Before Tax RM'000	31.12.2015 Tax (Expense)/ Benefit RM'000	31.12.2015 Net of Tax RM'000
Change in fair value of securities						
available-for-sale	(1,797)	431	(1,366)	3,114	(779)	2,335
Remeasurement of defined benefit liability						
	(217)	52	(165)	10,615	(2,654)	7,961
	(2,014)	483	(1,531)	13,729	(3,433)	10,296

30. EARNINGS PER SHARE

The earnings per ordinary share of the Bank have been calculated based on the profit for the period of RM303,699,000 (2015: RM193,136,000) and on the number of ordinary shares of RM1.00 each in issue during the period of 200,000,000 (2015: 200,000,000).

31. OPERATING LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases.

A summary of the non-cancellable long-term commitments, net of sub-leases, is as follows:

	31.03.2017 RM'000	31.12.2015 RM'000
Future minimum rental payments		
• Not later than 1 year	4,624	4,651
• Later than 1 year but not later than 5 years	7,963	1,557
	12,587	6,208

32. CAPITAL ADEQUACY

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

	31.03.2017 %	31.12.2015 %
Common equity Tier 1 ("CET 1") capital ratio	16.660	14.784
Tier 1 capital ratio	16.660	14.784
Total capital ratio	17.718	15.888

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.

The minimum regulatory capital adequacy requirements under CAF for the capital adequacy ratios are:

CET 1 Capital Ratio	4.50 %
Tier 1 Capital Ratio	6.00 %
Total Capital Ratio	8.00 %

(b) The components of CET 1, Tier 1 and total capital of the Bank are as follows:

	31.03.2017 RM'000	31.12.2015 RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	1,783,192	1,493,454
• Other reserves	364,021	351,591
	2,347,213	2,045,045
Less: Deferred tax assets	-	(40,677)
Intangible assets	(34,830)	(20,975)
55% of fair value reserve	(557)	(1,308)
Regulatory reserve	(164,349)	(150,388)
	2,147,477	1,831,697
Tier 2 capital		
• Collective Impairment allowance and regulatory reserve*	136,333	136,740
Total Capital	2,283,810	1,968,437

* Excludes impairment allowance on collective assessment on impaired loans restricted from Tier 2 capital of the Bank of RM310,000 (2015: RM261,000).

32. CAPITAL ADEQUACY (CONTD)

(b) The components of CET 1, Tier 1 and total capital of the Bank are as follows: (Contd)

Capital Management

The Bank's capital management is guided by its risk appetite and outlines the Bank's objective to diversify its sources of capital and to allocate capital efficiently, directed by the need to maintain a prudent relationship between available capital and risks in the underlying businesses to meet the expectations of key constituencies, including the holding company and BNM.

The capital target for the total capital ratio is above the minimum regulatory capital requirements and has factored in the expected capital required under the current and future operating environment to support the credit, market and operational risks as well as the Bank's business growth.

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

	31.03.2017 RM'000	31.12.2015 RM'000
Credit risk	10,906,656	10,866,652
Market risk	1,270,402	915,582
Operational risk	712,853	607,133
	12,889,911	12,389,367

Detailed disclosures on risk exposures above, as prescribed under BNM's Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures.

33. FINANCIAL RISK MANAGEMENT

(a) INTRODUCTION

The Bank has exposure to the following risks from financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

The following note presents information about the Bank's exposures to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Risk Management Committee ("RMC"), which is responsible for developing and monitoring risk management policies in their specified areas. The RMC has both executive and non-executive members and report regularly to the Board on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee ("AC") is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The AC is assisted in these functions by the Internal Audit Department. Internal Audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the AC.

Financial Instruments by Categories

The tables below provide an analysis of financial instruments categorised as follows:

- Loans, advances and receivables ("L&R")
- Financial assets available-for-sale ("AFS")
- Financial liabilities measured at amortised cost ("FL")

33. FINANCIAL RISK MANAGEMENT (CONTD)

(a) INTRODUCTION (CONTD)

Financial Instruments by Categories (Contd)

	Carrying Amount RM'000	L&R/FL RM'000	AFS RM'000	Derivatives RM'000
31.03.2017				
Financial Assets				
Cash and short-term funds	7,398,702	7,398,702	-	-
Securities available-for-sale	686,869	-	686,869	-
Loans and advances	18,838,262	18,838,262	-	-
Purchased receivables	51,095	51,095	-	-
Derivative financial assets	2,775,724	-	-	2,775,724
Statutory deposits with Bank Negara Malaysia	3,268	3,268	-	-
Amount due from holding company	480,344	480,344	-	-
Amount due from related companies	6,256	6,256	-	-
Other assets	31,046	31,046	-	-
	30,271,566	26,808,973	686,869	2,775,724
Financial Liabilities				
Deposits from customers	9,062,320	9,062,320	-	-
Deposits and placements of banks and other financial institutions	2,580	2,580	-	-
Collateral deposits	12,531,310	12,531,310	-	-
Derivative financial liabilities	2,555,888	-	-	2,555,888
Amount due to holding company	3,750,338	3,750,338	-	-
Amount due to related company	1	1	-	-
Other liabilities	118,659	118,659	-	-
	28,021,096	25,465,208	-	2,555,888

33. FINANCIAL RISK MANAGEMENT (CONTD)

(a) INTRODUCTION (CONTD)

Financial Instruments by Categories (Contd)

	Carrying Amount RM'000	L&R/FL RM'000	AFS RM'000	Derivatives RM'000
31.12.2015				
Financial Assets				
Cash and short-term funds	7,312,418	7,312,418	-	-
Securities available-for-sale	174,874	-	174,874	-
Loans and advances	17,295,638	17,295,638	-	-
Purchased receivables	31,701	31,701	-	-
Derivative financial assets	3,144,942	-	-	3,144,942
Statutory deposits with Bank Negara Malaysia	3,268	3,268	-	-
Amount due from holding company	550,233	550,233	-	-
Amount due from related companies	23,200	23,200	-	-
Other assets	30,721	30,721	-	-
	28,566,995	25,247,179	174,874	3,144,942
Financial Liabilities				
Deposits from customers	7,755,646	7,755,646	-	-
Deposits and placements of banks and other financial institutions	5,000	5,000	-	-
Collateral deposits	10,109,477	10,109,477	-	-
Derivative financial liabilities	2,872,158	-	-	2,872,158
Amount due to holding company	5,730,022	5,730,022	-	-
Amount due to related company	1	1	-	-
Other liabilities	141,995	141,995	-	-
	26,614,299	23,742,141	-	2,872,158

Risk Management Process

A sound risk management is essential to ensure the Bank's asset quality is maintained to the level and expectation of shareholders as well as to the satisfaction of regulators. This is to ensure that the shareholders interest is protected and the Bank continues to maintain a strong capital base to maximise lending under the single customer/group limit so that the Bank remains profitable whilst companies with good credit standing can continue to enjoy credit facilities with the Bank with competitive pricing.

The Bank's risk management strategies and processes are guided by its respective policies. The Credit Policy outlines the basic principles, features and conditions governing the approval, management and operations of credit facilities offered by the Bank. The Risk Management Policy stipulates the basic principles concerning the Bank's risk control and management. The Policy outlines the roles and responsibilities of the various management committees set up to assist the Board in overseeing that risk management functions are carried out efficiently and important matters are escalated to the Board through the RMC.

33. FINANCIAL RISK MANAGEMENT (CONTD)

(a) INTRODUCTION (CONTD)

Risk Management Process (Contd)

The RMC held its meetings on a quarterly basis. It is authorised by the Board to oversee the Bank's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that a risk management process is in place and functioning. Issues discussed in the RMC which have a significant bearing are informed to the Board at the next Board meeting.

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored periodically to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees.

(b) CREDIT RISK

Loans and Advances

The Bank's primary business is lending to business entities. The Bank is therefore mainly exposed to credit risk from loans and advances to its corporate customers and has minimal or negligible exposure to its retail customers. In line with this business model, the Bank has a vast customer base with high demand for foreign exchange contracts and derivatives for hedging purposes as well as trade financing related services due to their involvement in international trade business, i.e. imports and exports.

The Bank has credit exposures to most of the economic sectors but has some concentration in the sector of manufacturing, finance and business services. The Bank nevertheless manages such concentration risk through the various risk management processes guided by the respective risk management policies and framework.

The maximum exposure to credit risk for the Bank amounts to RM18,889,357,000 (2015: RM17,327,339,000) for on-balance sheet exposures and RM6,084,090,000 (2015: RM6,391,462,000) for off-balance sheet exposures.

The Bank's internal Credit Rating System is used for its internal credit assessment for evaluating the credit worthiness of a company prior to the extension of credit as well as for credit review. The Bank's Credit Rating System is used as a tool in establishing an integrated risk management system as well. The system serves to objectively evaluate the overall quality (credit risk) of each borrower and credit portfolio and to improve credit and portfolio management. By quantification of credit risk, integrated control and management of risks is in place.

Credit rating is measured against a uniform scale so that each borrower can be comparable and expressed in a simplified and comparative sign. Credit rating is assigned to all borrowers which the Bank provides credit. Borrower ratings are divided into 15 grades (Ratings 1 to 10-2) in accordance with the current and projected level of a borrower's debt-service capability. In this framework, each rating grade is defined by particular descriptions of "risk level" and "debt-service capability" but also clearly benchmarked to quantitative criteria – the probability of default within a certain period, by which the stability of the framework is secured.

Grades 1-2 (Ratings 1 to 2) indicate those borrowers whose capacity to meet financial obligations are deemed high and stable. Grades 3-5 (Ratings 3 to 5-1) indicate those borrowers whose capacity to meet financial obligations are deemed free of problems. Grades 6-8 (Ratings 5-2 to 6-2) indicate those borrowers whose capacity to meet short-term financial obligations are deemed free of problems. Grade 9 (Rating 7) indicates those borrowers whose capacity to meet financial obligations are deemed slightly insufficient.

Grades 10-12 (Ratings 8-1 to 8-3) indicate those borrowers perceived to have problems meeting their financial obligations either due to poor or unstable business performance or having problems with loan conditions. Grades 13-15 (Ratings 9 to 10-2) are those borrowers to whom losses are expected due to major debt repayment problems or having serious financial difficulties and may have the possibility of facing bankruptcy proceedings.

The Bank categorises borrowers with rating grades of 1-9 (Ratings 1 to 7) as normal grades. Borrowers with rating grades of 10-12 (Ratings 8-1 to 8-3) are identified and categorised under the "Close Watch" category where the Bank monitors the credits and business performance of these borrowers closely and formulates appropriate action plans to ensure the timely recovery of such credits, if deems necessary. The Bank through the Credit Risk Management Department ("CRMD") reports action plans to the Credit Risk Management Committee ("CRMC").

33. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Loans and Advances (Contd)

The Bank conducts credit review on all its corporate customers to whom it provides credit. Credit review is conducted on an ongoing basis and/or when new information on the borrower becomes available. The Bank assigns a rating grade to each borrower after the credit review assessment is completed. The Bank, however, does not conduct credit review for individuals to whom the Bank provides credit but would assign a rating grades ranging from 13-15 (Ratings of 9 to 10-2) if the credits are classified as impaired.

Counterparty Credit Risk on Derivative Financial Instruments

Counterparty Credit Risk ("CCR") on derivative financial instruments is the risk that the Bank's counterparty in a foreign exchange, interest rate, commodity, equity, options or credit derivative contract defaults prior to maturity date of the contract and that the Bank at the relevant time has a claim on the counterparty. Derivative financial instruments entered are originated from customer-driven transactions. The Bank may also take trading derivative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Unlike on-balance sheet financial instruments, the Bank's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The Bank will only suffer a replacement cost if the contract carries a fair value gain at time of default.

The CCR arising from all derivative financial instruments is managed via the establishment of counterparty limits and also managed as part of the overall lending limits to banks and customers based on BNM's Single Counterparty Exposure Limit ("SCEL"). Where possible, Over-the-Counter ("OTC") derivative financial instruments, especially Interest Rate Swaps and Options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral usually in the form of cash or government securities upon any exposure above the agreed threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Market Risk Management Department ("MRMD") and Processing Department monitor counterparties' positions and promptly request the collateral upon any exposure above the agreed threshold levels with relevant parties. Where possible, the Bank settles its OTC derivatives via the Payment-versus-Payment ("PVP") settlement method to further reduce settlement risk. For derivative financial instruments where the PVP settlement method is not possible, the Bank establishes settlement limits through the Bank's credit approval process.

The tables on the following pages set out the credit risk concentration by economic sectors of the Bank's total assets.

33. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

The credit risk concentration of the Bank, by economic sectors, are set out in the following tables:

31.03.2017	Cash and Short-Term Funds RM'000	Securities Available-for-Sale RM'000	Loans and Advances RM'000	Purchased Receivables RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Others RM'000	On-Balance Sheet Total RM'000	Off-Balance Sheet Exposures RM'000
Agricultural, hunting, forestry and fishing	-	-	727,883	-	597	-	-	728,480	536,451
Manufacturing	-	-	2,716,265	31,968	24,951	-	-	2,773,184	6,530,775
Electricity, gas and water	-	-	2,496,031	-	53,367	-	-	2,549,398	2,505,662
Mining and quarrying	-	-	205,875	-	-	-	-	205,875	38,422
Construction	-	-	1,385,430	-	33,678	-	-	1,419,108	1,717,537
Wholesale and retail trade and restaurants and hotels	-	-	984,824	-	12,707	-	-	997,531	3,019,340
Transport, storage and communication	-	221,505	1,060,190	-	20,065	-	-	1,301,760	1,971,843
Finance, insurance and business services	1,404,839	2,730	9,327,628	19,312	2,630,199	-	492,080	13,876,788	48,488,600
Government and government agencies	5,988,825	462,371	-	-	-	3,268	-	6,454,464	-
Households	-	-	19,090	-	-	-	-	19,090	2,055
Others	-	263	15,801	-	160	-	-	16,224	15,571
	7,393,664	686,869	18,939,017	51,280	2,775,724	3,268	492,080	30,341,902	64,826,256
Allowance for collective impairment	-	-	(100,755)	(185)	-	-	-	(100,940)	-
Other assets not subject to credit risk	5,038	-	-	-	-	-	123,112	128,150	-
	7,398,702	686,869	18,838,262	51,095	2,775,724	3,268	615,192	30,369,112	64,826,256

33. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

31.12.2015	Cash and Short-Term Funds RM'000	Securities Available-for-Sale RM'000	Loans and Advances RM'000	Purchased Receivables RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Others RM'000	On-Balance Sheet Total RM'000	Off-Balance Sheet Exposures RM'000
Agricultural, hunting, forestry and fishing	-	-	1,371,052	-	2,618	-	-	1,373,670	848,185
Manufacturing	-	-	2,745,410	4,297	92,287	-	-	2,841,994	7,499,312
Electricity, gas and water	-	-	2,069,112	-	43,156	-	-	2,112,268	2,096,862
Mining and quarrying	-	-	199,172	-	-	-	-	199,172	24,267
Construction	-	-	362,291	-	4,594	-	-	366,885	726,197
Wholesale and retail trade and restaurants and hotels	-	-	732,177	23,438	22,709	-	-	778,324	2,572,152
Transport, storage and communication	-	-	665,147	-	28,584	-	-	693,731	1,149,169
Finance, insurance and business services	251,075	2,730	9,201,904	4,331	2,950,561	-	574,764	12,985,365	35,274,528
Government and government agencies	7,058,184	171,881	-	-	-	3,268	-	7,233,333	-
Households	-	-	18,544	-	-	-	-	18,544	2,562
Others	-	263	5,896	-	433	-	-	6,592	16,003
	7,309,259	174,874	17,370,705	32,066	3,144,942	3,268	574,764	28,609,878	50,209,237
Allowance for collective impairment	-	-	(75,067)	(365)	-	-	-	(75,432)	-
Other assets not subject to credit risk	3,159	-	-	-	-	-	121,739	124,898	-
	7,312,418	174,874	17,295,638	31,701	3,144,942	3,268	696,503	28,659,344	50,209,237

33. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

In the event of default, the loans would be classified as impaired only when they are overdue for a period of 90 days or more. For loans where no default had occurred but have objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated and impairment losses will be incurred, that loans would be tagged as "impaired".

A loan is defined as past due if the principal or interest is due and not paid. Where a loan is past due for a period of 90 days or more, the loan will automatically be tagged as "impaired". This principle applies to both the corporate and retail portfolio. However, retail portfolio or loans to individuals are not subject to individual impairment provision but provisions are made on a collective basis.

Credit Quality of Gross Loans and Advances

Gross loans and advances are analysed as follows:

	31.03.2017 RM'000	31.12.2015 RM'000
Neither past due nor impaired	18,934,210	17,366,051
Past due but not impaired	3,588	3,262
Impaired *	4,562	4,429
	18,942,360	17,373,742

* Included in impaired loans and advances are accounts that have been individually assessed of RM3,635,000 (2015: RM3,369,000) of which allowance of individual assessment of RM3,343,000 (2015: RM3,037,000) including accrued interest was provided.

Corporate loans and advances are either secured by cash collateral schemes or unsecured. Although some are secured by corporate guarantees, it is impractical to estimate the fair values of the guarantees obtained. The Bank has minimal exposures to retail loans, which are mainly mortgage loans. All mortgage exposures are secured by landed properties with reasonably high security coverage ratio.

Loans and Advances Neither Past Due nor Impaired

Analysis of gross loans and advances based on the Bank's internal grading system is as follows:

	Carrying Amount	
Borrower's Grading	31.03.2017 RM'000	31.12.2015 RM'000
Normal	18,602,892	17,106,760
Close Watch	331,318	259,291
	18,934,210	17,366,051

33. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Loans and Advances Past Due but not Impaired

Analysis of gross loans and advances based on period overdue is as follows:

	Carrying Amount	
	31.03.2017	31.12.2015
Borrower's Ageing	RM'000	RM'000
Past due 1 to 30 days	1,457	1,268
Past due 31 to 90 days	2,131	1,994
	3,588	3,262

Financial Investments

Investments are allowed only in liquid securities. Transactions involving derivative financial instruments are with counterparties with whom they have a signed netting agreement, if applicable as well as having high credit rating.

The maximum exposure to credit risk for the Bank amounts to RM3,462,593,000 (2015: RM3,319,816,000) for on-balance sheet exposures and RM58,742,166,000 (2015: RM43,817,775,000) for off-balance sheet exposures.

In view of the high credit rating of counterparties, the Bank does not expect any counterparty to fail to meet its obligations except for the impairment loss recognised in respect of unquoted bonds as disclosed in Note 4.

Other Financial Assets

Other financial assets include inter-company balances that are unsecured. There is no indication of assets not recoverable other than those which have already been provided for.

The maximum exposure to credit risk for the Bank amounts to RM7,916,348,000 (2015: RM7,916,572,000).

Risk Management Approach

The Bank adopts the Standardised Approach for Credit Risk and Basic Indicator Approach for Operational Risk under BNM's CAF. As for Credit Risk Mitigation, the Bank adopts the Simple Approach.

Under the Standardised Approach, the Bank tags its borrowers as unrated and assigns a risk weight of 100% but adopts the external rating of External Credit Assessment Institutions ("ECAI") of the borrowers if the particular borrower is externally rated, regardless of whether the external rating is favourable or not. The Bank recognises the names of the ECAI as allowed under BNM's CAF, i.e. S&P, Moody's, Fitch, RAM and MARC. As a general rule, external rating for one entity within a corporate group will not be used to risk weight other entities within the same group.

In cases where a borrower or a security is rated by more than one ECAI, all the available external ratings of the borrower will be captured. Where 2 recognised external ratings are available, the lower rating is to be applied or where 3 or more recognised external ratings are available, the lower of the highest 2 ratings will be used for the capital adequacy calculation purposes.

The Bank tags its exposures to the Small and Medium Enterprises ("SMEs") as exposures to corporate and the risk weight applicable to corporate should apply instead of tagging them as retail. This decision was made following the analysis of the impact on capital savings when Basel II was first implemented and the Bank still continues to adopt this approach as at the date of this report.

33. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Credit Risk Mitigation

The Bank adopts the Simple Approach when applying Credit Risk Mitigation Techniques ("CRM") for capital relief. The Bank will only take collateral instruments recognised under BNM's CAF. Based on the Bank's business model, the commonly used collateral are Cash and Standby Letters of Credit. Where guarantees are used as mitigation, only guarantees that are actually posted and/or provided under a legally enforceable agreement and where the rating of the underlying guarantors are externally rated with eligible risk weight lower than the borrowers will be used.

The main types of collateral obtained by the Bank to mitigate credit risk are as follows:

(a) for corporate loans : secured by cash deposits, corporate guarantees and charges over properties or assets being financed.

(b) for retail mortgages : charges over residential properties.

(c) for derivatives : additional margin for exposures above the agreed threshold.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans and advances for the Bank as at 31 March 2017 are at 56.6% (2015: 54.34%) and 4.66% (2015: 0.16%) for collateral and other credit enhancements respectively.

A loan is defined as past due if the loan principal or interest is due and not paid. Where a loan or financing is past due for a period of 90 days or more, the loan or financing will automatically be tagged as 'impaired'. This principle applies to both the corporate and retail portfolio. However, retail portfolio or loans to individuals are not subject to individual impairment provision but provisions are made on a collective basis.

(c) MARKET RISK

Market risk arises from the changes in value due to changes in interest rate yields, foreign exchange rates, equity prices, commodity prices, credit spreads (not relating to changes in the obligor's/issuer's credit rating) and the impact of changes in the correlations and volatilities of these risk factors. The objective of market risk management is to manage and control related risk exposure within acceptable parameters, while ensuring that earnings commensurate with the degree of risk exposure.

Market Risk Management Oversight and Organisation

The Board established a risk limit for each product within the risk measurement parameters, after consultation with the holding company.

On semi-annual basis, there will be a review for overall market risk limits including position and stop-loss limits by considering various factors, i.e. the Bank's capital, trading capability, profit target and etc.

The RMC supports the Board to oversee senior management's activities in managing market risk. Market Risk Committee ("MRC"), which reports to RMC, meets monthly to deliberate important matters related to the Bank's market risk, liquidity risk, operational risk and legal risk management.

There is a clear segregation of authorities and responsibilities among the Front, Middle and Back Offices with an aim to ensure the integrity, accuracy and transparency of the market risk information.

MRMD and Processing Department are the independent risk control units responsible for operating the day-to-day market risk management framework to support business growth while ensuring adequate risk control and oversight.

33. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Market Risk Management and Control

As part of its market risk management activities, the Bank uses certain derivative financial instruments to manage interest rate and currency exposures and enhance the Bank's yield. The Bank maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimise significant unplanned fluctuations in earnings that are caused by interest rate volatility.

The Bank's objectives in risk management include asset and liability management. Interest rate swaps and other contracts are used to effectively manage interest rate sensitivity of the Bank's loans, investment securities and deposit liabilities. Option contracts primarily consist of caps, floors and swaptions. The Bank enters into forward exchange contracts, currency swaps and other contracts in response to currency exposures resulting from on-balance sheet assets and liabilities denominated in foreign currencies in order to limit the net foreign exchange position by currency to an appropriate level.

Market risk exposure is reported to CEO on a daily basis. In addition, stress testing analysis is also conducted and reported to MRC and RMC on regular basis.

For market risk, the Bank has adopted the Standardised Approach under BNM's CAF. Market risk-weighted assets are marked-to-market and are risk-weighted according to the instrument category, maturity period, credit quality grade and other factors within BNM's guidelines.

33. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables indicate the effective interest rate at the reporting date and the Bank's sensitivity to the interest rate by time band based on the earlier of contractual repricing date and maturity date:

	Non-Trading Book								
	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Sensitive	Trading Book	Total	Effective Interest Rate
31.03.2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	6,146,441	1,211,000	-	-	-	41,261	-	7,398,702	3.08
Securities available-for-sale	-	-	50,408	411,963	221,505	2,993	-	686,869	3.34
Loans and advances									
- Non-impaired	2,636,905	2,253,104	2,205,368	9,956,977	1,887,641	2,365	-	18,942,360	1.99
- Impaired *	-	-	-	-	-	(104,098)	-	(104,098)	
Purchased receivables	30,688	19,652	940	-	-	(185)	-	51,095	2.44
Derivative financial assets	-	-	-	-	-	-	2,775,724	2,775,724	
Statutory deposits with Bank									
Negara Malaysia	-	-	-	-	-	3,268	-	3,268	
Amount due from									
holding company	-	-	-	-	-	480,344	-	480,344	
Amount due from									
related companies	-	-	-	-	-	6,256	-	6,256	
Other assets	5,480	-	-	-	-	25,566	-	31,046	3.00
Property, plant and equipment	-	-	-	-	-	23,441	-	23,441	
Intangible assets	-	-	-	-	-	34,830	-	34,830	
Tax recoverable	-	-	-	-	-	39,275	-	39,275	
	8,819,514	3,483,756	2,256,716	10,368,940	2,109,146	555,316	2,775,724	30,369,112	

* This is arrived after deducting the individual and collective impairment allowances from the outstanding gross impaired loans.

33. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

31.03.2017	<--- Non-Trading Book: Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000 --->	Trading Book RM'000	Total RM'000	Effective Interest Rate %
Liabilities									
Deposits from customers	4,122,209	912,143	153,087	12,356	-	3,862,525	-	9,062,320	1.96
Deposits and placements of banks and financial institutions	2,580	-	-	-	-	-	-	2,580	2.90
Collateral deposits	12,531,310	-	-	-	-	-	-	12,531,310	0.89
Derivative financial liabilities	-	-	-	-	-	-	2,555,888	2,555,888	
Amount due to holding company	1,573,525	1,327,681	848,716	-	-	416	-	3,750,338	0.12
Amount due to related company	-	-	-	-	-	1	-	1	
Other liabilities	-	-	-	-	-	118,659	-	118,659	
Deferred tax liabilities	-	-	-	-	-	803	-	803	
	18,229,624	2,239,824	1,001,803	12,356	-	3,982,404	2,555,888	28,021,899	
On-balance sheet interest sensitivity gap	(9,410,110)	1,243,932	1,254,913	10,356,584	2,109,146	(3,427,088)	219,836	2,347,213	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	220,385	220,385	
Total interest sensitivity gap	(9,410,110)	1,243,932	1,254,913	10,356,584	2,109,146	(3,427,088)	440,221	2,567,598	

33. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

31.12.2015	<---- Non-Trading Book: Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000 ---->	Trading Book RM'000	Total RM'000	Effective Interest Rate %
Assets									
Cash and short-term funds	7,264,013	-	-	-	-	48,405	-	7,312,418	3.14
Securities available-for-sale	-	-	-	171,881	-	2,993	-	174,874	3.63
Loans and advances									
- Non-impaired	7,125,609	7,605,387	1,690,828	947,489	-	-	-	17,369,313	1.46
- Impaired *	-	-	-	-	-	(73,675)	-	(73,675)	
Purchased receivables	25,249	6,817	-	-	-	(365)	-	31,701	1.81
Derivative financial assets	-	-	-	-	-	-	3,144,942	3,144,942	
Statutory deposits with Bank									
Negara Malaysia	-	-	-	-	-	3,268	-	3,268	
Amount due from									
holding company	-	-	-	-	-	550,233	-	550,233	
Amount due from									
related companies	-	-	-	-	-	23,200	-	23,200	
Other assets	1,331	-	-	-	-	29,390	-	30,721	0.20
Property, plant and equipment	-	-	-	-	-	24,080	-	24,080	
Intangible assets	-	-	-	-	-	20,975	-	20,975	
Deferred tax assets	-	-	-	-	-	40,677	-	40,677	
Tax recoverable	-	-	-	-	-	6,617	-	6,617	
	14,416,202	7,612,204	1,690,828	1,119,370	-	675,798	3,144,942	28,659,344	

* This is arrived after deducting the individual and collective impairment allowances from the outstanding gross impaired loans.

33. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

	<------ Non-Trading Book				------>			
31.12.2015	**Up to 1 Month RM'000**	**1 to 3 Months RM'000**	**3 to 12 Months RM'000**	**1 to 5 Years RM'000**	**Over 5 Years RM'000**	**Non-Interest Sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**	**Effective Interest Rate %**
Liabilities									
Deposits from customers	3,290,721	1,058,195	79,750	13,241	-	3,313,739	-	7,755,646	1.48
Deposits and placements of banks and financial institutions	5,000	-	-	-	-	-	-	5,000	3.00
Collateral deposits	10,109,477	-	-	-	-	-	-	10,109,477	0.82
Derivative financial liabilities	-	-	-	-	-	-	2,872,158	2,872,158	
Amount due to holding company	1,766,340	3,963,283	-	-	-	399	-	5,730,022	0.98
Amount due to related company	-	-	-	-	-	1	-	1	
Other liabilities	-	-	-	-	-	141,995	-	141,995	
	15,171,538	5,021,478	79,750	13,241	-	3,456,134	2,872,158	26,614,299	
On-balance sheet interest sensitivity gap	(755,336)	2,590,726	1,611,078	1,106,129	-	(2,780,336)	272,784	2,045,045	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	273,472	273,472	
Total interest sensitivity gap	(755,336)	2,590,726	1,611,078	1,106,129	-	(2,780,336)	546,256	2,318,517	

33. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Foreign Currency Risk

The Bank's exposure to foreign currencies (a currency which is other than the functional currency of the Bank), based on carrying amount as at the end of the financial period was:

	31.03.2017 Denominated in				31.12.2015 Denominated in			
	USD RM'000	JPY RM'000	EUR RM'000	Others RM'000	USD RM'000	JPY RM'000	EUR RM'000	Others RM'000
Assets								
Cash and short-term funds	689	79,152	-	3,813	242	-	-	408
Securities available-for-sale	221,505	-	-	-	-	-	-	-
Loans and advances	16,592,167	15,614	-	152,284	15,234,814	30,615	-	238,115
Purchased receivables	28,447	-	-	-	26,897	-	-	-
Amount due from holding company	146,006	294,785	8,909	30,644	136,805	369,198	4,702	39,527
Amount due from related companies	-	-	-	6,256	-	-	-	23,200
Other assets	472	-	-	-	1,358	-	-	-
	16,989,286	389,551	8,909	192,997	15,400,116	399,813	4,702	301,250
Liabilities								
Deposits from customers	3,458,645	328,387	11,532	22,676	2,690,071	420,593	6,129	50,799
Amount due to holding company	3,596,007	-	-	153,914	5,484,716	-	-	244,907
Collateral deposits	10,969,446	-	-	-	8,126,468	-	-	-
Other liabilities	4,898	7,809	-	1,488	3,976	28,530	2	4,176
	18,028,996	336,196	11,532	178,078	16,305,231	449,123	6,131	299,882

33. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk / Rate of Return in the Banking Book

Interest rate risk in the banking book ("IRRBB") and Rate of Return ("ROR") arises from the changes in market interest rate that adversely impact on the Bank's net interest income. One of the primary sources is due to repricing mismatches of the Bank's banking assets and liabilities and also from the Bank's investment of its surplus funds.

The primary objective in managing the IRRBB is to manage the volatility in the Bank's earnings. 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 to narrow the mismatch in interest rate sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects.

The Bank uses various tools including repricing gap reports and stress tests to measure its IRRBB. The impact on earnings is considered at all times in measuring the IRRBB and is subject to limits approved by the Board.

Sensitivity of Profit

The table below shows the senstitivity of the Bank's banking book to movement in the interest rates:

	31.03.2017	31.12.2015
	Increase / (Decrease)	
Impact on earnings from 100 bps parallel shift	RM'000	RM'000
MYR	40,890	37,676
USD	(6,198)	(7,929)
JPY	-	-
Others	1,652	(838)
Total	36,344	28,909
Impact on economic value from 100 bps parallel shift		
MYR	(13,646)	(11,375)
USD	(13,013)	(9,535)
JPY	-	-
Others	(3,413)	(4,287)
Total	(30,072)	(25,197)

The sensitivity analysis is measured using Earning at Risk ("EaR") methodology and is based on the balance sheet reporting date. It does not take into account actions that would be taken by treasury operations or business units to mitigate the impact of this interest rate risk. In reality, treasury operations seek to proactively change the interest rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest rates of all maturities move by the same amount and therefore, do not reflect the potential impact on earnings of some rates changing while others remain unchanged. The projection also assumes constant statements of financial position and that all positions run to maturity.

The repricing profile of loans that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. The impacts on earnings are measured on a monthly basis and are reported to the Assets and Liabilities Management Committee ("ALM") and RMC.

33. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate and Foreign Currency Risk Stress Testing

The Bank also performed regular stress test on interest rate risk and currency risk. Three stress scenarios were applied on the Bank's assets and liabilities:

1. Scenario 1: Increase of 0.75% interest rate for interest rate derivatives, bonds and money market positions and the largest daily change in rates over the past two years multiply with the absolute foreign currency position and a 25% increase in foreign currency option volatility.

2. Scenario 2: Increase of 1.0% interest rate for interest rate derivatives, bonds and money market positions and the largest daily change in rates over the past two years +0.5% multiply with the absolute foreign currency position and a 50% increase in foreign currency option volatility.

3. Scenario 3: Increase of 2.0% interest rate for interest rate derivatives, bonds and money market positions and the largest daily change in rates during 1997-1998 (Asian Financial Crisis) multiply with the absolute foreign currency position and the largest appreciation or depreciation of the traded currency over 1997-1998 (Asian Financial Crisis) for foreign currency option.

The analysis shows that as of 31 March 2017, potential maximum loss computed for Scenario 1 to be RM95,341,000 (2015: RM83,564,000), Scenario 2 to be RM100,425,000 (2015: RM86,074,000) and Scenario 3 to be RM126,781,000 (2015: RM96,912,000).

(d) LIQUIDITY RISK

Liquidity risk is the risk of sustaining a loss due to an inability to obtain required funds because of a deterioration of market conditions or the Bank's financial conditions, where the Bank is unable to raise necessary funds or is forced to raise funds at a rate of interest that is higher than market rates. The RMC supports the Board of Directors to oversee senior management's activities in managing liquidity risk.

ALM, which reports to RMC, meets monthly to deliberate important matters relating to the Bank's liquidity management process, which involves establishing liquidity management policies, regular monitoring against liquidity risk limits, regular stress testing and establishing contingency funding plan.

Treasury Department controls and manages daily funding requirement operations while the MRMD monitors compliance with internal standards for funding operations. Liquidity monitoring is performed daily for projecting cash flows. Simulations of liquidity exposures under stressed market scenarios are also performed and the results are taken into account.

33. FINANCIAL RISK MANAGEMENT (CONTD)

(d) LIQUIDITY RISK (CONTD)

The table below summarises the maturity profile of the Bank's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying Amount RM'000	Contractual Cash Flows RM'000	Up to 1 Year RM'000	1 to 2 Years RM'000	2 to 5 Years RM'000	More than 5 Years RM'000
31.03.2017						
Liabilities						
Deposits from customers	9,062,320	9,069,571	9,056,770	12,801	-	-
Deposits and placements of banks and other financial institutions	2,580	2,581	2,581	-	-	-
Collateral deposits	12,531,310	12,710,184	4,299,370	2,383,991	5,871,877	154,946
Derivative financial liabilities	2,555,888	2,555,888	476,495	912,125	905,653	261,615
Amount due to holding company	3,750,338	3,756,536	3,756,536	-	-	-
Amount due to related company	1	1	1	-	-	-
Other liabilities	118,659	118,659	91,574	1,233	6,776	19,076
Deferred tax liabilities	803	2,167	2,167	-	-	-
	28,021,899	28,215,587	17,685,494	3,310,150	6,784,306	435,637
31.12.2015						
Liabilities						
Deposits from customers	7,755,646	7,764,840	7,751,009	13,831	-	-
Deposits and placements of banks and other financial institutions	5,000	5,002	5,002	-	-	-
Collateral deposits	10,109,477	10,173,586	4,207,973	-	5,397,676	567,937
Derivative financial liabilities	2,872,158	2,872,158	661,305	422,486	1,314,426	473,941
Amount due to holding company	5,730,022	5,740,803	5,740,803	-	-	-
Amount due to related company	1	1	1	-	-	-
Other liabilities	141,995	146,517	121,096	1,123	5,633	18,665
	26,614,299	26,702,907	18,487,189	437,440	6,717,735	1,060,543

33. FINANCIAL RISK MANAGEMENT (CONTD)

(d) LIQUIDITY RISK (CONTD)

The table below summarises the maturity analysis of the carrying amounts of the Bank's assets and liabilities based on the remaining contractual maturity:

	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 6 Months RM'000	6 to 12 Months RM'000	> 1 Year RM'000	No Specific Maturity RM'000	Total RM'000
31.03.2017							
Assets							
Cash and short-term funds	6,146,441	1,211,000	-	-	-	41,261	7,398,702
Securities available-for-sale	2,993	-	-	50,408	633,468	-	686,869
Loans and advances	2,535,172	2,253,104	859,651	1,345,717	11,844,618	-	18,838,262
Purchased receivables	30,503	19,652	940	-	-	-	51,095
Derivative financial assets	67,079	139,530	46,158	358,947	2,164,010	-	2,775,724
Other assets	204,136	-	-	-	-	414,324	618,460
	8,986,324	3,623,286	906,749	1,755,072	14,642,096	455,585	30,369,112
Liabilities							
Deposits from customers	3,403,613	912,143	98,625	54,462	12,356	4,581,121	9,062,320
Deposits and placements of banks and other financial institutions	2,580	-	-	-	-	-	2,580
Collateral deposits	4,029,288	-	-	182,835	8,319,187	-	12,531,310
Derivative financial liabilities	67,173	65,837	45,426	298,058	2,079,394	-	2,555,888
Other liabilities	1,659,498	1,327,681	848,716	-	27,085	6,821	3,869,801
	9,162,152	2,305,661	992,767	535,355	10,438,022	4,587,942	28,021,899

33. FINANCIAL RISK MANAGEMENT (CONTD)

(d) LIQUIDITY RISK (CONTD)

	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 6 Months RM'000	6 to 12 Months RM'000	> 1 Year RM'000	No Specific Maturity RM'000	Total RM'000
31.12.2015							
Assets							
Cash and short-term funds	7,264,013	-	-	-	-	48,405	7,312,418
Securities available-for-sale	2,993	-	-	-	171,881	-	174,874
Loans and advances	2,455,211	3,634,816	175,086	1,151,853	9,878,672	-	17,295,638
Purchased receivables	24,884	6,817	-	-	-	-	31,701
Derivative financial assets	95,679	131,814	42,499	427,977	2,446,973	-	3,144,942
Other assets	-	-	-	-	-	699,771	699,771
	9,842,780	3,773,447	217,585	1,579,830	12,497,526	748,176	28,659,344
Liabilities							
Deposits from customers	3,241,330	1,058,195	22,407	57,272	13,241	3,363,201	7,755,646
Deposits and placements of banks and other financial institutions	5,000	-	-	-	-	-	5,000
Collateral deposits	3,777,526	-	-	429,300	5,902,651	-	10,109,477
Derivative financial liabilities	63,451	175,857	19,681	402,317	2,210,852	-	2,872,158
Other liabilities	1,897,059	3,963,283	-	-	-	11,676	5,872,018
	8,984,366	5,197,335	42,088	888,889	8,126,744	3,374,877	26,614,299

33. FINANCIAL RISK MANAGEMENT (CONTD)

(e) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or system, or from external events, including legal risk, and other risk of loss caused by inappropriate implementation of business strategy. An Operational Risk Management Framework, approved by the Board of Directors has been developed with the objective to ensure that operational risks within the Bank are identified, monitored, managed and reported in a structured, systematic and consistent manner.

The Bank recognises the importance of establishing a risk-awareness culture in managing the operational risk through embedded risk management processes in the Bank's core processes.

Each business unit undertakes the tasks of risk identification, evaluation and measurement, control and mitigation and monitoring and reporting of its own area with assistance and coordination from the Operational Risk Management Department ("ORMD").

Various tools are used to support the operational risk management processes including Control Self Assessment to analyse business processes, monitor key risk indicators and perform a process risk mapping to identify critical risk areas and assign sufficient countermeasures to ensure a controlled and sound operating environment.

The RMC regularly appraises on the effectiveness of internal control system, as well as being briefed on key control deficiencies and appropriate remedial plans. Operational risk losses and incidents are used as information for reporting and for providing risk profiling information to the Board.

To mitigate the impact of unforeseen operational risk events, the Bank has established business continuity management and crisis management programmes to ensure the uninterrupted availability of business resources to support essential business activities. The Bank's overall business continuity operational readiness is further strengthened by engaging a dedicated business recovery site, enhancing the system disaster infrastructure and the establishment of the business impact analysis process.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Information

The carrying amounts of short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Bank's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total Fair Value RM'000	Carrying Amount RM'000
31.03.2017										
Financial assets										
Fair Value through Profit or Loss										
• Derivative financial assets	-	2,775,724	-	2,775,724	-	-	-	-	2,775,724	2,775,724
Available-for-Sale Financial Assets										
• Securities available-for-sale	-	683,876	-	683,876	-	2,993	-	2,993	686,869	686,869
Loans and Receivables										
• Loan and advances *	-	-	-	-	-	-	18,161,304	18,161,304	18,161,304	18,939,017
• Purchased receivables *	-	-	-	-	-	-	51,280	51,280	51,280	51,280
• Cash and short-term funds	-	-	-	-	-	-	7,398,702	7,398,702	7,398,702	7,398,702
• Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	3,268	3,268	3,268	3,268
• Amount due from holding company	-	-	-	-	-	-	480,344	480,344	480,344	480,344
• Amount due from related companies	-	-	-	-	-	-	6,256	6,256	6,256	6,256
• Other assets	-	-	-	-	-	-	31,046	31,046	31,046	31,046
	-	3,459,600	-	3,459,600	-	2,993	26,132,200	26,135,193	29,594,793	30,372,506
Financial liabilities										
• Deposits from customers	-	-	-	-	-	-	9,062,048	9,062,048	9,062,048	9,062,320
• Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	2,580	2,580	2,580	2,580
• Collateral deposits	-	-	-	-	-	-	12,324,916	12,324,916	12,324,916	12,531,310
• Derivative financial liabilities	-	2,555,888	-	2,555,888	-	-	-	-	2,555,888	2,555,888
• Amount due to holding company	-	-	-	-	-	-	3,750,338	3,750,338	3,750,338	3,750,338
• Amount due to related company	-	-	-	-	-	-	1	1	1	1
• Other liabilities	-	-	-	-	-	-	118,440	118,440	118,440	118,659
	-	2,555,888	-	2,555,888	-	-	25,258,323	25,258,323	27,814,211	28,021,096

* The total collective impairment allowance of RM100,940,000 are not included in the carrying amount

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total Fair Value RM'000	Carrying Amount RM'000
31.12.2015										
Financial assets										
Fair Value through Profit or Loss										
• Derivative financial assets	-	3,144,942	-	3,144,942	-	-	-	-	3,144,942	3,144,942
Available-for-Sale Financial Assets										
• Securities available-for-sale	-	171,881	-	171,881	-	2,993	-	2,993	174,874	174,874
Loans and Receivables										
• Loan and advances *	-	-	-	-	-	-	17,326,576	17,326,576	17,326,576	17,370,705
• Purchased receivables	-	-	-	-	-	-	31,701	31,701	31,701	31,701
• Cash and short-term funds	-	-	-	-	-	-	7,312,418	7,312,418	7,312,418	7,312,418
• Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	3,268	3,268	3,268	3,268
• Amount due from holding company	-	-	-	-	-	-	550,233	550,233	550,233	550,233
• Amount due from related companies	-	-	-	-	-	-	23,200	23,200	23,200	23,200
• Other assets	-	-	-	-	-	-	30,721	30,721	30,721	30,721
	-	3,316,823	-	3,316,823	-	2,993	25,278,117	25,281,110	28,597,933	28,642,062
Financial liabilities										
• Deposits from customers	-	-	-	-	-	-	7,755,167	7,755,167	7,755,167	7,755,646
• Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	5,000	5,000	5,000	5,000
• Collateral deposits	-	-	-	-	-	-	10,059,987	10,059,987	10,059,987	10,109,477
• Derivative financial liabilities	-	2,872,158	-	2,872,158	-	-	-	-	2,872,158	2,872,158
• Amount due to holding company	-	-	-	-	-	-	5,730,022	5,730,022	5,730,022	5,730,022
• Amount due to related company	-	-	-	-	-	-	1	1	1	1
• Other liabilities	-	-	-	-	-	-	141,995	141,995	141,995	141,995
	-	2,872,158	-	2,872,158	-	-	23,692,172	23,692,172	26,564,330	26,614,299

* The total collective impairment allowance of RM75,432,000 are not included in the carrying amount

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivative financial instruments

The estimated fair values of derivative financial instruments are the amounts that the Bank would receive or pay to terminate the contracts at the reporting date, taking into account the current unrealised gains or losses on open contracts. They are based on market or dealer quotes when available. Valuation models such as present value and option pricing models are applied to current market information to estimate fair value when such quotes are not available.

Securities available-for-sale

The fair values of securities, where quoted market prices or secondary market prices are available, are equal to such market prices. For securities where quoted market prices or secondary market prices are not available, the fair values are estimated using quoted market prices for similar securities or based on appraised value as deemed appropriate by management.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial period (2015: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

MRMD and the Accounts Department of the Bank have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Cash and short-term funds

For cash and short-term funds and deposits and placements with financial institutions including interest-earning deposits, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature and limited credit risk.

Other assets/liabilities and purchased receivables

The estimated fair values for the other financial assets/liabilities, which primarily include accrued interest receivables/payables, other receivables/payables, deposits, bank acceptances, accounts payable and purchased receivables approximate their carrying amounts due to their short-term nature.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Level 3 fair value (Contd)

Loans and advances

The fair values of loans and advances are estimated based on the type of loan, credit quality and remaining maturity. Incorporating the credit risk factor, management concluded that the allowance for impairment losses adequately adjusts the related fair values for credit risk. For floating or adjustable-rate loans, which mature or reprice within a short period of time, the carrying amounts are considered to be a reasonable estimate of fair values. For fixed rate loans, market prices are not generally available and the fair values are estimated by discounting the estimated future cash flows based on the contracted maturity of the loans. The discount rates are based on the current market rates corresponding to the applicable maturity.

For impaired loans, the fair values are determined on an individual basis by taking the gross loan exposure less allowance for individual impairment. The allowance for individual impairment is the difference between the loan's carrying amount and the present value of the estimated future cash flows.

Statutory deposits with Bank Negara Malaysia

The carrying amount of statutory deposits with BNM is a reasonable estimate of the fair values as they are long-term regulatory deposits without a fixed maturity.

Amount due from/to holding and related companies

For amount due from/to holding and related companies including interest-earning balances, the carrying amount is a reasonable estimate of the fair values because of their short-term nature and limited credit risk.

Deposits from customers

The fair values of demand deposits, deposits at notice, and certificates of deposit maturing within a short period of time are the amounts payable on demand. Fair values of fixed deposits and certificates of deposit maturing after a short period of time are estimated to approximate their carrying amount.

Deposit and placements of banks and other financial institutions

The fair values of non-interest bearing deposits are equal to the amount payable on demand. For call money and funds purchased, the carrying amount is a reasonable estimate of the fair values because of their short-term nature. For deposits with maturity exceeding one year, fair values are estimated by discounting the estimated future cash flows based on the contracted maturity of the deposits. The discount rates are based on the current market rates corresponding to the applicable maturity.

35. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Bank enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single new amount that is payable by one party to the other.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Bank currently does not have any legally enforceable right to offset recognised amounts because the right to offset is enforceable only on the occurrence of future events such as a default on the Bank's loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

	Gross Amount Recognised as Financial Assets / Liabilities	Gross Amount Offset in the Statement of Financial Position	Amount Presented in the Statement of Financial Position	Amount Not Set-off in the Statement of Financial Position		Net Amount
				Values of the Financial Instruments	Cash Collateral Received / Pledged	
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
31.03.2017						
Derivative financial assets						
Foreign exchange related contracts	2,652,083	-	2,652,083	(755,323)	(2,419,805)	(523,045)
Interest rate related contracts	123,379	-	123,379	(2,016)	(16,483)	104,880
Currency options	262	-	262	-	-	262
	2,775,724	-	2,775,724	(757,339)	(2,436,288)	(417,903)
Derivative financial liabilities						
Foreign exchange related contracts	2,440,770	-	2,440,770	(755,323)	(5,480)	1,679,967
Interest rate related contracts	114,800	-	114,800	(2,016)	-	112,784
Currency options	318	-	318	-	-	318
	2,555,888	-	2,555,888	(757,339)	(5,480)	1,793,069
31.12.2015						
Derivative financial assets						
Foreign exchange related contracts	3,051,524	-	3,051,524	(1,156,668)	(2,830,768)	(935,912)
Interest rate related contracts	93,393	-	93,393	(25,564)	(2,298)	65,531
Currency options	25	-	25	-	-	25
	3,144,942	-	3,144,942	(1,182,232)	(2,833,066)	(870,356)
Derivative financial liabilities						
Foreign exchange related contracts	2,827,625	-	2,827,625	(1,156,668)	(237)	1,670,720
Interest rate related contracts	44,519	-	44,519	(25,564)	(1,094)	17,861
Currency options	14	-	14	-	-	14
	2,872,158	-	2,872,158	(1,182,232)	(1,331)	1,688,595

36. THE OPERATIONS OF ISLAMIC BANKING

The financial statements as at 31 March 2017 and for the financial period ended on the date are summarised as follows:

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

		31.03.2017 RM'000	31.12.2015 RM'000
ASSETS			
Cash and short-term funds	(a)	27,432	26,150
Other assets		2	2
TOTAL ASSETS		27,434	26,152
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(b)	3	-
Other liabilities	(c)	4,515	3,257
TOTAL LIABILITIES		4,518	3,257
CAPITAL FUND		25,000	25,000
RESERVE		(2,084)	(2,105)
ISLAMIC BANKING FUNDS		22,916	22,895
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		27,434	26,152
COMMITMENTS AND CONTINGENCIES		-	-

Islamic financing based on Commodity Murabahah (Tawarruq) of RM50,168,633 (2015: Nil) was financed under an internal Wakalah scheme and is reported under entity level.

36. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

		Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Income attributable to depositors		-	(49)
		-	(49)
Income derived from investment of Islamic Banking capital funds	(d)	1,001	831
		1,001	782
Other operating income	(e)	282	-
Other operating expenses	(f)	(1,262)	(2,185)
Profit/(Loss) before tax		21	(1,403)
Tax expense		-	-
Profit/(Loss) for the period/year		21	(1,403)

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	Capital Fund RM '000	Accumulated Losses RM '000	Total RM '000
At 1 January 2015	25,000	(702)	24,298
Loss for the year	-	(1,403)	(1,403)
At 31 December 2015	25,000	(2,105)	22,895
At 1 January 2016	25,000	(2,105)	22,895
Profit for the period	-	21	21
At 31 March 2017	25,000	(2,084)	22,916

36. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	21	(1,403)
Operating profit/(loss) before working capital changes	21	(1,403)
Increase in operating liabilities:		
Deposits from customers	3	-
Other liabilities	1,258	2,184
Net cash from operating activities	1,282	781
Net increase in cash and cash equivalents	1,282	781
Cash and cash equivalents at beginning of period/year	26,150	25,369
Cash and cash equivalents at end of period/year	27,432	26,150
Cash and cash equivalents at end of period/year	27,432	26,150

Shariah Committee

The Shariah Committee was established under BNM's "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" ("BNM/GPS1") 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: Dr. Luqman bin Haji Abdullah, Assoc. Prof. Dr. Abdul Karim bin Ali, Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi, Assoc. Prof. Dr. Mek Wok binti Mahmud and Dr. Safinar binti Salleh.

Basis of Preparation

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 period ended 31 March 2017.

(a) Cash and short-term funds

	31.03.2017 RM'000	31.12.2015 RM'000
Cash and balances with banks and other financial institutions	27,432	26,150

36. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

(b) Deposits from customers

	31.03.2017 RM'000	31.12.2015 RM'000
Current accounts	3	-

(c) Other liabilities

	31.03.2017 RM'000	31.12.2015 RM'000
Accruals and provisions for operational expenses	4,515	3,257

(d) Income derived from investment of Islamic Banking Capital Funds

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Money at call and placements with financial institutions	1,001	831

(e) Other operating income

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Other fee income	282	-

(f) Other operating expenses

	Period ended 31.03.2017 RM'000	Year ended 31.12.2015 RM'000
Personnel expenses	1,111	1,867
Other expenses	151	318
	1,262	2,185

36. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

(g) Capital Adequacy

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:

	31.03.2017	31.12.2015
Common equity Tier 1 ("CET 1") capital ratio	744.99%	2778.52%
Tier 1 capital ratio	744.99%	2778.52%
Total capital ratio	744.99%	2778.52%

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

	31.03.2017 RM'000	31.12.2015 RM'000
CET 1 and Tier 1 capital		
• Capital fund	25,000	25,000
• Accumulated losses	(2,084)	(2,105)
	22,916	22,895
Tier 2 capital	-	-
Total Capital	22,916	22,895

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

	31.03.2017 RM'000	31.12.2015 RM'000
Operational risk	3,076	824

Detailed disclosures on risk exposures above, as prescribed under BNM's Guidelines on CAFIB - Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures.

37. COMPARATIVES

The following comparatives have been reclassified to conform with current period's presentation:

Note 5	:	Loans and Advances
Note 9	:	Significant Related Party Transactions and Balances
Note 20	:	Commitment and Contingencies
Note 27	:	(Allowance)/Writeback for Impairment on Loans and Advances
Note 32	:	Capital Adequacy
Note 33	:	Financial Risk Management
Note 36	:	The Operations of Islamic Banking

PILLAR 3 DISCLOSURES

ATTESTATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO RISK WEIGHTED CAPITAL ADEQUACY FRAMEWORK (BASEL II) - DISCLOSURE REQUIREMENTS (PILLAR 3) AND CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANK (CAFIB) - DISCLOSURE REQUIREMENTS (PILLAR 3) FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

The risk disclosures contained in the Pillar 3 Disclosures are generally in conformance with the Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3) and are consistent with the manner in which the risks are assessed and managed, and are not misleading in any particular way.

< Signed >

Yuta Uchiyama

Date : 6 June 2017

1. OVERVIEW

The Pillar 3 Disclosure is prepared in accordance with Bank Negara Malaysia ("BNM")'s Guidelines on Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("CAF") and Capital Adequacy Framework for Islamic Banks (CAFIB) - Risk-weighted Assets ("CAFIB"), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision. Basel II consists of 3 Pillars as follows:

(a) Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks they assume.

(b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages banking institutions, to develop and employ more rigorous risk management framework and techniques. This includes specific oversight by the Board of Directors and Management on internal controls and corporate governance practices, to ensure that banking institutions have an appropriate level of internal capital above its regulatory capital to commensurate with their risk profile and business plan at all times.

(c) Pillar 3 aims to harness the power of market discipline through enhanced disclosure, to supplement regulatory supervision of banking institutions through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of banking institutions that will enhance comparability amongst banking institutions.

The Bank adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk of Pillar 1 under BNM's CAF. Under the Standardised Approach, standard risk weights are used to assess the capital requirements for exposures in credit risk and market risk. The capital required for operational risk under the Basic Indicator Approach is computed based on earnings at risk on the Bank's gross income for a fixed number of quarterly periods.

The Bank's Pillar 3 Disclosure is governed by BNM's Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3) which set out the minimum disclosure standards. The approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been verified by the Internal Audit Department and attested by the Chief Executive Officer. The information is not audited as this is not a requirement.

The Bank's main business activity is commercial banking which focuses on corporate and investment banking and treasury operations. The Bank is also involved in Islamic Banking activities under the International Currency Business Unit ("ICBU") and in Islamic Banking Operations under Skim Perbankan Islam ("SPI") framework.

The following table presents the minimum regulatory capital requirement to support the Bank's risk-weighted assets:

	31.03.2017		31.12.2015	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk	10,906,656	872,532	10,866,652	869,332
Market Risk	1,270,402	101,632	915,582	73,247
Operational Risk	712,853	57,028	607,133	48,571
	12,889,911	1,031,192	12,389,367	991,150

The Bank does 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 BNM's CAF.

2. CAPITAL MANAGEMENT

The Bank's capital management is guided by its risk appetite and outlines the Bank's objective to diversify its sources of capital and to allocate capital efficiently, directed by the need to maintain a prudent relationship between available capital and risks in the underlying businesses to meet the expectations of key stakeholders, including the holding company and BNM.

The capital target for capital adequacy ratios is above the minimum regulatory capital requirements and has factored in the expected capital required under the current and future operating environment to support credit, market and operational risks as well as the Bank's business growth.

The Bank-wide stress testing process forecasts on the Bank's capital requirements under plausible, exceptional but plausible and worst case scenarios of stress events to assess the ability of the Bank's capital to withstand market shocks. The results of the stress test are to facilitate the formulation of action plans in advance if the stress test reveals that the Bank's capital will be adversely affected under such events. The results of the stress test together with remedial actions, if any, are tabled to the Risk Management Committee ("RMC") and the Board for deliberations.

(a) Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

	31.03.2017 %	31.12.2015 %
Common equity Tier 1 ("CET 1") capital ratio	16.660	14.784
Tier 1 capital ratio	16.660	14.784
Total capital ratio	17.718	15.888

The capital adequacy ratios consist of total capital and risk-weighted assets derived from balances of the Bank.

The minimum regulatory capital adequacy requirements under CAF for the capital adequacy ratios are:

CET 1 Capital	4.50 %
Tier 1 Capital	6.00 %
Total Capital	8.00 %

Please refer to Note 36(g) for Islamic Banking operation capital adequacy.

2. CAPITAL MANAGEMENT (CONTD)

(b) The components of CET 1, Tier 1 and total capital of the Bank are as follows:

		31.03.2017 RM'000	31.12.2015 RM'000
CET 1 and Tier 1 capital			
• Paid-up share capital		200,000	200,000
• Retained profits		1,783,192	1,493,454
• Other reserves		364,021	351,591
		2,347,213	2,045,045
Less:	Deferred tax assets	-	(40,677)
	Intangible assets	(34,830)	(20,975)
	55% of fair value reserve	(557)	(1,308)
	Regulatory reserve	(164,349)	(150,388)
		2,147,477	1,831,697
Tier 2 capital			
• Collective impairment allowance and regulatory reserve*		136,333	136,740
Total capital		2,283,810	1,968,437

* Excludes impairment allowance on collective assessment on impaired loans restricted from Tier 2 capital of the Bank of RM310,000 (2015: RM261,000).

2. CAPITAL MANAGEMENT (CONTD)

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

31.03.2017

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:					
Sovereigns/Central Banks		6,402,363	6,402,363	-	-
Public Sector Entities		23,089	23,089	4,618	369
Banks, Development Financial Institutions & MDBs		2,197,991	1,921,685	526,951	42,156
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-
Corporates		18,643,412	7,038,573	7,215,181	577,214
Regulatory Retail		1,786	1,786	1,786	143
Residential Mortgages		14,302	14,302	6,296	504
Equity Exposures		2,993	2,993	2,993	239
Other Assets		325,872	325,872	320,835	25,667
Defaulted Exposures		2,981	2,981	2,815	225
Total On-Balance Sheet Exposures		27,614,789	15,733,644	8,081,475	646,517
Off-Balance Sheet Exposures:					
Credit-related exposures		674,591	674,591	440,209	35,217
Securitisation exposures		3,000	3,000	2,250	180
Derivatives financial instruments		3,639,965	3,639,965	2,382,722	190,618
Total Off-Balance Sheet Exposures		4,317,556	4,317,556	2,825,181	226,015
Total On and Off-Balance Sheet Exposures		31,932,345	20,051,200	10,906,656	872,532
(ii) Large Exposure Risk Requirement		-	-	-	-
(iii) Market Risk	**Long Position**	**Short Position**			
Interest Rate Risk	644,145	(543,848)		1,253,714	100,297
Foreign Currency Risk	16,682	(5,203)		16,682	1,335
	660,827	(549,051)		1,270,396	101,632
(iv) Operational Risk				712,853	57,028
Total RWA and Capital Requirements		31,932,345	20,051,200	12,889,905	1,031,192

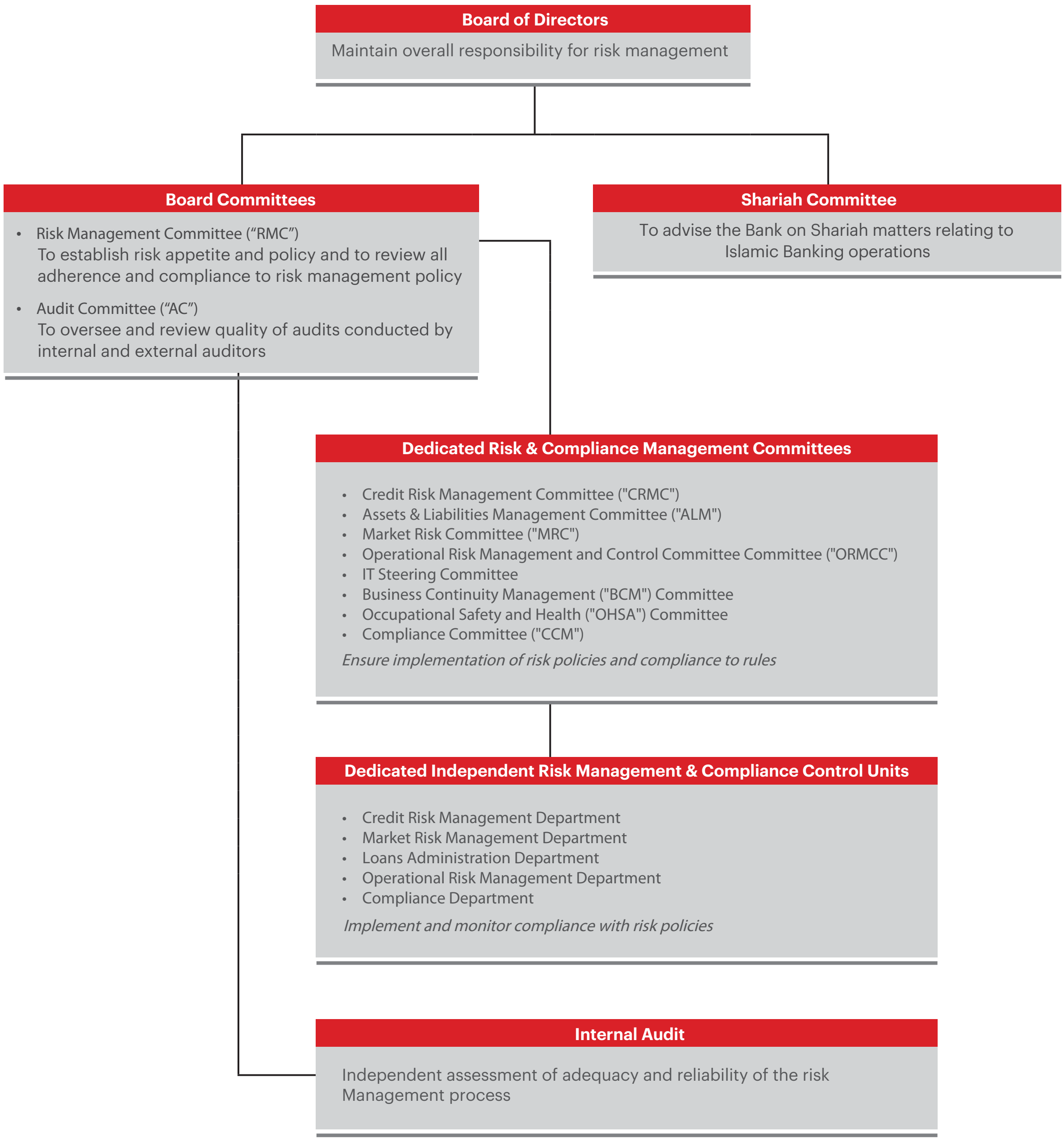
2. CAPITAL MANAGEMENT (CONTD)

31.12.2015

Exposure Class		Long Position	Short Position / 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:					
	Sovereigns/Central Banks		7,169,409	7,169,409	-	-
	Public Sector Entities		21,132	21,132	4,226	338
	Banks, Development Financial Institutions & MDBs		1,364,647	1,364,647	700,818	56,065
	Insurance Cos, Securities Firms & Fund Managers		-	-	-	-
	Corporates		16,818,179	7,350,703	7,356,190	588,495
	Regulatory Retail		1,851	1,851	1,851	148
	Residential Mortgages		13,608	13,608	5,191	415
	Equity Exposures		2,993	2,993	2,993	239
	Other Assets		91,693	91,693	88,535	7,083
	Defaulted Exposures		3,103	3,103	2,937	235
	Total On-Balance Sheet Exposures		25,486,615	16,019,139	8,162,741	653,018
	Off-Balance Sheet Exposures:					
	Credit-related exposures		768,001	768,001	476,216	38,097
	Securitisation exposures		100,000	100,000	75,000	6,000
	Derivatives financial instruments		4,333,414	4,333,414	2,152,695	172,216
	Total Off-Balance Sheet Exposures		5,201,415	5,201,415	2,703,911	216,313
	Total On and Off-Balance Sheet Exposures		30,688,030	21,220,554	10,866,652	869,331
(ii)	**Large Exposure Risk Requirement**		-	-	-	-
(iii)	**Market Risk**	**Long Position**	**Short Position**			
	Interest Rate Risk	469,782	(400,461)		866,507	69,321
	Foreign Currency Risk	47,742	(49,075)		49,075	3,926
		517,524	(449,536)		915,582	73,247
(iv)	**Operational Risk**				607,133	48,571
	Total RWA and Capital Requirements		30,688,030	21,220,554	12,389,367	991,149

3. RISK MANAGEMENT FRAMEWORK

The management of risk within the Bank is governed by a risk management framework, which sets out the risk management governance and infrastructure, risk management processes and control responsibilities. In the Bank, effective risk management is inculcated by a risk awareness culture across all levels of staff in the Bank through effective communication, training, clear policies, procedures and organisational structure, which clearly defined roles and responsibilities as well as the commitment of all employees to a risk management framework. The risk governance of the Bank is as set out below:



3. RISK MANAGEMENT FRAMEWORK (CONTD)

The Board is ultimately responsible for the management of risks. The Board, through the RMC, maintains overall responsibilities for risk oversight within the Bank. The risk appetite statement embodies the Bank's stance towards the levels of risks and serves as a guide in the formulation of the Bank's strategic direction and business objectives.

The RMC is responsible for total risk oversight covering credit risk, market risk, liquidity risk, compliance risk and operational risk. Other key functions of RMC include reviewing risk management policies and limits, reviewing reports on risk exposures and risk portfolio composition and ensuring that infrastructure, resources and systems are in place for risk management activities.

The AC is supported by Internal Audit Department to provide an independent assessment of the adequacy and reliability of the risk management processes and its compliance with risk policies and regulatory requirements.

The Shariah Committee ("SC") advises the Bank on Shariah matters relating to the Islamic banking operations. The Committee ensures that the operations of Islamic banking, its products, processes and legal documentation are in line with Shariah principles.

The CRMC, the ALM, the MRC, and the ORMCC assist the RMC in managing credit, liquidity, market, compliance and operational risks respectively, whereas compliance risk is monitor and manage at the Compliance Committee Meeting ("CCM"). These committees are responsible for overseeing the development and assessing the effectiveness of risk management policies and also for reviewing risk exposures and portfolio composition in ensuring that infrastructure, resources and systems are put in place for effective risk management activities.

The dedicated independent risk management control units provide crucial support to the dedicated risk management committees and are responsible for ensuring risk policies are implemented and complied with. They are also responsible for the identification, measurement and monitoring of risk.

The Bank has established a structured approach to risk management which balances risks against returns, as well as integrated risk management processes across key risk areas. The risk management activities encompass four broad processes namely risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring which lead to a balanced risk-return. It is the Bank's policy that all risk management policies are subject to frequent reviews to ensure that they remain relevant and effective in managing the associated risks brought about by the changing market place and regulatory environments.

The integrated risk management process follows four broad processes:

Risk Identification	**Risk Evaluation and Measurement**	**Risk Control and Mitigation**	**Risk Monitoring and Reporting**
To identify, understand and analyse risks	To quantify, measure and assess risk impact	To recommend measures to control and mitigate risks	To monitor and report on progress and compliance

Internal Capital Adequacy Assessment Process ("ICAAP")

The Bank has put in place process for assessing its capital adequacy under the BNM's Risk-Weighted Capital Adequacy Framework (Basel II) - Internal Capital Adequacy Assessment Process (Pillar 2) in relation to its risk profile and strategy for maintaining adequate capital levels relative to its risk profile. The Bank's ICAAP framework includes procedures and measures designed to ensure the following:

- appropriate identification and measurement of material risks
- appropriate level of internal capital in relation to the Bank's risk profile
- sufficient policy and procedures to ensure on-going capital adequacy
- application and further development of suitable risk management systems

3. RISK MANAGEMENT FRAMEWORK (CONTD)

The degree of formalisation and sophistication of the ICAAP is proportionate to the size, nature of business and complexity of bank's activities. It uses sound techniques and methodologies that commensurate with the current practices and business environment. Material risk assessment is conducted annually with assessment of risks under Pillar 1 and 2 and the risk profile of the Bank is documented in a risk inventory. Material risk is defined as potential risk exposure that might have impact on the Bank's business operations, profitability, capital and reputation. The risk assessment is measured by risk frequency and monetary impact and the risk rating is subjected to revision whenever there are changes to its business plan, operating environment or other factors affecting the methodologies or assumptions used.

The risk inventory assessment and review process ensures that all risks are identified and evaluated for their relevance, materiality, mitigation, management and capitalisation considerations that formed an integral part of ICAAP.

The results of the Bank's capital ratio is measured against internal trigger and targets on a quarterly basis to determine the capital adequacy and are reported to the RMC and the Board.

Stress Testing

Stress testing framework has been integrated into the Bank's risk management structure and is used as a risk management tool for evaluation of the potential impact on the Bank or measurement of performance under plausible extreme adverse conditions.

The stress testing framework is approved by the Board. The Management is actively involved in the process of designing the stress test program, ensuring the assumptions are relevant and consistent with the Bank's risk profile and is conducted properly and any exceptions noted have been dealt with appropriately.

The results of the stress test are compared against internal capital threshold, which are reported to RMC and the Board on a quarterly basis. The stress test results are deliberated to consider the implications on the Bank's business profile and to consider corrective measures where necessary.

4. CREDIT RISK

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. The Bank's exposure to credit risk is primarily from its lending and financing to large corporations and small and medium-sized companies ("SMEs"). Trading and investing the surplus funds of the Bank, such as trading or holding of debt securities, settlement of transactions, also exposed the Bank to credit risk and counterparty credit risk.

Risk Governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Bank's credit risk framework and policies, aligns credit risk management with business strategies and planning, reviews credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

The Bank's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Bank's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. All credit processing officers are guided by credit policies, guidelines and procedures which are periodically reviewed to ensure their continued relevance.

Within the risk management control units, the Credit Risk Management Department ("CRMD") has functional responsibility for credit risk management which includes formulating and reviewing credit risk related policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the other risks and ensuring the respective risk policies are implemented and complied with.

4. CREDIT RISK (CONTD)

Risk Management Approach

The Bank manages its credit risk by using its internal credit rating system. The purpose of the credit rating system is to objectively evaluate the credit worthiness/credit risk (i.e. the probability of future credit losses over a period of time) of the borrowers which it extends credit. A borrower is not only screened at the time of initial extension of credits but also monitored continuously during the entire term until the full repayment. Efforts are made towards the early detection of latent problems by assessing the credit risk of borrowers on an on-going basis. Credit examination by the holding company is one of the processes used to verify the suitability of a credit rating and the soundness of a portfolio from a third party's perspective to avoid risk concentration within specific industries, specific purposes or secured by the same type of collateral.

Internal risk management reports are presented to both the CRMC and the RMC, containing information on trends across major portfolios, quality of credit portfolios, results of credit assessment and review, results of the credit profiling conducted, significant credit exposures to connected parties and credit concentration by economic sectors and by large single counterparty. Such information allows Management to identify adverse credit trends, take corrective actions and formulate business strategies.

Distribution of Credit Exposures

The following tables present the credit exposures of financial assets before the effect of credit risk mitigation, broken down by the relevant category and class of financial assets against the relevant economic sectors, geography and maturity. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(a) The following tables present the credit exposures of financial assets of the Bank analysed by economic sectors:

31.03.2017	Cash and Short-Term Funds RM'000	Securities Available-for-Sale RM'000	Loans and Advances RM'000	Purchased Receivables RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Assets RM'000	On-Balance Sheet Total RM'000	Off-Balance Sheet Exposures RM'000
Agricultural	-	-	727,883	-	597	-	-	728,480	536,451
Manufacturing	-	-	2,716,265	31,968	24,951	-	-	2,773,184	6,530,775
Electricity, gas and water	-	-	2,496,031	-	53,367	-	-	2,549,398	2,505,662
Mining and quarrying	-	-	205,875	-	-	-	-	205,875	38,422
Construction	-	-	1,385,430	-	33,678	-	-	1,419,108	1,717,537
Wholesale and retail trade and restaurants and hotels	-	-	984,824	-	12,707	-	-	997,531	3,019,340
Transport, storage and communication	-	221,505	1,060,190	-	20,065	-	-	1,301,760	1,971,843
Finance, insurance and business services	1,404,839	2,730	9,327,628	19,312	2,630,199	-	492,080	13,876,788	48,488,600
Government and government agencies	5,988,825	462,371	-	-	-	3,268	-	6,454,464	-
Households	-	-	19,090	-	-	-	-	19,090	2,055
Others	-	263	15,801	-	160	-	-	16,224	15,571
	7,393,664	686,869	18,939,017	51,280	2,775,724	3,268	492,080	30,341,902	64,826,256
Allowance for collective impairment	-	-	(100,755)	(185)	-	-	-	(100,940)	-
Other assets not subject to credit risk	5,038	-	-	-	-	-	123,112	128,150	-
	7,398,702	686,869	18,838,262	51,095	2,775,724	3,268	615,192	30,369,112	64,826,256

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

31.12.2015	Cash and Short-Term Funds RM'000	Securities Available-for-Sale RM'000	Loans and Advances RM'000	Purchased Receivables RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Assets RM'000	On-Balance Sheet Total RM'000	Off-Balance Sheet Exposures RM'000
Agricultural	-	-	1,371,052	-	2,618	-	-	1,373,670	848,185
Manufacturing	-	-	2,745,410	4,297	92,287	-	-	2,841,994	7,499,312
Electricity, gas and water	-	-	2,069,112	-	43,156	-	-	2,112,268	2,096,862
Mining and quarrying	-	-	199,172	-	-	-	-	199,172	24,267
Construction	-	-	362,291	-	4,594	-	-	366,885	726,197
Wholesale and retail trade and restaurants and hotels	-	-	732,177	23,438	22,709	-	-	778,324	2,572,152
Transport, storage and communication	-	-	665,147	-	28,584	-	-	693,731	1,149,169
Finance, insurance and business services	251,075	2,730	9,201,904	4,331	2,950,561	-	574,764	12,985,365	35,274,528
Government and government agencies	7,058,184	171,881	-	-	-	3,268	-	7,233,333	-
Households	-	-	18,544	-	-	-	-	18,544	2,562
Others	-	263	5,896	-	433	-	-	6,592	16,003
	7,309,259	174,874	17,370,705	32,066	3,144,942	3,268	574,764	28,609,878	50,209,237
Allowance for collective impairment	-	-	(75,067)	(365)	-	-	-	(75,432)	-
Other assets not subject to credit risk	3,159	-	-	-	-	-	121,739	124,898	-
	7,312,418	174,874	17,295,638	31,701	3,144,942	3,268	696,503	28,659,344	50,209,237

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(b) The following tables present the credit exposures of financial assets analysed by geographical location based on where the credit risk resides:

	31.03.2017		31.12.2015	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Cash and short-term funds	7,398,702	-	7,312,418	-
Securities available-for-sale	686,869	-	174,874	-
Loans and advances	17,509,927	1,432,433	16,261,837	1,111,905
Purchased receivables	31,968	19,312	17,358	14,708
Derivative financial assets	2,691,774	83,950	3,095,798	49,144
Statutory deposits with Bank Negara Malaysia	3,268	-	3,268	-
Other assets	128,592	486,600	123,070	573,433
On-Balance Sheet Exposures	28,451,100	2,022,295	26,988,623	1,749,190
Off-Balance Sheet Exposures	3,441,540	876,016	4,488,832	712,583
	31,892,640	2,898,311	31,477,455	2,461,773

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(c) The following tables present the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 57% (2015: 94%) of the Bank's exposures to customers is short-term, having contractual maturity of one year or less:

31.03.2017	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Total RM'000
Assets							
Cash and short-term funds	6,146,441	1,211,000	-	-	-	41,261	7,398,702
Securities available-for-sale	-	-	50,408	411,963	221,505	2,993	686,869
Loans and advances	2,636,905	2,253,104	2,205,368	9,956,977	1,887,641	(101,733)	18,838,262
Purchased receivables	30,688	19,652	940	-	-	(185)	51,095
Derivative financial assets	2,775,724	-	-	-	-	-	2,775,724
Statutory deposits with Bank							
Negara Malaysia	-	-	-	-	-	3,268	3,268
Amount due from holding company	-	-	-	-	-	480,344	480,344
Amount due from related companies	-	-	-	-	-	6,256	6,256
	11,589,758	3,483,756	2,256,716	10,368,940	2,109,146	432,204	30,240,520

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

31.12.2015	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Total RM'000
Assets							
Cash and short-term funds	7,264,013	-	-	-	-	48,405	7,312,418
Securities available-for-sale	-	-	-	171,881	-	2,993	174,874
Loans and advances	7,125,609	7,605,387	1,690,828	947,489	-	(73,675)	17,295,638
Purchased receivables	25,249	6,817	-	-	-	(365)	31,701
Derivative financial assets	3,144,942	-	-	-	-	-	3,144,942
Statutory deposits with Bank							
Negara Malaysia	-	-	-	-	-	3,268	3,268
Amount due from holding company	-	-	-	-	-	550,233	550,233
Amount due from related companies	-	-	-	-	-	23,200	23,200
	17,559,813	7,612,204	1,690,828	1,119,370	-	554,059	28,536,274

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future receivables since the Bank expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire or unconditionally cancelled by the Bank without them being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(d) Off-Balance Sheet Exposures and Counterparty Credit Risk

(i) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Bank are mainly from the following:

- Financial guarantees and standby letters of credit, which represent undertakings that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as loans even though they are contingent in nature;
- Documentary and commercial letters of credit, which are undertakings by the Bank on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- Commitments to extend credit including the unutilised or undrawn portions of credit facilities; and
- Principal/notional amount of derivative financial instruments.

The management of off-balance sheet exposures is in accordance to the credit risk management approach as set out in the above disclosure.

(ii) Counterparty Credit Risk on Derivative Financial Instruments

Counterparty Credit Risk ("CCR") on derivative financial instruments is the risk that the Bank's counterparty in a foreign exchange, interest rate, commodity, equity, options or credit derivative contract defaults prior to maturity date of the contract and that the Bank at the relevant time has a claim on the counterparty. Derivative financial instruments entered are originated from customer-driven transactions. The Bank may also take trading derivative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Unlike on-balance sheet financial instruments, the Bank's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The Bank will only suffer a replacement cost if the contract carries a fair value gain at time of default.

(iii) Risk Management Approach

The CCR arising from all derivative financial instruments is managed via the establishment of counterparty limits and also managed as part of the overall lending limits to banks and customers based on BNM's Single Counterparty Exposure Limit ("SCEL"). Where possible, Over-the-Counter ("OTC") derivative financial instruments, especially Interest Rate Swaps and Options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral usually in the form of cash or government securities upon any exposure above the agreed threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. MRMD and Processing Department monitor counterparties' positions and promptly request the collateral upon any exposure above the agreed threshold levels with relevant parties. Where possible, the Bank settles its OTC derivatives via the Payment-versus-Payment ("PVP") settlement method to further reduce settlement risk. For derivative financial instruments where the PVP settlement method is not possible, the Bank establishes settlement limits through the Bank's credit approval process.

(iv) Credit Rating Downgrade

In the event of a one-notch downgrade of rating for the Bank, based on the terms of the existing CSA of ISDA, the estimated additional collateral to be posted was RM8,850,000 for 31 March 2017 (2015: RM8,586,000).

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(d) Off-Balance Sheet Exposures and Counterparty Credit Risk (Contd)

(v) The following table presents a breakdown of the off-balance sheet exposures of the Bank:

31.03.2017	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	2,975		2,975	1,488
Transaction related contingent items	1,240,845		620,422	387,527
Short term self liquidating trade-related contingencies	143,610		28,722	28,722
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	-		-	-
• exceeding one year	44,943		22,472	22,472
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	4,636,717		-	-
Securitisation exposures	15,000		3,000	2,250
	6,084,090		677,591	442,459
Derivative Financial Instruments:				
Foreign exchange related contracts				
• less than one year	10,984,962	610,793	776,359	426,526
• one year to less than five years	17,639,245	1,764,566	795,781	629,201
• five years and above	8,317,782	276,724	1,579,316	1,067,695
Interest rate related contracts				
• less than one year	2,505,495	657	5,344	1,603
• one year to less than five years	12,602,255	77,401	164,045	75,882
• five years and above	6,603,881	45,321	317,529	180,224
Currency options				
• less than one year	88,546	262	1,591	1,591
	58,742,166	2,775,724	3,639,965	2,382,722
	64,826,256	2,775,724	4,317,556	2,825,181

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(d) Off-Balance Sheet Exposures and Counterparty Credit Risk (Contd)

(v) The following table presents a breakdown of the off-balance sheet exposures of the Bank:

31.12.2015	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	4,005		4,005	2,003
Transaction related contingent items	1,348,176		674,088	384,352
Short term self liquidating trade-related contingencies	19,211		3,842	3,842
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	50,000		10,000	10,000
• exceeding one year	152,131		76,066	76,019
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	4,317,939		-	-
Securitisation exposures	500,000		100,000	75,000
	6,391,462		868,001	551,216
Derivative Financial Instruments:				
Foreign exchange related contracts				
• less than one year	10,988,419	696,158	912,661	414,844
• one year to less than five years	12,593,822	1,952,480	1,948,059	810,919
• five years and above	6,143,526	402,886	1,175,178	742,109
Interest rate related contracts				
• less than one year	2,868,572	1,785	5,428	1,524
• one year to less than five years	6,793,533	50,080	75,437	32,710
• five years and above	4,426,945	41,528	216,581	150,519
Currency options				
• less than one year	2,958	25	70	70
	43,817,775	3,144,942	4,333,414	2,152,695
	50,209,237	3,144,942	5,201,415	2,703,911

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(e) Securitisation Exposures

The Bank acts as principal adviser, lead arranger, lead manager, facility agent and/or liquidity provider for third party securitisations with originators. Special purpose vehicles ("SPV") are formed to enter into an agreement with the originator(s) to purchase or acquire an interest in eligible pool of receivables of such originator for cash and in turn fund its purchase or acquisition of such receivables by the issuance of Asset-Backed Securities ("ABS") to investors. The Bank might also act as a derivative counterparty for the SPV.

The SPVs that the Bank are managing as agent is Merdeka Kapital Berhad ("MKB") and Ziya Capital Berhad ("Ziya"). The current exposure as liquidity provider to MKB is recognised as off-balance sheet in the banking book. MKB which is unrated, issued its ABS to a single investor, Horizon Funding Corporation ("HFC"), a bankruptcy remote special purpose vehicle incorporated in the Cayman Islands. There's no liquidity facility being provided by the Bank to Ziya.

There was a reduction in the securitisation, which is caused by expiry of the deals in October 2016.

Risk Management Approach

As a liquidity provider to MKB to cover short-term cash flows disruptions to each of the securitisation exposures, the credit and liquidity risks of the Bank is mitigated by the respective waterfall payment obligations of MKB. In this instance, the repayment obligation to the Bank as liquidity provider has been made amongst the top priority in the waterfall payment (normally after tax payment obligations to the authorities).

The use of this liquidity facility by MKB is limited to cover short-term cash flows disruptions in relation to payment obligation in respect of each securitisation exposures. It must not be drawn to provide credit support, cover losses sustained or act as a revolving fund. In addition, the liquidity facility can only be drawn subject to the conditions that no potential of default or event of default has occurred as well as other terms and conditions set forth in the liquidity facility agreements entered into.

Regulatory Capital Requirements

The following table presents the outstanding securitisation exposures of the Bank:

	31.03.2017 RM'000	31.12.2015 RM'000
Traditional securitisation of third party exposures	15,000	500,000

The following tables present the minimum regulatory capital requirement on securitisation exposures:

	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
31.03.2017				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180
31.12.2015				
Off-balance sheet				
• Auto loans	500,000	100,000	75,000	6,000
	500,000	100,000	75,000	6,000

4. CREDIT RISK (CONTD)

Credit Risk Mitigation

The Bank's approach in granting credit facilities is based on the credit standing of the customer, source of repayment and debt servicing ability rather than placing primary reliance on Credit Risk Mitigants ("CRM"). Depending on a customer's standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

The main types of collateral obtained by the Bank to mitigate credit risk are as follows:

(a) for corporate loans - secured by corporate guarantees and charges over properties or assets being financed.

(b) for retail mortgages - charges over residential properties.

(c) for derivatives - additional margin for exposures above the agreed threshold.

There is no material concentration of CRM held. Presently, CRM including bank guarantees and shares are governed by various monitoring limits to ensure such concentration risk is properly managed.

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and counterparty credit risk of the guarantor. Policies and procedures are in place to govern the protection of the Bank's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral.

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. Especially in mortgage loans, the collateral is required to be insured at all times against major risks, for instance, fire, as the loss payee under the insurance policy. In addition, customers are generally insured against major risks, such as death and permanent disability.

Currently, the Bank does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Bank's credit exposures. In addition, the Bank enters into master netting arrangements with its derivative counterparties to reduce the credit risk where in the event of default, all amounts with the counterparty are settled on a net basis. Separately, the Bank has started obtaining third party cash collateral in its credit granting process.

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

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 corporate guarantees, properties, cash, securities from listed exchange or other marketable securities. The Bank does not have any credit exposure which is reduced through the application of other eligible collateral.

31.03.2017

Exposure Class	Total Exposures before CRM RM'000	Total Exposures covered by Guarantees RM'000	Total Exposures covered by Financial Collaterals RM'000	Total Exposures covered by Other Eligible Collaterals RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	6,402,363	-	-	-
Public Sector Entities	23,089	-	-	-
Banks, Development Financial Institutions & MDBs	2,197,991	276,306	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	18,643,412	883,045	10,721,794	-
Regulatory Retail	1,786	-	-	-
Residential Mortgages	14,302	-	-	-
Equity Exposures	2,993	-	-	-
Other Assets	325,872	-	-	-
Defaulted Exposures	2,981	-	-	-
Total On-Balance Sheet Exposures	27,614,789	1,159,351	10,721,794	-
Off-Balance Sheet Exposures:				
Credit-related exposures	674,591	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	3,639,965	-	-	-
Total Off-Balance Sheet Exposures	4,317,556	-	-	-
Total Credit Exposures	31,932,345	1,159,351	10,721,794	-

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

31.12.2015

Exposure Class	Total Exposures before CRM RM'000	Total Exposures covered by Guarantees RM'000	Total Exposures covered by Financial Collaterals RM'000	Total Exposures covered by Other Eligible Collaterals RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,169,409	-	-	-
Public Sector Entities	21,132	-	-	-
Banks, Development Financial Institutions & MDBs	1,364,647	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	16,818,179	27,433	9,440,043	-
Regulatory Retail	1,851	-	-	-
Residential Mortgages	13,608	-	-	-
Equity Exposures	2,993	-	-	-
Other Assets	91,693	-	-	-
Defaulted Exposures	3,103	-	-	-
Total On-Balance Sheet Exposures	25,486,615	27,433	9,440,043	-
Off-Balance Sheet Exposures:				
Credit-related exposures	768,001	-	-	-
Securitisation exposures	100,000	-	-	-
Derivatives financial instruments	4,333,414	-	-	-
Total Off-Balance Sheet Exposures	5,201,415	-	-	-
Total Credit Exposures	30,688,030	27,433	9,440,043	-

4. CREDIT RISK (CONTD)

Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Bank makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or External Credit Assessment Institutions ("ECAI") ratings used by the Bank and are recognised by BNM in the CAF:

(a) Standard & Poor's Rating Services ("S&P")
(b) Moody's Investors Services ("Moody's")
(c) Fitch Ratings ("Fitch")
(d) RAM Rating Services Berhad ("RAM")
(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Banking institutions
(b) Corporates

Unrated and Rated Counterparties

The majority of the Bank's credit and counterparties exposures are unrated. Otherwise, in general, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the CAF. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach:

Corporates

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Risk Weights
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-	50%
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	100%
4	B+ to D	B1 to C	B+ to D	B1 to D	B+ to D	150%
5	Unrated	Unrated	Unrated	Unrated	Unrated	100%

Banking Institutions

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Risk Weights
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-	50%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-	50%
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB1 to B3	BB+ to B-	100%
5	CCC+ to D	Caa1 to C	CCC+ to D	C1 to D	C+ to D	150%
6	Unrated	Unrated	Unrated	Unrated	Unrated	50%

Sovereigns and Central Banks

Exposures to BNM denominated and funded in Ringgit Malaysia is assigned a preferential risk weight of 0% as stipulated in the CAF.

4. CREDIT RISK (CONTD)

Assignment of Risk Weights for Portfolios Under the Standardised Approach (Contd)

31.03.2017

	<---------------------- Ratings of Sovereign and Central Banks by Approved ECAIs ---------------------->							
Credit Exposure	**1**	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
On and Off Balance Sheet Exposures								
Sovereign / Central Banks	6,405,782	-	-	-	-	-	-	6,405,782

	<---------------------------- Ratings of Banking Institutions by Approved ECAIs ---------------------------->							
Credit Exposure	**1**	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
On and Off Balance Sheet Exposures								
Banks, Development Financial Institutions & MDBs	2,493,933	2,061,406	-	-	940	-	-	4,556,279

	<-------------- Ratings of Corporate by Approved ECAIs -------------->					
Credit Exposure	**1**	**2**	**3**	**4**	**Unrated**	**Total**
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	23,089	23,089
Insurance Cos, securities firms & fund managers	-	-	-	-	28	28
Corporates	1,034,575	25,618	-	-	19,536,025	20,596,218
Regulatory retail	-	-	-	-	1,786	1,786
Residential mortgages	-	-	-	-	16,951	16,951
Other assets	-	-	-	-	326,219	326,219
Securitisation exposure	-	-	-	-	3,000	3,000
Equity exposure	-	-	-	-	2,993	2,993
	1,034,575	25,618	-	-	19,910,091	20,970,284

4. CREDIT RISK (CONTD)

Assignment of Risk Weights for Portfolios Under the Standardised Approach (Contd)

31.12.2015

	<---------------------- Ratings of Sovereign and Central Banks by Approved ECAIs ---------------------->							
Credit Exposure	**1**	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
On and Off Balance Sheet Exposures								
Sovereign / Central Banks	7,169,409	-	-	-	-	-	-	7,169,409

	<---------------------------- Ratings of Banking Institutions by Approved ECAIs ---------------------------->							
Credit Exposure	**1**	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
On and Off Balance Sheet Exposures								
Banks, Development Financial Institutions & MDBs	2,962,015	1,529,342	-	533,837	-	-	-	5,025,194

	<--------------- Ratings of Corporate by Approved ECAIs --------------->					
Credit Exposure	**1**	**2**	**3**	**4**	**Unrated**	**Total**
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	21,132	21,132
Insurance Cos, securities firms & fund managers	-	-	-	-	27	27
Corporates	27,433	4,337	-	-	18,227,394	18,259,164
Regulatory retail	-	-	-	-	1,851	1,851
Residential mortgages	-	-	-	-	16,567	16,567
Other assets	-	-	-	-	91,693	91,693
Securitisation exposure	-	-	-	-	100,000	100,000
Equity exposure	-	-	-	-	2,993	2,993
	27,433	4,337	-	-	18,461,657	18,493,427

4. CREDIT RISK (CONTD)

Assignment of Risk Weights for Portfolios Under the Standardised Approach (Contd)

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Bank.

31.03.2017	<------ Exposures after Netting and Credit Risk Mitigation ------>											
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, Develop -ment Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	6,405,782	-	-	-	-	-	-	-	-	5,037	6,410,819	-
20%	-	23,089	2,493,932	-	151,530	-	-	-	-	-	2,668,551	712,569
35%	-	-	-	-	-	-	10,138	-	-	-	10,138	3,548
50%	-	-	1,785,100	-	25,618	-	1,555	-	-	-	1,812,273	1,044,290
75%	-	-	-	-	-	-	2,556	3,000	-	-	5,556	1,917
100%	-	-	940	28	8,814,232	1,786	2,702	-	2,993	321,182	9,143,863	9,142,922
150%	-	-	-	-	-	-	-	-	-	-	-	1,410
Total Exposures	6,405,782	23,089	4,279,972	28	8,991,380	1,786	16,951	3,000	2,993	326,219	20,051,200	10,906,656
Risk-Weighted Assets by Exposures	-	4,618	1,530,900	28	9,033,955	1,786	8,945	2,250	2,993	321,181	10,906,656	
Average Risk Weight	0%	20%	36%	100%	100%	100%	53%	75%	100%	98%	54%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

Assignment of Risk Weights for Portfolios Under the Standardised Approach (Contd)

31.12.2015	<------------------- Exposures after Netting and Credit Risk Mitigation									------------------->	
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, Develop -ment Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	7,169,409	-	-	-	-	-	-	-	-	3,159	7,172,568	-
20%	-	21,132	2,962,015	-	-	-	-	-	-	-	2,983,147	677,116
35%	-	-	-	-	-	-	11,762	-	-	-	11,762	4,117
50%	-	-	1,529,342	-	4,337	-	1,304	-	-	-	1,534,983	767,492
75%	-	-	-	-	-	-	666	100,000	-	-	100,666	500
100%	-	-	533,837	27	8,787,351	1,851	2,835	-	2,993	88,534	9,417,428	9,417,427
150%	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	7,169,409	21,132	5,025,194	27	8,791,688	1,851	16,567	100,000	2,993	91,693	21,220,554	10,866,652
Risk-Weighted Assets by Exposures	-	4,226	1,890,911	27	8,795,007	1,851	8,103	75,000	2,993	88,534	10,866,652	
Average Risk Weight	0%	20%	38%	100%	100%	100%	49%	75%	100%	97%	51%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans and Advances

The tables below present the gross loans and advances analysed by credit quality:

	31.03.2017 RM'000	31.12.2015 RM'000
Neither past due nor impaired	18,934,210	17,366,051
Past due but not impaired	3,588	3,262
Impaired	4,562	4,429
	18,942,360	17,373,742
Gross impaired loans as a percentage of gross loans and advances	0.02%	0.03%

(a) Neither past due nor impaired

The credit quality of gross loans and advances which are neither past due nor impaired is described in Note 33(b) to the financial statements.

(b) Past due but not impaired

Past due but not impaired loans and advances are loans where the customer has failed to make a principal or interest payment when contractually due and includes loans which are due one or more days after the contractual due date but less than 3 months. The past due but not impaired loans and advances of the Bank as at 31 March 2017 was 0.02% (2015: 0.02%).

The amount of past due but not impaired loans breakdown by economic sector is as follows:

	31.03.2017 RM'000	31.12.2015 RM'000
Household	3,588	3,262

The amount of past due but not impaired loans breakdown by geographical location is as follows:

	31.03.2017		31.12.2015	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Past due but not impaired	3,588	-	3,262	-

(c) Impaired Loans and Advances

The Bank assesses, at each reporting period, whether there is any objective evidence that an individually significant loan is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. The criteria that the Bank uses to determine whether there is any objective evidence of impairment are set out in the Note 33(b) to the financial statements.

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans and Advances (Contd)

(c) Impaired Loans and Advances (Contd)

All loans, advances and financing that have been individually evaluated but not considered to be individually impaired are grouped on the basis of similar credit risk characteristics for collective impairment assessment, taking into account the historical loss experience of such loans. The Model Risk Adjustment ("MRA") may be applied due to lack of loss data, when making provision by benchmarking for relevant probability of default against the holding company or peer results, if applicable.

Impaired loans, advances and financing are loans whereby payments of principal or interest or both are past due for three (3) months or more, or loans which are past due for less than three (3) months which exhibit indications of credit weaknesses, or impaired loans which have been restructured/rescheduled, but where repayments based on the revised terms have yet to fulfil the observation period required under the Bank's impairment policy.

The movements in impaired loans and advances are sets out in Note 5(g), the movements in allowance for individual and collective assessment are set out in Note 5(j) and the amount of impaired loans and advances broken down by economic sector and geographical location are set out in Note 5(h) and Note 5(i) to the financial statement.

The amount of allowance for individual and collective assessment by economic purpose is as follows:

	31.03.2017		31.12.2015	
	Individual Assessment RM'000	Collective Assessment RM'000	Individual Assessment RM'000	Collective Assessment RM'000
Agricultural, hunting, forestry and fishing	-	-	-	3,475
Mining and quarrying	-	12	-	106
Manufacturing	-	34,373	-	36,768
Electricity, gas and water	-	557	-	382
Construction	-	6,484	-	2,687
Wholesale and retail trade and restaurants and hotels	-	16,767	-	5,762
Transport, storage and communication	-	11,625	-	5,206
Finance, insurance, real estate and business services	3,343	30,122	3,037	19,895
Households	-	801	-	781
Others	-	14	-	5
	3,343	100,755	3,037	75,067

The charges for allowance for individual assessment during the year is as follows:

	Allowance for Individual Assessment 1 January RM'000	Net Charges for the Period RM'000	Allowance for Individual Assessment 31 March RM'000
Finance, insurance, real estate and business services	3,037	306	3,343

Islamic Banking Business

There are no significant credit risk exposures as at 31 March 2017 and 31 December 2015.

5. MARKET RISK

Market risk is the risk of loss arising from movements in market variables, such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. In addition, the market risk of Islamic Banking business of the Bank includes rate of return risk and displaced commercial risk.

Regulatory Capital Requirements

The Bank has adopted the Standardised approach for market risk. The following tables present the minimum regulatory capital requirement on market risk:

	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
31.03.2017				
Interest rate risk - general interest rate risk	644,145	(543,848)	1,253,714	100,297
Foreign exchange risk	16,682	(5,203)	16,688	1,335
	660,827	(549,051)	1,270,402	101,632
31.12.2015				
Interest rate risk - general interest rate risk	469,782	(400,461)	866,507	69,321
Foreign exchange risk	47,742	(49,075)	49,075	3,926
	517,524	(449,536)	915,582	73,247

Risk Governance

The Bank has established Trading Book and Hedging Policy as guidance for market risk management framework and policies. The ALM and MRC support the RMC in market risk management oversight, meets regularly and is the forum to discuss and aligns market risk management with business strategies and planning and recommends actions to ensure that the market risks remain within established risk tolerance level.

For effective control of market risk, triggers and limits are established after taking into account Bank's risk appetite, and approved by the Board. Trading exposures are subject to intraday limits and daily limit. This is monitored and escalated by independent unit to relevant business unit, Management and MRC on regular basis.

Risk Management Approach

(a) Interest Rate Risk / Rate of Return in the Banking Book

Interest rate risk in the banking book ("IRRBB") and Rate of Return ("ROR") arises from the changes in market interest rate that adversely impact on the Bank's net interest income. One of the primary sources is due to repricing mismatches of the Bank's banking assets and liabilities and also from the Bank's investment of its surplus funds.

The primary objective in managing the IRRBB is to manage the volatility in the Bank's earnings. 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 to narrow the mismatch in interest rate sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects.

The Bank uses various tools including repricing gap reports and stress tests to measure its IRRBB. The impact on earnings is considered at all times in measuring the IRRBB and is subject to limits approved by the Board.

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(a) Interest Rate Risk / Rate of Return in the Banking Book (Contd)

The table in Note 33(c) to the financial statements also sets out the Bank's sensitivity to interest 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 loans or early withdrawal of deposits. As at 31 March 2017, the Bank had an overall positive interest rate gap of RM5,774,000 (2015: RM4,825,000), being the net difference between interest sensitive assets and liabilities.

Sensitivity of Profit

The table below shows the senstitivity of the Bank's banking book to movement in the interest rates:

	31.03.2017	31.12.2015
	Increase / (Decrease)	
Impact on earnings from 100 bps parallel shift (RM'000)		
MYR	40,890	37,676
USD	(6,198)	(7,929)
JPY	-	-
Others	1,652	(838)
Total	36,344	28,909
Impact on economic value from 100 bps parallel shift (RM'000)		
MYR	(13,646)	(11,375)
USD	(13,013)	(9,535)
JPY	-	-
Others	(3,413)	(4,287)
Total	(30,072)	(25,197)

The sensitivity analysis is measured using Earning at Risk ("EaR") methodology and are based on the balance sheet reporting date. It does not take into account actions that would be taken by treasury operations or business units to mitigate the impact of this interest rate risk. In reality, treasury operations seek to proactively change the interest rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest rates of all maturities move by the same amount and therefore, do not reflect the potential impact on earnings of some rates changing while others remain unchanged. The projection also assumes constant statements of financial position and that all positions run to maturity.

The repricing profile of loans that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. The impacts on earnings are measured on a monthly basis and are reported to the ALM and RMC.

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(b) Foreign Exchange Risk

Foreign currency exchange risk refers to adverse movements on foreign currency positions originating from treasury money market activities whose functional currencies are not in Ringgit Malaysia. The main foreign currencies in which the Bank's businesses are transacted in are United States Dollars and Japanese Yen.

The Bank manages such risk through funding in the same functional currencies, where possible. Minimal exposure are taken to the effects of fluctuations in the prevailing foreign exchange rate on Bank's financial position and cash flows. Net Open Position ("NOP") limits are set for overall NOP as well as NOP limits for individual currencies.

As at 31 March 2017, the NOP of the Bank stood at RM11,479,411 (long position) (2015: RM1,333,997 (short position)).

The table in Note 33(c) to the financial statements sets out the Bank's assets and liabilities denominated in foreign currencies.

Interest Rate and Foreign Currency Risk Stress Testing

The Bank also performed regular stress test on interest rate risk and currency risk. Three stress scenarios were applied on the Bank's assets and liabilities:

1. Scenario 1: Increase of 0.75% interest rate for interest rate derivatives, bonds and money market positions and the largest daily change in rates over the past two years multiply with the absolute foreign currency position and a 25% increase in foreign currency option volatility.

2. Scenario 2: Increase of 1.0% interest rate for interest rate derivatives, bonds and money market positions and the largest daily change in rates over the past two years +0.5% multiply with the absolute foreign currency position and a 50% increase in foreign currency option volatility.

3. Scenario 3: Increase of 2.0% interest rate for interest rate derivatives, bonds and money market positions and the largest daily change in rates during 1997-1998 (Asian Financial Crisis) multiply with the absolute foreign currency position and the largest appreciation or depreciation of the traded currency over 1997-1998 (Asian Financial Crisis) for foreign currency option.

The analysis shows that as of 31 March 2017, potential maximum loss computed for Scenario 1 to be RM95,341,000 (2015: RM83,564,000), Scenario 2 to be RM100,425,000 (2015: RM86,074,000) and Scenario 3 to be RM126,781,000 (2015: RM96,912,000).

Stress testing is conducted quarterly to determine the adequacy of capital in meeting the impact of extreme market rate movements on the Bank's statement of financial position. Stress testing is performed to provide early warnings of potential losses to facilitate the proactive management of interest rate risk.

The reported amount are based on the Bank's position as of reporting date. The projection also assumes that all other variables are held constant and that all positions run to maturity.

(c) Equity Risk

Equity risk refers to the adverse impact of change in equity prices on equity positions held by the Bank.

The Bank currently hold equity investments amounting to RM2,966,000 (2015: RM2,966,000) which are privately held for social economic purpose and is unquoted and stated at cost and adjusted for impairment loss, if any.

Islamic Banking Business

There are no market risk exposures as at 31 March 2017 and 31 December 2015.

6. LIQUIDITY RISK

Liquidity risk is the risk that the Bank is unable to maintain sufficient liquid assets, to meet its financial commitments and obligations, when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Bank does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

Risk Governance

The ALM is the primary party responsible for liquidity management based on guidelines approved by the RMC. Liquidity policies and frameworks are reviewed by the ALM and approved by the Board prior to implementation.

Risk Management Approach

The liquidity risk management of the Bank, is aligned with the Liquidity Coverage Ratio ("LCR") requirements issued by BNM which became effective from 1 June 2015. In addition, the Bank maintains a liquidity compliance buffer to meet any unexpected cash outflows. The day-to-day funding management, is undertaken by treasury operations and this includes the maintenance of a portfolio of highly liquid assets, that can be easily liquidated to meet the unforeseeable demand in cash flows arising from the maturity of deposits and loans. As at 31 March 2017, the Bank holds a sizeable balance of government securities amounting to RM462,370,600 (2015: RM171,881,000) or 67% (2015: 97%) of its portfolio of securities.

The Bank's liquidity and funding position is supported by the Bank's significant deposit base. The deposit base primarily comprises of current and term deposits. Although the current account deposit is payable on demand, it has historically provided stable sources of funding. The Bank's reputation, earnings capacity, financial, capital strength and competitive deposit rates are core attributes to preserve depositors' confidence and to ensure stablility in liquidity. The Bank accesses the wholesale markets by taking of money market deposits to meet short-term obligations and to maintain its presence in the local money market space. The Bank has also obtained a Liquidity Support Letter from its Parent Bank and has given full support of fund related to any liquidity matter at any time.

The primary tools for monitoring liquidity is the maturity mismatch analysis, assessment on the concentration of funding, the availability of unencumbered assets as buffer assets, early warning indicators from the use of market-wide information to identify possible liquidity problems. It also measures funding liquidity risk by assessing the potential liquidity cost arising from the maximum likely cash outflow over the horizon period at a specified confidence level, covering the Bank's deposit denominated in major currencies. Liquidity positions are reported to the ALM on a monthly basis and in major currencies i.e. in Ringgit Malaysia and in United States Dollars.

Contingency funding plans are in place to identify early warning signals of a potential liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. To complement the contingency funding plans, a liquidity drill is conducted annually to validate the Bank's ability to raise funds/liquidity from the market. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed by the various entities under the Bank to determine the cash flow mismatches under the "Specific Institution Liquidity Problem" and "Systemic Liquidity Problem" scenarios and the possible source of funding to meet the shortfalls during a liquidity crisis.

In March 2015, BNM issued a guideline on Liquidity Coverage Ratio ("LCR"), which is a quantitative requirement which seeks to ensure that banking institutions hold sufficient high-quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-day horizon. LCR is part of the Basel III reform package which comprises measures to further strengthen the existing capital and liquidity standards for banking institutions. As of end March 2017, the Bank complies to the minimum LCR as stipulated by BNM.

Islamic Banking Business

There are no significant liquidity risk exposures as at 31 March 2017 and 31 December 2015.

7. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal process, people and system or from external events. The increasing need for an effective operational risk management is driven by a number of factors, among others are:

- Significant operational losses experienced at financial institutions;
- New regulatory requirements and international best practices;
- Significant and rapid changes to the economic and business environment;
- Growing need to optimise economic capital and measure performance;
- Protection and enhancement of shareholders' value; and
- Increasing number of potential threats affecting Bank's business operations especially cyber security threat.

Periodic audit review from internal, holding company as well as external audit are conducted to ensure adequacy and effectiveness of the operational risk management process.

Regulatory Capital Requirements

The following presents the minimum regulatory capital requirement on operational risk for the Bank, computed using the Basic Indicator Approach:

	31.03.2017		31.12.2015	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational risk	712,853	57,028	607,133	48,571

Risk Governance

In line with BNM's Guideline on Risk Governance, the Bank's internal processes and practices are tuned towards the same direction. The objectives are supported by a framework of principles on risk governance to guide the Board and Management in performing their risk oversight function. Risk Governance focuses on applying sound principles on the assessment and management of risks to ensure that risk taking activities are aligned with the Bank capacity to absorb losses and its long term viability. It is concerned in particular with the roles of the Board, Management and risk management control functions as well as processes by which risk information is collected, analysed and communicated to provide a sound basis for management decision. It is also concerned with the effects of incentives and organisational culture on risk taking behaviors and perceptions of risk in the Bank.

Operational Risk Management Framework

The Bank adopted sound Operational Risk Management ("ORM") practices based on industry best practices and international standards, as well as guidelines as described by the holding company's Operational Risk and Risk Management Policy.

The focus of the Framework is to provide greater clarity of roles and responsibilities in operational risk management at all levels of staff. It aims to promote stronger operational risk awareness and culture and to inculcate ORM practices in day-to-day business activities and responsibilities. This is further supported by having structured enablers for ORM using clearly defined Operational Risk language and processes, integrated approach and lifecycles, and internal control systems within the organisation. The ORM Framework sets out:

- Bank's Definition and Categories of Operational Risk;
- Roles and Responsibilities of key staff and oversight committees;
- Overview the relationship of the integrated components to manage Operational Risk {Risk and Controls Self-Assessment ("RCSA"), Loss Event Data ("LED") and Key Risk Indicators ("KRI")};
- Descriptions of the RCSA process (identify, assess, respond, monitor and report);
- Descriptions of the LED process (identify, assess, respond, monitor and report); and
- Descriptions of the KRI process (identify, assess, respond, monitor and report).

7. OPERATIONAL RISK (CONTD)

Operational Risk Management Framework (Contd)

Operational Risk Management is also supported by Self Inspection process i.e. inspecting internal processes to ensure compliance with Standard Procedure Overseas ("SPO") determined by holding company as well as internal standard operating procedure. For Shariah risk, ORM framework and methodology are adopted with the assistance of a Shariah Risk Register ("SRR"). SRR was developed based on the Bank's Islamic banking business and will be subsequently mapped into RCSA, GCSA, KRI and LED processes.

Enterprise Governance Risk and Compliance ("E-GRC") Solution

The primary objective for the implementation of E-GRC system is to automate the overall Operational Risk Management environment while staying aligned to its Framework and the holding company practices.

The solution is developed based on the Operational risk management framework and the key areas of the solution implementation incorporates various operational risk tools:

- Risk Management (Risk Control Self assessment & Global Control Self Assessment);
- Loss Event Data;
- Key Risk Indicators; and
- Issue & Action Plan.

The system solution enables the Bank to systematically identify, capture, monitor and report all operational risks in a consistent manner, thus facilitating analytical risk profiling and enhance the control mechanism.

Business Continuity Management

The Bank's Business Continuity Management ("BCM") programme is in compliance with requirements of BNM, the holding company and in line with International Standards ISO22301 to ensure all critical business functions can continue in the event of a disruption. Components and activities of BCM (not limited to):

- BCM team is established to provide leadership on the subject matter. The team is converted to Crisis Management Team ("CMT") in the event of disaster;
- BCM Framework & Policy is established to sustain BCM Program and ensure business continuity plan for all organisational units in the Bank remain effective. The framework policy is supported by BCM Manual which provides standard operating procedure for BCM taking into consideration of BNM and holding company's requirements and is reviewed annually;
- Participate in the regulatory and holding company requirements on mandatory annual drills;
- Conduct BCM Program by conducting risk analysis annually to identify threats to geographical location, reviewing the changes to Business Impact Analysis ("BIA"), recovery strategy, plan developed by every department in the Bank and scheduling testing and exercising for business process component as well as staff awareness;
- Increase level of awareness among the staff by conducting trainings during orientation as well as ad-hoc training via various platforms. Quarterly newsletter is issued to all staff on current matters of BCM to increase staff awareness; and
- Continuously promoting organisation wide discipline for building resilience & capability for an effective response that safeguards the interest of customers, reputation, brand and value.

For the financial period ended 31 March 2017, efforts are put in to increase the ability to support critical business processes by enhancing our Business Recovery Site ("BRS"). The BRS capacity is increased to accommodate more resources (staff and system) and ensuring availability of power redundancies to support our critical business.

Reputational Risk Management Framework

The Bank is adopting an approach to reputation risk management that fits its risk profile and level of sophistication and that enables the risks affecting reputation to be consistently and comprehensively identified, assessed, controlled, monitored and reported. A strong reputation is a key competitive advantage for the Bank that can translate into:

- Access key markets and achieve greater confidence from customers;
- Attract capital or funding at competitive rates;
- Premium pricing; and
- Secure and maintain high quality workforce.

7. OPERATIONAL RISK (CONTD)

Reputational Risk Management Framework (Contd)

The objectives are aimed towards establishing a standard to manage reputation risk proactively, enabled the Bank's business to operate with reputation risk being considered and foster a culture where staff are aware of their responsibilities in managing reputation risk.

IT Risk Management Framework

The Bank endeavours to adopt sound Information Technology Risk Management ("ITRM") practices based on industry best practices and international standards, as well as guidelines as described by Mitsubishi UFJ Financial Group's Risk Management Policy. It is imperative that staff at all levels understand their responsibilities and are held accountable for managing Information Technology Risks (IT Risk), that is, the risk associated with operations and use of information systems that support the missions and business functions of the Bank.

Reporting

Reporting forms an essential part of operational risk management. The Bank's risk management processes are designed to ensure that operational issues are identified, escalated and managed on a timely manner. Operational risk areas for key operation, business and control units are reported through monthly operational risk management reports, which provide analysis and action plans for each significant business operation. The operational risk areas include premises control and safety, losses due to fraud and control lapses, systems availability, disaster recovery and business continuity simulations, information security, product/service review, self-inspection, Shariah non-compliance, outsourcing activities and managing legal action taken against the Bank. The operational risk management reports are tabled to the ORMCC on monthly basis and escalated to the RMC on quarterly basis.

Islamic Banking Business

	31.03.2017		31.12.2015	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational risk	3,076	246	824	66

8. PROFIT SHARING INVESTMENT ACCOUNTS

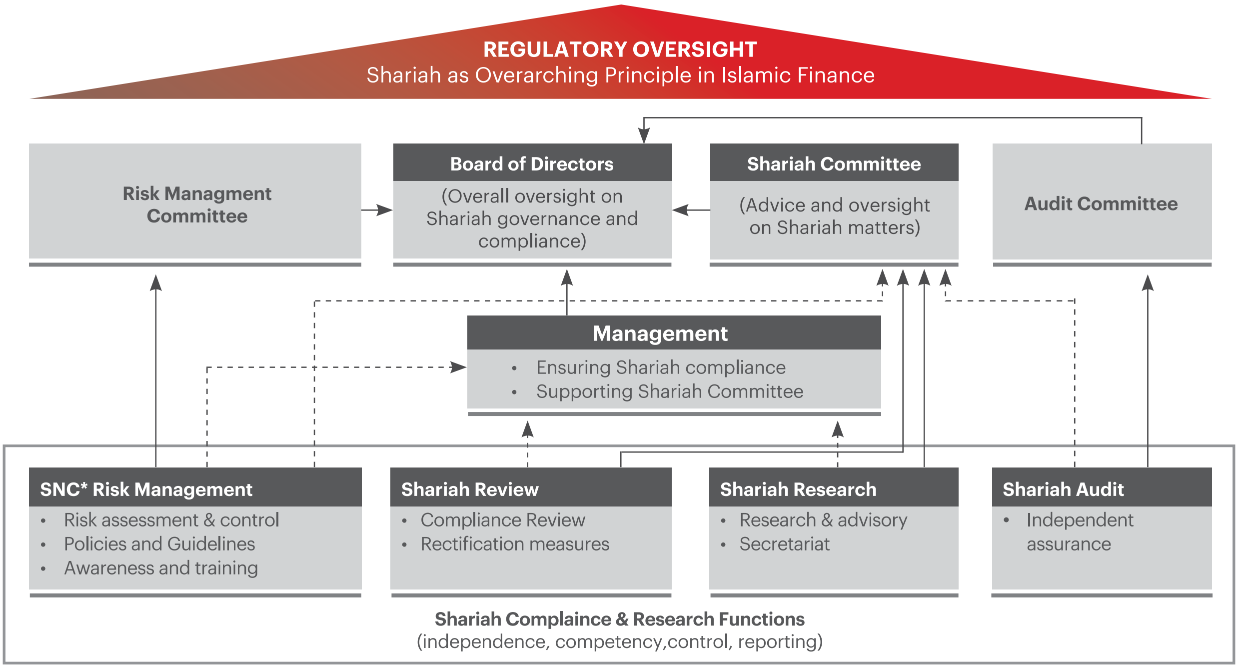
This disclosure is not applicable as the Islamic Banking business does not have any Profit Sharing Investment Accounts.

9. SHARIAH GOVERNANCE

Shariah compliance is an integral feature in the Islamic finance. Having sound Shariah governance is essential to ensure the aims and operations of the institutions offering Islamic financial services does not contravene Shariah principles and in line with the regulatory requirement. As such, it is reflected by effective function of the Board in providing the overall oversight, the Shariah Committee in providing advice and oversight on Shariah matters, the Management in ensuring the execution complies with Shariah requirements and the Shariah Compliance and Research functions in supporting the internal arrangements.

9. SHARIAH GOVERNANCE (CONTD)

By virtue of the Shariah Governance Framework for Islamic Financial Institution issued by BNM, the Shariah governance structure adopted by the Bank is illustrated as follows:



*SNC - Shariah Non-Compliance

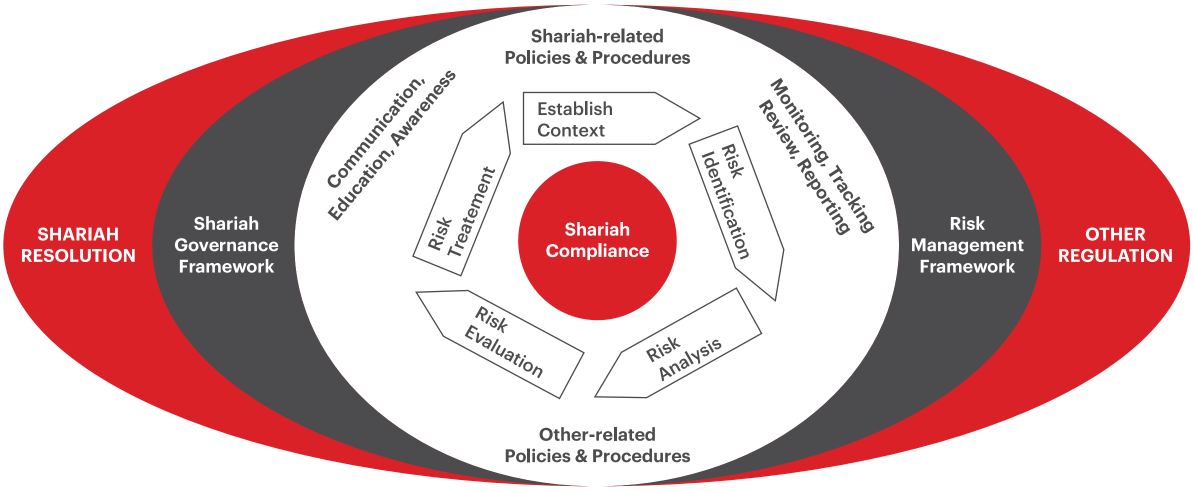
Managing Risk of Shariah Non-Compliance

Sound Shariah governance should be reinforced with adoption of risk management framework for Shariah non-compliance. Shariah non-compliance risk, the unique risk of Islamic finance which might impact the Bank's financial and/or non-financial aspects, arises from the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee of the Bank and/or National Shariah Advisory Council of BNM and Securities Commission (where applicable) in conducting the Islamic financial business.

7. OPERATIONAL RISK (CONTD)

Managing Risk of Shariah Non-Compliance (Contd)

Towards optimising the risk-aware culture across relevant areas in the Bank, the risk management framework for Shariah non-compliance has been established under the auspices of Shariah governance framework. The method of managing Shariah non-compliance risk is depicted as follows:



For effective risk management and control, the Bank is adopting the strategic implementation of tiered model i.e. Three Lines of Defence in governing and managing risk of Shariah non-compliance for Islamic financial business. The internal Shariah functions i.e. Shariah Research, Review and Risk Management act as control functions to support the business operation, while Shariah Audit provide independent assurance on the Shariah governance arrangement.

In ensuring controllable development (ex-ante) and implementation (ex-post) infrastructure, the respective risk factors are being observed as described herein:

Governance	:	The structure of roles and function of internal organs, policies and procedures, and control mechanism.
Instrument	:	Products or services, mechanism and associated transaction.
People	:	The related staff and their conduct.
Process	:	Practices, steps, transactions, tasks or actions involve in the Islamic financial operation and business activities.
System & Tool	:	Matters relating to information system, data and other applicable tools.
External Factor	:	External causes that beyond the Bank's control but may disrupt the Bank's operations or cause damage to the Bank.

Shariah Non-Compliance Event

For financial period ended 31 March 2017, no actual Shariah non-compliance event has been detected. As such, no Shariah non-compliant income or related income has been recorded for the period.

GLOBAL NETWORK

MUFG Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
ASIA & OCEANIA				
Australia	Sydney	Sydney Branch	Level 25, Gateway, 1 Macquarie Place, Sydney, N.S.W. 2000 Australia	61-2-9296-1111
	Melbourne	Melbourne Branch	Level 18, 600 Bourke Street, Melbourne, Victoria, 3000 Australia	61-3-9602-8999
	Perth	Perth Branch	Level 21, 221 St. George's Terrace, Perth, Western Australia, 6000 Australia	61-8-6188-9800
Bangladesh	Dhaka	Dhaka Representative Office	Pan Pacific Sonargaon Dhaka, Annex Building (3rd Floor), 107, Kazi Nazrul Islam Avenue, Dhaka 1215, Bangladesh	880-2-9118982
Cambodia	Phnom Penh	Phnom Penh Representative Office	Phnom Penh Tower Building, 11th Floor, #445, Preh Monivong Blvd (st.93/232), Sangkat Boeung Pralit, Khan 7 Makara, Phnom Penh, Cambodia	855-23-964-321
China	Beijing	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Beijing Branch	2F, Beijing Fortune Building, 5 Dong Sanhuan Bei-Lu, Chaoyang District, Beijing 100004, People's Republic of China	86-10-6590-8888
		Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Beijing Economic-Technology Development Area Sub-Branch	Room 1603, Building No.1,Yicheng International Centre, No. 10, Ronghua Mid-Road, Beijing Economic-Technological Development Area, Beijing 100176, People's Republic of China	86-10-5957-8000
	Shanghai	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Head Office	22F, AZIA Center, No.1233, Lujiazui Ring Road, Pudong New District, Shanghai 200120, People's Republic of China	86-21-6888-1666
		Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Shanghai Branch	20F, AZIA Center, No.1233, Lujiazui Ring Road, Pudong New District, Shanghai 200120, People's Republic of China	86-21-6888-1666
		Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Shanghai Hongqiao Sub-Branch	22F, Dawing Center B, No. 500, Hongbaoshi Road, Changning District, Shanghai 201103, People's Republic of China	86-21-3209-2333
		Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Shanghai Pilot Free Trade Zone Sub-Branch	3/4F, Building No.10, 88 Maji Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, 200131, People's Republic of China	86-21-6830-3088
	Dalian	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Dalian Branch	11F, Senmao Building, 147 Zhongshan Road, Xigang District, Dalian, Liaoning Province 116011, People's Republic of China	86-411-8360-6000
		Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Dalian Economic & Technological Development Area Sub-Branch	18F, International Business Buildings of Gugeng, 138 Jinma Road,Dalian Economic & Technological Development Area, Dalian, Liaoning Province 116600, People's Republic of China	86-411-8793-5300

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
ASIA & OCEANIA				
China	Shenzhen	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Shenzhen Branch	9-10/F, Tower One, Kerry Plaza, 1 Zhongxinsi Road, Futian District, Shenzen, Guangdong Province 518048, People's Republic of China	86-755-8256-0808
	Tianjin	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Tianjin Branch	21F Tianjin International Building, 75 Nanjing Road, Heping District, Tianjin 300050, People's Republic of China.	86-22-2311-0088
		Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Tianjin Binhai Sub-Branch	3F, W2A Building, Binhai Finance Zone, No.51 3rd Street, TEDA, Tianjin 300457, People's Republic of China	86-22-5982-8855
	Wuxi	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Wuxi Branch	10F, Wuxi Software Park, No.16 Changjiang Road, Wuxi New District, Wuxi, Jiangsu Province 214028, People's Republic of China	86-510-8521-1818
	Guangzhou	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Guangzhou Branch	24F, International Finance Place, No.8 Huaxia Road, Pearl River New Town, Guangzhou, Guangdong Province 510623, People's Republic of China	86-20-8550-6688
		Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Guangzhou Nansha Sub-Branch	Room No 805-806, Nansha CGCC Building, No. 162, Guangqian South Road, Nansha District, Guangzhou Guangdong Province 511458, People's Republic of China	86-20-3909-9088
	Chengdu	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Chengdu Branch	18F, Tower 2, Plaza Central, 8 Shun Cheng Avenue, Jinjiang District, Chengdu, Sichuan Province, 610016, People's Republic of China	86-28-8671-7666
	Qingdao	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Qingdao Branch	20F, Cosco Plaza, 61 Hong Kong Middle Road, Shinan District, Qingdao, Shangdong Province 266071, People's Republic of China	86-532-8092-9888
	Wuhan	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Wuhan Branch	Suite 2008, Corporate Center 5, 1628 Zhongshan Avenue, Jiang'an District, Wuhan, Hubei Province 430010, People's Republic of China	86-27-8220-0888
	Shenyang	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Shenyang Branch	Room 2002, 20F, CR Building, No.286 Qingnian Street, Heping District, Shenyang, Liaoning Province 110016, People's Republic of China	86-24-8398-7888
	Suzhou	Bank of Tokyo-Mitsubishi UFJ (China), Ltd. Suzhou Branch	15F, Guangrong Building, No.289, East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province 215028, People's Republic of China	86-512-3333-3030
		Bank of Tokyo-Mitsubishi (China), Ltd. Suzhou Changshu Sub-Branch	C&D Area, 12F Kechuang Building No. 33 Dongnan Road, Changshu New & Hi-tech Industrial Development Zone, Changshu City, Jiangsu Province, 215500 People's Republic of China	86-512-5151-3030
	Fuzhou	Bank of Tokyo-Mitsubishi (China), Ltd. Fuzhou Branch	5/F Unit 01, 02, 03, 10, 11, 12, Huaban Building, No. 363, Jiangbinzhong Avenue, Taijiang District, Fuzhou, 350009, People's Republic of China	86-591-3810-3777

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
ASIA & OCEANIA				
Hong Kong	Hong Kong	Hong Kong Branch	8F, AIA Central, 1 Connaught Road, Central, Hong Kong, People's Republic of China	852-2823-6666
	Kowloon	Kowloon Branch	15F Peninsula Office Tower, 18 Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong, People's Republic of China	852-2315-4333
		East Tsim Sha Tsui Sub-Branch	Rooms 127-130, 1st Floor East Ocean Centre, 98 Granville Road, Tsim Sha Tsui East, Kowloon, Hong Kong, People's Republic of China	852-2369-5407
India	Mumbai	Mumbai Branch	15th Floor, Hoechst House, 193 Vinay K. Shah Marg, (Backbay Reclamation) Nariman Point, Mumbai 400 021, India	91-22-6669-3000
	New Delhi	New Delhi Branch	5th Floor, Worldmark 2, Asset 8, Aerocity, New Delhi 110037, India	91-11-4100-3456
	Chennai	Chennai Branch	Seshachalam Centre, 6th & 7th Floor, 636/1, Anna Salai, Nandanam, Chennai 600 035 India	91-44-4560-5800 91-44-4560-5900
	Neemrana	Neemrana Branch	G-47, RIICO Industrial Area, Neemrana, District Alwar, Rajasthan 301705, India	91-1494-670800
	Bangalore	Bangalore Branch	N701, 7th Floor, World Trade Center Bangalore Brigade Gateway Campus, 26/1, Dr. Rajkumar Road, Malleswaram West, Bangalore 560055, Karnataka, India	91-80-6758-0000
Indonesia	Jakarta	Jakarta Branch	Midplaza 1 Building 1F-3F, Jl. Jenderal Sudirman Kav. 10-11, Jakarta 10220, Republic of Indonesia	62-21-570-6185
		Bekasi Service Point	EJIP Center, EJIP Industrial Park, Cikarang Selatan, Bekasi 17550, Republic of Indonesia	62-21-897-5148
		MM2100 Industrial Town Service Point	Ruko Mega Mall D-12, MM2100 Industrial Town, Cikarang Barat, Bekasi 17520, Republic of Indonesia	62-21-898-1167
		Karawang Service Point	Graha KIIC, Kawasan Industri KIIC, Jl. Permata Raya Lot C 1B, Karawang 41361, Republic of Indonesia	62-21-8910-8288
		Sunter Service Point	Graha Kirana Building, 1st Floor Jl. Yos Sudarso No. 88, Jakarta 14350, Republic of Indonesia	62-21-6531-1010

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
ASIA & OCEANIA				
Indonesia	Jakarta	Cengkareng Service Point	Wisma Soewarna, 3rd Floor, Suite 3R, Soewarna Business Park, Block E Lot 1&2, Soekarno-Hatta International Airport, Jakarta 19110, Republic of Indonesia	62-21-5591-3600
		Cikampek Service Point	Kota Bukit Indah Sektor C1 No. 1, Lot A5, Purwakarta 41181, Republic of Indonesia	62-264-350533
		Kota Deltamas Service Point	Ruko Palais de Paris unit A-18, Jl. Boulevard Raya Kota Deltamas, Tol Jakarta-Cikampek KM 37, Cikarang Pusat, Bekasi 17530, Republic of Indonesia	62-21-8997-0760
		Suryacipta City of Industry Service Point	The Manor Office Park, 1st Floor, Unit E & F Jl. Surya Utama Kav. C-1, Suryacipta City of Industry, Karawang 41363, West Jawa, Republic of Indonesia	62-21-3042-4000
		PT U Finance Indonesia	ANZ Tower, 20th & 21st Floor, Jalan Jenderal Sudirman Kav. 33A Jakarta 10220, Republic of Indonesia	62-21-571-1109
	Surabaya	Surabaya Sub-Branch	Graha Bumi Modern, Jl. Jenderal Basuki Rakhmat 106-128, Surabaya 60271, Republic of Indonesia	62-31-531-6711
	Bandung	Bandung Service Point	Graha Indosurya, 3rd Floor, No.129, Bandung 40112, Republic of Indonesia	62-22-424-1870 62-22-424-1871 62-22-423-2958
Korea	Seoul	Seoul Branch	4th Floor Young Poong Bldg., 41, Cheonggyecheon-ro, Jongno-gu, Seoul, Republic of Korea	82-2-399-6400
Malaysia	Kuala Lumpur	Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad	Level 9, Menara IMC, No. 8, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	60-3-2034-8000 60-3-2034-8008
		Kuala Lumpur Co-Located	Level 12, Menara IMC, No.8, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	60-3-2034-8080
	Labuan	Labuan Brach	Level 12 (A & F), Main Office Tower Financial Park Labuan Complex, Jalan Merdeka, 87000, Federal Territory of Labuan, East Malaysia	60-87-410-487
	Penang	Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad, Penang Branch	1827-G1, Jalan Perusahaan, Auto-City, 13600 Prai, Penang, Malaysia	60-4-503-6000
Japan	Tokyo	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	81-3-3240-1111

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
ASIA & OCEANIA				
Mongolia	Ulaanbaatar	Ulaanbaatar Representative Office	Suite 906, Central Tower, Sukhbaatar Square-2, Sukhbaatar District, 8th Khoroo, Ulaanbaatar-14200, Mongolia	976-7555-0808
Myanmar	Yangon	Yangon Branch	2nd Floor, Union Financial Centre, Corner of Mahar-bandoola Road and Thein Phyu Road, Bohtataung Township, Yangon, Republic of the Union of Myanmar	95-1-861-0371
New Zealand	Auckland	Auckland Branch	Level 22, 151 Queen Street, Auckland, New Zealand (mailing address: P.O.Box 105160, Auckland, New Zealand)	64-9-302-3554
Pakistan	Karachi	Karachi Branch	1st Floor Shaheen Complex, M.R.Kayani Road, Karachi, Islamic Republic of Pakistan	92-21-3263-0171
Philippines	Manila	Manila Branch	15th Floor, 6788 Ayala Avenue, Makati City, Metro Manila, Republic of Philippines	63-2-886-7371
Singapore	Singapore	Headquarters for Asia & Oceania	7 Straits View, #23-01 Marina One East Tower Singapore 018936, Republic of Singapore	65-6538-3388
Taiwan	Taipei	Taipei Branch	8th & 9th Floor, Union Enterprise Plaza, 109 Min Sheng East Road Sec.3, Taipei 10544, Taiwan	886-2-2514-0598
	Kaohsiung	Kaohsiung Branch	4th Floor, No.88, Cheng Gong 2nd Rd., Qian Zhen District, Kaohsiung City 806, Taiwan	886-7-332-1881
Thailand	Bangkok	Bank of Ayudhya ("Krungsri"), Bangkok Sathorn Branch	Harindhorn Tower, 54 North Sathorn Road, Bangrak, Bangkok 10500, Kingdom of Thailand	66-2-266-3011
		BTMU Participation (Thailand) Co.,Ltd.	4th Floor, Harindhorn Tower, 54 North Sathorn Road, Bangrak, Bangkok 10500, Kingdom of Thailand	66-2-266-3070
		BTMU Holding (Thailand) Co., Ltd.	4th Floor, Harindhorn Tower, 54 North Sathorn Road, Bangrak, Bangkok 10500, Kingdom of Thailand	66-2-266-3056
		Bangkok BTMU Limited	4th Floor, Harindhorn Tower 54 North Sathorn Road, Bangrak, Bangkok 10500, Kingdom of Thailand	66-2-266-3075
		Bank of Ayudhya ("Krungsri")	1222 Rama III Road, Bang Phongphang, Yan Nawa, Bankok 10120, Kingdom of Thailand	66-2-296-2000
Vietnam	Ho Chi Minh City	Ho Chi Minh City Branch	8th Floor, The Landmark, 5B Ton Duc Thang Street, District 1, Ho Chi Minh City, Socialist Republic of Vietnam	
	Hanoi	Hanoi Branch	6th Floor, Pacific Place, 83B Ly Thuong Kiet Street, Hanoi, Socialist Republic of Vietnam	84-4-3946-0600
Sri Lanka	Colombo	Colombo Representative Office	#04-02, West Tower, World Trade Center, Echelon Square, Colombo 01, Democratic Socialist Republic of Sri Lanka	94-11-232-3939

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
THE AMERICAS				
North America				
Canada	Toronto	Toronto Branch	Royal Bank Plaza, South Tower, 200 Bay Street, Suite 1800, Toronto, Ontario M5J 2J1, Canada	1-416-865-0220
	Montreal	Montreal Office	600 de Maisonneuve Boulevard West, Suite 2520, Montreal, Quebec, Canada H3A 3J2	1-514-875-9261
	Vancouver	Vancouver Office	Suite 1040, 999, West Hastings Street, Vancouver British Columbia, V6C 2W2, Canada	1-604-691-7300
	Calgary	Calgary Office	440 2nd Avenue SW, Suite 730B, Calgary Alberta T2P5E9, Canada	1-604-691-7300
U.S.A.	New York	New York Branch	1251 Avenue of the Americas, New York, NY 10020-1104, U.S.A.	1-212-782-4000
		New York 1221 Building Branch	1221 Avenue of the Americas, New York, NY 10020, U.S.A.	1-212-782-4000
		MUFG Union Bank, N.A.	Principal Executive Office 1251 Avenue of the America, New York, NY 10020 U.S.A.	1-212-782-4000
		BTMU Leasing & Finance, Inc.	1251 Avenue of the America, New York, NY 10020-1104, U.S.A.	1-212-782-4496
	Atlanta	Atlanta Corporate Banking Office	Georgia-Pacific Center, Suite 3450, 133 Peachtree Street, NE Atlanta, GA 30303-1808 U.S.A.	1-404-577-2960
	Kentucky	Kentucky Corporate Banking Office	7300 Turfway Road, Suite 440, Florence, Kentucky 41042 U.S.A.	1-859-568-1400
	San Francisco	San Francisco Corporate Banking Representative Office	400 California Street, 11th Floor, San Francisco, CA 94104 U.S.A.	1-415-765-2050
		MUFG Union Bank, N.A.	400 California Street, San Francisco, California 94104 U.S.A.	1-415-705-7000
	Los Angeles	Los Angeles Branch	445 South Figueroa Street, Suite 2700, Los Angeles, CA 90071, U.S.A.	1-213-488-3700
		BTMU Capital Leasing & Finance, LLC	445 South Figueroa Street, 14th Floor, Los Angeles, CA 90071 U.S.A.	1-213-236-6444
	Chicago	Chicago Branch	227 West Monroe Street, Suite 1550, Chicago, IL 60606 U.S.A.	1-312-696-4500
	Minnesota	Minnesota Corporate Banking Office	601 Carlson Parkway, Suite 1275, Minnetonka, MN 55305 U.S.A.	1-952-473-5090
	Seattle	Seattle Corporate Banking Office	1201 3rd Avenue, Suite 950, Seattle, WA 98101 U.S.A.	1-206-382-6000
	Houston	Houston Agency	1100 Louisiana Street, Suite 4850, Houston, TX 77002-5216 U.S.A.	1-713-658-1160

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
THE AMERICAS				
North America				
U.S.A.	Dallas	Dallas Agency	500 North Akard Street, 42F, Dallas, TX 75201, U.S.A.	1-214-954-1200
	Washington	Washington D.C. Representative Office	1909 K Street, NW, Suite 350, Washington, D.C. 20006-1161 U.S.A.	1-202-463-0477
Mexico	Mexico, D.F.	Mexico City Representative Office	Avenida Paseo de la Reforma No. 250, Piso 11 (Torre Niza), Colonia Juarez, Delegacion Cuauhtemoc, C.P. 06600, Mexico D.F., Mexico	52-55-1102-8490
		Bank of Tokyo-Mitsubishi UFJ (Mexico), S.A.	Avenida Paseo de la Reforma No. 250, Piso 11 (Torre Niza), Colonia Juarez, Delegacion Cuauhtemoc, C.P. 06600, Mexico D.F., Mexico	52-55-1102-8300
Latin America				
Argentina	Buenos Aires	Buenos Aires Branch	Av.Corrientes 420, 1043 Buenos Aires, The Argentine Republic (mailing address: C. Correo 5494, Correo Central, 1000 Capital Federal, The Argentine Republic)	54-11-4348-2001
Brazil	Sao Paulo	Banco de Tokyo-Mitsubishi UFJ Brasil S/A	Av. Paulista 1274, Bela Vista, Sao Paulo, SP, Brasil CEP : 01310-925	55-11-3268-0308 55-11-3268-0310
	Rio de Janeiro	Banco de Tokyo-Mitsubishi UFJ Brasil S/A, Rio de Janeiro Office	Praia de Botafogo 228, 12 andar, Sala 1201, Rio de Janeiro, RJ, Brasil CEP 22250-906	55-21-2583-7258
Cayman Island	Grand Cayman	Cayman Branch	c/o The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch	
Chile	Santiago	Santiago Branch	Avda. Mariano Sanchez Fontecilla 310, 7th Floor, Office 701-C, Las Condes, Santiago, Republic of Chile	56-2-2345-1000
Colombia	Bogota	Bogota Representative Office	Carrera 7 No.71-21, Torre B Of. 507, Bogota, Republic of Colombia	57-1-325-9000
	Leon	Bank of Tokyo-Mitsubishi UFJ (Mexico), S.A. Leon Office	Blvd. Adolfo Lopez Mateos 1717 Piso 10, Col. Los Gavilanes, Leon, Guanajuato, C.P. 37270, Mexico	52-55-1102-7101
Peru	Lima	Lima Representative Office	Av.Victor Andres Belaunde 210, Oficina 302, San Isidro, Lima, Peru	51-1-213-6900
Venezuela	Caracas	Caracas Representative Office	c/o The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bogota Representative Office	-

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
EUROPE, THE MIDDLE EAST & AFRICA				
Europe				
Austria	Vienna	MUFG Bank (Europe) N.V. Vienna Branch	Schwarzenbergplatz 5, A-1037 Vienna, Republic of Austria (mailing address P.O. Box 51 A-1037 Vienna, Republic of Austria)	43-1-50262-01
Belgium	Brussels	MUFG Bank (Europe) N.V. Brussels Branch	Boulevard Louis Schmidt 29, 1040 Brussels, Kingdom of Belgium	32-2-551-4411
Czech Republic	Prague	MUFG Bank (Europe) N.V. Prague Branch	Klicperova 3208/12, 150 00 Prague 5, Czech Republic	420-257-257-911
France	Paris	Paris Branch	Le Centorial, 18, rue du Quatre Septembre, 75002 Paris, France (mailing address : Le Centorial, 18, rue du Quatre Septembre, 75080 Paris CEDEX2, Republic of France)	33-1-4926-4927
Germany	Dusseldorf	Dusseldorf Branch	Breite Strasse 34, 40213 Dusseldorf, F.R. Germany (mailing address: Postfach 10 49 51, 40040 Dusseldorf, F.R.Germany)	49-211-36670
		BTMU Lease (Deutschland) GmbH	Breite Strasse 34, 40213 Dusseldorf, F.R. Germany (mailing address: Postfach 10 49 51, 40040 Dusseldorf, F.R.Germany)	49-211-366783
	Hamburg	Hamburg Branch	ABC Bogen, ABC Strasse 19, 20354 Hamburg, F.R. Germany (mailing address: Postfach 30 05 40, 20302 Hamburg, F.R.Germany)	49-40-34990
	Munich	Munich Sub-Branch	Nymphenburgerstrasse 3c, 80335 Munich, F.R.Germany	49-89-225354
	Frankfurt	Frankfurt Sub-Branch	Junghofstrasse 24, 60311 Frankfurt am Main, F. R. Germany	49-69-7137490
	Berlin	Berlin Representative Office	Internationales Handelszentrum, 5th Floor, Friedrichstrasse 95, 10117 Berlin, F.R.Germany	49-30-2096-3037
Italy	Milano	Milano Branch	Viale della Liberazione 18, 20124 Milano, Republic of Italy	39-02-669931
Kazakhstan	Almaty	Almaty Representative Office	13 Al-Farabi Avenue, 5th floor, Premises 3, Pavilion 2V, Almaty 050059, Republic of Kazakhstan	7-727-311-1055
Netherlands	Amsterdam	MUFG Bank (Europe) N.V.	World Trade Center Tower 1, Strawinskylaan 1887, 1077 XX Amsterdam, The Netherlands (mailing address: P.O. Box 75682, 1070 AR Amsterdam, The Netherlands)	31-20-5737737
Poland	Warszawa	MUFG Bank (Europe) N.V. S.A. Oddzial W Polsce	19th floor, Warsaw Financial Center, Emillii Plater 53, Warsaw, Poland (mailing address: ul, Emillii Plater 53, 00-113 Warszawa, Poland)	48-22-520-5233

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
EUROPE, THE MIDDLE EAST & AFRICA				
Europe				
Portugal	Lisbon	Lisbon Office	Avenida Engenheiro Duarte Pacheco, Amoreiras, Torre1, Poso4, Sala10, 1070-101, Lisboa, Portugal	351-21-351-4550
Russia	Moscow	AO Bank of Tokyo-Mitsubishi UFJ (Eurasia)	Building 2, Romanov per. 4, Moscow 125009, Russian Federation	7-495-225-8999
	Saint Petersburg	AO Bank of Tokyo-Mitsubishi UFJ (Eurasia), Saint-Peterburg Sub-Branch	Premises 3-H, 10, A, Nevsky Prospect, Saint-Petersburg, 191186, Russian Federation	7-812-495-4143 7-812-495-4144
	Vladivostok	AO Bank of Tokyo-Mitsubishi UFJ (Eurasia), Vladivostok Sub-Branch	17 Okeanskiy Prospect, “Fresh Plaza”, Vladivostok, 690091, Russian Federation	7-423-201-1995
Spain	Madrid	Madrid Branch	Jose Ortega y Gasset 29, 28006 Madrid, Spain	34-91-432-8500
	Barcelona	Barcelona Sub-Branch	Paseo de Gracia, 56, 6-C, 08007 Barcelona, Spain	34-93-494-7450
Switzerland	Geneve	Mitsubishi UFJ Wealth Management Bank (Switzerland), Ltd.	Rue du Rhone 67, 1207 Geneve, Switzerland	41-22-718-6600
United Kingdom	London	London Branch	Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN, U.K. (mailing address : P.O. Box 280, London EC2M 7DX, U.K.)	44-20-7577-1000
	Birmingham	Birmingham Sub-Branch	3rd Floor, Bank House, 8 Cherry Street, Birmingham B2 5AL, U.K.	44-121-633-7953
The Middle East & Africa				
Bahrain	Manama	Bahrain Branch	Level 12 of the West Tower, Financial Centre, Bahrain Financial Harbour, P.O. Box 5850, Manama, Kingdom of Bahrain	973-1710-3300
Egypt	Cairo	Cairo Representative Office	10th Floor, Nile City Towers, South Tower, Corniche El-Nil, P.O. Box 942 Cairo, Egypt	20-2-2461-9690 20-2-2461-9691
Iran	Tehran	Tehran Representative Office	2nd Floor, No. 48 Parvin Alley, Vali Asr Ave., Tehran, Islamic Republic of Iran	98-21-2621-8044
Qatar	Doha	Doha Office	Suite A3, Mezzanine Floor, Tornado Tower West Bay, P.O. Box 23153, Doha, State of Qatar	974-4433-5000
South Africa	Johannesburg	Johannesburg Representative Office	15th Floor, The Forum Building, 2 Maude Street, Sandown, Sandton, Johannesburg, 2196, Republic of South Africa (mailing address: P.O.Box 78519, Sandton, Johannesburg 2146, Republic of South Africa)	27-11-884-4721

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
EUROPE, THE MIDDLE EAST & AFRICA				
The Middle East & Africa				
Turkey	Istanbul	Bank of Tokyo-Mitsubishi UFJ (Turkey), A.S.	Fatih Sultan Mehmet Mahallesi Poligon Caddesi Buyaka 2 Sitesi No. 8B Kat 20-21, 34771, Tepeustu/Umraniye Istanbul, Turkey	90-216-600-3000
U.A.E.	Dubai	DIFC Branch - Dubai	Level 3, East Wing, The Gate, Dubai International Financial Centre P.O.Box 506614, Dubai, United Arab Emirates	971-4-387-5000
	Abu Dhabi	Abu Dhabi Branch	1st Floor, IPIC Square Muroor Street , Abu Dhabi, United Arab Emirates (mailing address: P.O. Box 2174 Abu Dhabi, United Arab Emirates)	971-2-418-1400

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