TOWARDS BEING
THE WORLD'S MOST

TRUSTED FINANCIAL GROUP

ANNUAL REPORT 2019

MUFG Bank (Malaysia) Berhad

www.mufg.jp/english

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

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

https://www.bk.mufg.jp/malaysia/index.html

MANAGEMENT

Takuma Matsuyama
Chief Executive Officer/President and Executive Director

Jun Haneji
Managing Director

Christopher Danker
Managing Director

Goh Kiat Seng
Managing Director

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

MUFG Bank (Malaysia) Berhad, celebrated its 60th Anniversary in Malaysia in 2017. The journey of the Bank in Malaysia has been long and continuously successful. 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, 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)”).

The global network since then has grown tremendously and paving a way for a new opportunities for growth. In line with the group’s overall strategy utilise the globally recognised group brand and to provide clear defining roles and functions of each of the subsidiaries under the Mitsubishi UFJ Financial Group (“MUFG”), effectively on the 2 April 2018, the Bank is now known as MUFG Bank (Malaysia) Berhad.

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. MUFG Bank 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.

MUFG Bank (Malaysia) Berhad 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.

MUFG Bank (Malaysia) Berhad 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 specialized 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.

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
  - L/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
  - Term Loans
  - Revolving Credit
- Current Account-i
- Foreign Currency Account-i
- Bank Guarantee-i
- Stand-By Letter of Credit-i
- Invoice Financing-i
- Ijarah 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 and Independent Director
(Retired as Chairman and Independent Director on 31 May 2019)

Takuma Matsuyama
Chief Executive Officer/President and Executive Director

1. **Hiroaki Demizu**
   Executive Director
2. **Y.Bhg Dato' Mohd Sallehuddin bin Othman**
   Independent Director
   (Appointed as Chairman for MUFG Bank (M) Berhad on 1 June 2019)
3. **Ismail bin Mahbob**
   Independent Director
4. **Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani**
   Independent Director
   (Appointed on 1 June 2019)

Board of Directors

BOARD OF DIRECTORS

Y.Bhg Dato Abdul Rahim bin Osman
Chairman and Independent Director
(Retired as Chairman and Independent Director on 31 May 2019)

Y.Bhg Dato' Mohd Sallehuddin bin Othman
Independent Director
(Appointed as Chairman on 1 June 2019)

Takuma Matsuyama
Chief Executive Officer/President and Executive Director

Ismail bin Mahbob
Independent Director

Hiroaki Demizu
Executive Director

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
Independent Director
(Appointed as Independent Director on 1 June 2019)

AUDIT COMMITTEE

Y.Bhg Dato' Mohd Sallehuddin bin Othman
(Ceased to be Chairman of Audit Committee after his appointment as Chairman of the Board on 1 June 2019)

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
(Appointed as Chairman of Audit Committee on his appointment as Independent Director on 1 June 2019)

Y.Bhg Dato Abdul Rahim bin Osman
(Ceased to be member of Audit Committee on his retirement as Chaiman of the Board and Independent Director on 31 May 2019)

Ismail bin Mahbob

RISK MANAGEMENT COMMITTEE

Ismail bin Mahbob
Chairman

Y.Bhg Dato Abdul Rahim bin Osman
(Ceased to be member of Risk Management Committee on his retirement as Chaiman and Independent Director on 31 May 2019)

Y.Bhg Dato' Mohd Sallehuddin bin Othman

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
(Appointed on 1 June 2019)

NOMINATION COMMITTEE

Y.Bhg Dato' Mohd Sallehuddin bin Othman
(Ceased to be Chairman of Nomination Committee after his appointment as Chairman of the Board on 1 June 2019)

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
(Appointed as Chairman of Nomination Committee on his appointment as Independent Director on 1 June 2019)

Takuma Matsuyama

Y.Bhg Dato Abdul Rahim bin Osman
(Ceased to be member of Nomination Committee on his retirement as Chaiman of the Board and Independent Director on 31 May 2019)

Ismail bin Mahbob

REMUNERATION COMMITTEE

Ismail bin Mahbob
Chairman

Y.Bhg Dato Abdul Rahim bin Osman
(Ceased to be member of Remuneration Committee on his retirement as Chaiman and Independent Director on 31 May 2019)

Y.Bhg Dato' Mohd Sallehuddin bin Othman

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
(Appointed on 1 June 2019)

SHARIAH COMMITTEE

Dr. Luqman bin Haji Abdullah
Chairman

Assoc. Prof. Dr. Abdul Karim bin Ali
Member

Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi
Member

Dr. Safinar binti Salleh
Member

Dr. Noor Suhaida binti Kasri
Member

Chairman's Statement

PROVIDING ASSURANCE THROUGH STRENGTH IN GOVERNANCE

Dear Stakeholders,
I am pleased to be part of the continuous journey with MUFG Bank as we strive to strengthen our position as a global financial leader in this market and to provide the best solutions for all our customers and stakeholders.

This year marks a decade since the last financial crisis and global markets have shown considerable healthier condition amid higher emphasis on risk and compliance. This shift was to a major extent attributed to the adoption of stricter post-crisis regulatory frameworks and frugality by all Central Banks in an extremely challenging global environment.

In 2018, the World Bank had announced that Gross Domestic Product ("GDP") was at 3.0%, as compared to 3.1% in 2017. The numbers indicated a continued slow growth, an indirect impact from the trade tension between the US and China, as well as Brexit. The rift had resulted in slower flows of international trade and manufacturing activities locally.

However in Asia, the fundamentals for growth remained strong in spite of a softer regional economic outlook due to the sound structural and financial reforms underway across the Asean region which continues to support economic development and sustainable growth. Malaysia registered a GDP growth of 4.7% in 2018, a modest decline compared to the 5.9"% in 2017 partly due to the external factors.

MUFG has taken a prudent approach in facing this uncertain times by pursuing a balanced and sustainable growth while observing sound cost management. This is also coupled with maintaining balance sheet efficiency.

We continue to drive market share through offering competitive pricing, especially with the increasing complexities with regard to our competitive operating environment. These challenges are due to a myriad of global socio-political changes, demand shifts, regulations, governance and etc.

Dato Abdul Rahim bin Osman
Chairman and Independent Director

Our transformational journey of growth is committed to operational improvements with focus on safety and soundness and in ensuring healthy balance sheet management. At the same time we continue to look for growth through transaction banking business, increase cross-sell initiative within MUFG Group and promotion of trade finance to be aligned with changes in international trade flows of customers.

To insulate our business against any impact of future downturns and to maintain business continuity, we will continue to pursue innovation–led changes as part of continuous improvements to our processes and systems. We have seen a fresh wave of digital innovation that is coming to the financial markets that have caused disruptions to business and we shall rise to this challenge to meet the demands of this new Industry 4.0 to stay relevant.

With the increased emphasis on corporate governance, we will continue to foster a compliance-oriented corporate culture to meet demands of regulatory frameworks and to comply with corporate ethics and MUFG Group Code of Conduct.

At MUFG, we pride ourselves to uphold the highest standards of corporate governance. as we stand true to uphold our values of integrity and responsibility, towards our stakeholders, business and the community. More than ever, we will continue with our effort to be an essential part of society and the global economy through our continued drive to elevate the company's governance system.

MUFG believes in responsibly giving back to the society in countries that we do business. Our efforts are reflected in our Corporate Social Responsibility programmes (CSR) as sustainability and social responsibility are fundamental to our corporate culture and our long-term business strategy.

Human capital is our greatest asset and our talents are the lifeline of MUFG. Our business is driven by our people and their values and culture represent the Bank's vision and mission. We continue to believe in providing equal opportunities and development both in skills and personal development including leveraging on MUFG global mobility initiatives to provide opportunities for them to grow and attain global standards. Our Human Resource policy is dedicated to ensure conducive and flexible working environment for these talents to thrive in.

That said, we continue to remain positive and bullish to grow our business in Malaysia. The economy is expected to remain fundamentally strong in 2019 backed against balanced growth with an expected GDP growth between 4.4% to 4.8%. The Bank will continue to build on its strengths to further develop its corporate banking business and sustain its market position, whilst maintaining our focus on responsible financial practices, strong risk management and compliance culture backed against sound corporate governance practices.

This year also marks my final term to serve as Chairman for MUFG Bank Malaysia. I am honoured to have worked alongside you and the dynamic management team lead by Mr. Uchiyama and his successor Mr. Takuma Matsuyama, whom I would like to extend a warm welcome.

I wish to express my gratitude and acknowledgment to my fellow Board members for their wise counsel and strong support during my tenure as Chairman of the Board. I have respect and confidence in my successor Dato' Sallehuddin, whom will continue to chair the board with invaluable advice and leadership. As we continue with the momentum of change, we also have the honour to welcome a new member to the Board, Mr. Hiroaki Demizu.

My heartfelt appreciation also goes to regulators, Bank Negara Malaysia (BNM), Perbadanan Insurans Deposit Malaysia (PIDM) and all the other relevant bodies for their unwavering support and guidance to MUFG Bank during my tenure.

Last but not least, a final thank you to our loyal customers for their unwavering trust towards MUFG Bank. We look forward to serving you better.

In 2018, the World Bank had announced that Gross Domestic Product ("GDP") was at 3.0%, as compared to 3.1% in 2017. The numbers indicated a continued slow growth, an indirect impact from the trade tension between the US and China, as well as Brexit.

However in Asia, the fundamentals for growth remained strong in spite of a softer regional economic outlook due to the sound structural and financial reforms underway across the Asean region which continues to support economic development and sustainable growth. Malaysia registered a GDP growth of 4.7% in 2018, a modest decline compared to the 5.9 % in 2017 partly due to the external factors.

The economy is expected to remain fundamentally strong in 2019 backed against balanced growth with an expected GDP growth between 4.4% to 4.8%.

Chief Executive Officer/President and Executive Director's Review

CONTINUING TO BUILD A SOLID FOUNDATION OF TRUST

Takuma Matsuyama
Chief Executive Officer/President and Executive Director

The year 2018 has been an eventful year for both local and global economy and also for MUFG Bank Malaysia as I have been given the trust and opportunity to serve and lead the team Malaysia as CEO.

The environment surrounding MUFG both in Japan and globally have drastically changed in past year. Regardless, MUFG aim to remain a financial group capable of achieving sustainable growth by quickly adapting and responding to the structural changes in these challenging operating environments at home and abroad. To this end, MUFG Re-Imagining Strategy has been announced in May 2017 to kick-start the transformation journey.

Taking an integrated group-based management approach that is simple, speedy and transparent, MUFG is committed to delivering the best value to its customers, employees, shareholders and all other stakeholders. MUFG will also provide solutions for issues society is confronting through its business activities. In these ways, we will contribute to the sustainable development and betterment of society.

These changes have also presented itself through both opportunities and challenges, set against an evolving shift in businesses disruption from customer expectations, new sources of competition and rapidly-emerging technologies particularly from Fin-tech. The operating environment within our core markets has been more challenging as it continuously require us to be alert against growing risks and threat of financial crimes and same time be more proactive in seeking growth opportunities.

The global economic outlook this year has faced slower growth momentum with the world's economy in its major industrial countries being clouded by the uncertainties surrounding the United States - China trade conflict and the possibility of disorderly withdrawal of the United Kingdom from the European Union and the stance of monetary tightening in the United States.

For the year ahead, expected global growth is moderating to 3.2% as compared to 3.8% in 2018 as global growth remains subdued. The global geo-political rivalry and the diminishing support for globalization, are expected to exert further pressure to re-order the international norms and multi-lateral arrangements.

Global growth remains subdued. Global growth is forecast at 3.2 percent in 2019, picking up to 3.5 percent in 2020 (0.1 percentage point lower than in the April WEO projections for both years - IMF July 2019

Locally, Malaysia is expected to chart a GDP growth between 4.3%~4.8% in 2019, against 4.7% in 2018 emanating from external factors which may impact domestic economy. On same time, the Malaysian banking sector is expected to remain robust and will continue to be relevant as an effective financial intermediary providing steady access of credit to households and businesses in support for domestic economic activities.

Given the persistent external headwinds emanating from, among others, the US-China trade spat and the Brexit deadlock, Bank Negara Malaysia ("BNM") sees more downside risks in the domestic economy, projecting a gross domestic product ("GDP") growth of 4.3% to 4.8% for 2019. – BNM Report March 2019.

Our customer's continued trust and support remains our top priority. This is reflected in our group steady financial performance as we continue to build long-term relationships with our customers and continue to add value our products and services globally.

We will pursue our focused growth strategy in Malaysia while leveraging on our global network and expertise. It also illustrates the strength of our diversified global business model and our disciplined approach to controlling costs, deploying cost and capital as well maintaining strong and robust risk and compliance framework. This will contribute to our sustainable growth in Malaysia.

This year, the Bank gave greater emphasis on disciplined balanced growth strategy coupled with stronger solution-marketing with focus on transaction banking. This had resulted in an increase in higher deposit and forex flows and volume.

For the year ahead, expected global growth is moderating to **3.2%** as compared to **3.8%** in 2018 as global growth remains subdued.

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Islamic finance market which targets nearly 25% of the world's total population is also attracting attention from investors beyond the Islamic community. Increasingly, we've seen non-Muslim corporates and retail clients looking to diversify their portfolios and explore alternative investment solutions which are viewed responsible, sustainable and ethical - a trend that has grown in the aftermath of the financial crisis.

Here in MUFG, we have our first set up its Islamic banking operation in Malaysia in 2008 and became the first Japanese bank in the region to offer Islamic finance solutions - which followed the revisions of the Japanese Banking Act to attract Islamic funds.

Since then, we have not look back and are in constant process to upgrade our Shariah-compliant solutions and services in becoming a leading provider of Islamic finance. To aid this expansion the company is supported by an in-house Shariah Committee, consisting of five Islamic finance scholars in Malaysia.

I am proud and humbled by the fact with numerous recognition and awards bestowed to us over the years. These awards have been a constant reminder how we need to strive harder to continue making an impact in the industry, especially with the intention of having the best interest of our customers and the growth of their business. This year, once again, MUFG Bank Malaysia has made another notable achievement through our win for the 'Best Japanese Bank Award' at the Islamic Finance News Awards 2018 in March.

In order to retain our strong foothold in the industry, we maintain MUFG's high ethical standards, strong safety and soundness governance framework and shared culture and values that define the strength our global brand has allowed us to persevere through these volatile times.

Creating a culture of always choosing to doing right thing is very important, for without integrity, trust cannot be established. it's about working to keep the system fair and accountable while leading by example.

Our team receiving the awards during the IFN Awards night in March this year for 'Best Japanese Bank'.

We are also committed to building local opportunity that's matched by our passion for giving back. Throughout the year, MUFG also provisions platforms for our staff to work together to give back to the society through CSR.

MUFG strongly believe that it is important to constantly evolve to meet our customer's business needs. Reimagining our role and responsibility for our customers includes leveraging new technologies and collaborating with others so that we are able to maintain sustainable growth and weather all market conditions.

Our most valued asset in the Bank is our people and we will invest in human talent to fuel our growth. Diversity and inclusion has been one of our core values in MUFG which we are committed to championing inclusion as a catalyst for the change and competitive edge that sets us apart from other financial institutions.

We are also committed to building local opportunity that's matched by our passion for giving back. Throughout the year, MUFG also provisions platforms for our staff to work together to give back to the society through CSR.

We will continue to plough cost and capital in our brand, people, systems and technology collectively and reinforcing synergies to support our customers and fulfill our obligations to our stakeholders.

On behalf of the Management team, I extend my most sincere gratitude to our dedicated team members in Malaysia for their invaluable contribution. I also wish to acknowledge the contribution of our Board of Directors for their wise counsel, guidance and endless support.

Deep appreciation also goes out to our customers, shareholders, regulators and all other relevant bodies for all of your support in Malaysia.

Let us look forward to another year pushing boundaries to greater achievements together in the year ahead.

Awards & Accolodates

2017

IFN Awards 2017
For category: Best Islamic Bank in Japan
Bank of Tokyo-Mitsubishi (Malaysia) Berhad won the award for Best Islamic Bank in Japan again for the 5th consecutive time this year.

2018

IFN Awards 2018
For category: Best Japanese Bank Providing Islamic Banking Services
Bank of Tokyo-Mitsubishi (Malaysia) Berhad won the award for Best Japanese Bank Providing Islamic Banking Services this year.

2015

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

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

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

Financial institutions have a responsibility to help stabilise and maintain financial systems and contribute to the sound growth of society. MUFG's goal in CSR is to contribute to solve social issues through our core financial businesses as well as fulfilling our inherent social mission as the foundation of society and realise sustainable society. We work to fulfill our corporate social responsibility through our business, using our Corporate Vision and MUFG Group Code of Conduct as guideline.

This year, we focused on financial literacy and education in our CSR initiative. The first activity was to organise a school trip with Batu Road Girls School (primary) to the Central Bank's Museum where they had the opportunity to engage in an interactive tour of the history of currency, how it was made, international currency and also several quizzes and scenarios in which they can apply their financial literacy knowledge.

Our second initiative was to upgrade and repair the playground of the Batu Road Girl's School. Prior to the upgrade the playground was not safe for the student's use. Extensive repairs and upgrades were made as well as our team of volunteers personally painted the playground and the vicinity as well.


TAMAN INSPIRASI PPKI
MUFG

Directors' Report

for the Financial Year Ended 31 March 2019

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

PRINCIPAL ACTIVITIES

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

HOLDING COMPANIES

The Bank is a subsidiary of MUFG Bank, Ltd. and Mitsubishi UFJ Financial Group, Inc. ("MUFG"), of which both are incorporated in Japan, and regarded by the Directors as the Bank's immediate holding and ultimate holding company, during the financial year and until the date of this report.

RESULTS

	RM'000
Profit after tax for the year	263,305

In the opinion of the Directors, the results of the operations of the Bank for the financial year ended 31 March 2019 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 year and the date of this report.

RESERVES AND PROVISIONS

During the financial year ended 31 March 2019, the Bank has recognised the impact, net of tax on the opening balance of retained profits following the transition to MFRS 9, Financial Instruments, amounting to RM212.1mil and the transfer from regulatory reserves, amounting to RM100.4mil as disclosed in Note 41 of the financial statements.

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

DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year ended 31 March 2019.

ISSUE OF SHARES AND DEBENTURES

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

There were no issues of debentures during the financial year.

DIRECTORS OF THE BANK

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

Y.Bhg. Dato' Mohd Sallehuddin bin Othman (appointed as Chairman on 1 June 2019)
En. Ismail bin Mahbob
Mr. Hiroaki Demizu
Mr. Takuma Matsuyama (appointed on 6 October 2018)
Y. Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (appointed on 1 June 2019)
Mr. Yuta Uchiyama (resigned on 5 October 2018)
Y.Bhg. Dato Abdul Rahim bin Osman (retired as Chairman and Independent Director on 31 May 2019)

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 30 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 year 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 and deemed interests in the shares of the Bank and of its related corporations of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Ordinary Shares			
	At 1 April 2018	Bought	Sold	At 31 March 2019 / * Date of Resignation
Interest in the Ultimate Holding Company				
Mitsubishi UFJ Financial Group, Inc.				
Mr. Yuta Uchiyama *	8,303.005	-	-	8,303.005

None of the other Directors holding office at 31 March 2019 had any interest in the shares in the Bank and of its related corporations during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

BUSINESS STRATEGY AND OUTLOOK

OVERVIEW OF THE ECONOMY AND PROSPECTS FOR 2019

GLOBAL ECONOMY

After strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. The euro area economy lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards; investment dropped in Italy as sovereign spreads widened; and external demand, especially from emerging Asia, softened. Elsewhere, natural disasters hurt activity in Japan. Trade tensions increasingly took a toll on business confidence and, so, financial market sentiment worsened, with financial conditions tightening for vulnerable emerging markets in the spring of 2018 and then in advanced economies later in the year, weighing on global demand.

BUSINESS STRATEGY AND OUTLOOK (CONTD)

OVERVIEW OF THE ECONOMY AND PROSPECTS FOR 2019 (CONTD)

MALAYSIAN ECONOMY

The Malaysian economy performed rather moderately in 2018, registering a growth of 4.7% (2017: 5.9%). Growth was anchored by domestic demand, reflecting faster expansion in both private and public sector spending. Similar to the region, Malaysia benefited from the broad-based global recovery, with gross exports increasing at its fastest pace. The realisation of positive spill overs from the external sector further reinforced domestic demand.

In 2018, the domestic economic growth has been mainly supported by the private sector. The export segment had also benefited from global growth and the weak Ringgit.

Going forward, the Malaysian economy is expected to remain strong with estimated Gross Domestic Product growth of between 4.4% and 4.8% in 2019, supported by domestic demand. The external sector will also provide impetus to the economy, driven by improvement in global growth while the domestic economy will remain supported by accommodative macro policies and stable employment market.

The Malaysian financial system remains well-capitalised, sustaining resilience in both liquidity and asset quality. The banking sector will continue to ride on opportunities within the domestic market, including prospects of income growth and healthy labour market which remain supportive of private consumption and credit expansion. Amidst this backdrop, the banking system is expected to remain supported by domestic economic activities, strong capitalisation, stable funding and liquidity positions as well as sustained profitability.

STRATEGIES AND DIRECTIONS

In facing these uncertain times, the Bank will continue to emphasise on operational efficiencies to deliver superior financial performance, including implementing effective cost control and balance sheet management. The Bank will remain prudent in cost management whilst maintaining balance sheet efficiencies, driving market share by offering competitive pricing and attractive terms as well as innovative product features.

The Bank will continue to build on its strengths to further develop its business and sustain its market position. The Bank will continue to focus on sustaining its operational excellence and efficiency, adopting prudent and responsible financing practices, while upholding strong corporate governance and compliance culture as well as sound risk management practices.

The Bank aims to expand its corporate lending business by leveraging on its existing clientele with good track record and acquire targeted new corporate clients in growth and resilient sectors.

Given the challenging market environment, the Bank’s treasury and capital market operations will continue to ensure that risk management and liquidity positions remain strong.

The Bank will continue to work closely to fulfil our customers’ needs to remain competitive, comprehensive and relevant to customers’ needs. In addition, the Bank will continue to expand on the new business channels and continue to grow fee income segment through foreign exchange related transactions and transactional banking services.

With the rapid advancement in technology in the banking space, the bank will stay agile in response to the digital banking evolution and will further enhance its digital capabilities to better serve its customers’ needs. The Bank will continue to leverage on its strong corporate branding as a reputable, safe and efficient commercial bank while expanding its businesses organically.

OVERVIEW OF THE ECONOMY AND PROSPECTS FOR 2019 (CONTD)

PROSPECTS FOR 2019

Global Economy: Positive sentiments

Global economy will continue to be driven by accommodative policies, positive sentiments across major economies and encouraging macro indicators. The US – China trade tension aside, US economy is expected to be supportive of global growth in 2019, coupled with continued growth in the euro area and Japan, as well as ongoing growth-focused policies in China. Among the major advanced economies, the US is on track for further recovery, with the continuation of growth supported by favourable financial conditions and economic sentiments. Japan's economy is projected to grow albeit at a modest pace, partly due to fading fiscal support. Although the recovery in the euro area is expected to be moderate underpinned by domestic demand and improving labour market condition, post-Brexit uncertainties may dampen sentiments in Europe. As for Asia, being the main global growth engine, it is expected to maintain a steady growth path supported by the pickup in global economy, trade activities and broadly accommodative policies. In particular, China will continue to be driven by sustained domestic consumption amid the Government's ongoing rebalancing programmes. While global growth is expected to remain broadly stable in 2019 and risks are more balanced, various challenges could potentially arise due to policy uncertainties in major advanced economies, trade protectionism, post-Brexit uncertainties and geopolitical tensions in the Middle East and East Asia.

Malaysia: Strong Growth Momentum to Continue

The Malaysian economy is expected to remain strong in 2019. GDP growth is likely to be between 4.3% - 4.8% in 2019, supported by domestic demand. Growth momentum will continue to benefit from positive spill overs of better global growth on to domestic economic activity. The domestic economy is expected to be driven by sustained private sector activities. Higher income and stable labour market conditions will continue to support private consumption. Private investment is projected to be sustained by the implementation of existing and new investment projects, particularly in the services and manufacturing sectors.

Exports will be supported by sustainable economic growth of major trading partners and firmer commodity prices. On the supply side, growth is expected to be broad-based. The services sector will be buoyed by strong domestic economic activities while the manufacturing sector will be supported by sustained external demand and consumption activities. In the construction sector, growth is expected to be underpinned by major civil engineering projects. It is worth noting that the revival of the ECRL project would raise hopes of multiplier effect on the country's economy and its contribution to the spill over to the other economic sectors including the financial and banking sectors. The mining and quarrying sector is projected to be supported by higher output from new oil and gas facilities. As for the agriculture sector, growth is expected to be supported by improvement in CPO yields.

In 2019, economic policies will continue to remain supportive of sustainable growth amid a stable price environment. With the economy on a steady growth path and normalisation of rates, BNM may review the monetary policy stance consistent with supporting a steady growth path amid stable price stability. On 7 May 2019, Bank Negara Malaysia decided to reduce the Overnight Policy Rate ("OPR") by 25 basis point to 3.0%.

As for the banking sector, underpinned by strong capitalisation, stable funding capacity and healthy liquidity position, the banking sector is expected to remain an effective financial intermediary by providing steady access of credit to households and businesses in support of domestic economic activities.

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 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 2017.

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

The Board consists of five (5) members, with two (2) Executive Directors and one (1) of them is the Chief Executive Officer ("CEO"), and three (3) Independent Directors.

The Independent Directors are (1) Y.Bhg. Dato Abdul Rahim bin Osman (Dato Abdul Rahim) who retired on 31 May 2019 and in his replacement, Y. Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani was appointed on 1 June 2019; (2) Y.Bhg. Dato' Mohd Sallehuddin bin Othman; (3) En. Ismail bin Mahbob.

Director's Profile

Dato' Mohd Sallehuddin bin Othman (Dato' Sallehuddin), aged 68, was appointed as a Director of the Bank on 20 November 2013. He was appointed as the Chairman of the Board on 1 June 2019 in place of Dato Rahim bin Osman who retired on 31 May 2019. He relinquished his Chairmanship of both Audit Committee and Nomination Committee upon him being appointed as the Chairman of the Board. 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.

Dato' Sallehuddin started his career with various audit firms before taking up accounting and finance positions from 1975 to 1980 in Lembaga Padi & Beras Negara (now known as BERNAS) and Pernas Charter Management (part of MMC Group). From 1981 to 1986, he was a Control Officer in Controllers Department, Asian Development Bank ("ADB") based in Manila in Philippines in charge of disbursement functions of various projects in Asia Pacific countries financed by ADB.

Dato' Sallehuddin later joined Permodalan Nasional Berhad from 1986 to 1994 as Senior Manager of Corporate Services in charge of monitoring of performance of various invested companies, and subsequently as General Manager of Human Resources Department.

From 1994 to 2000, Dato' Sallehuddin was with UMW Holdings Berhad, a public listed company on Bursa Malaysia initially as Executive Director of Automotive Division (principally with oversight functions over UMW Toyota and Perodua) since 1994. Subsequently, he was appointed as Group Managing Director with an overall responsibility of fiduciary duty as a Board member of various UMW Group of companies and day-to-day managing the operations of the Group.

From 2001 until his retirement in July 2006, he served as Group Managing Director of Malaysian Industrial Finance Berhad ("MIDF"), a publicly listed company at that time. His main responsibilities included being a Director of MIDF Group of companies (in asset management, stock-broking, investment bank, issuing house, development finance, and property), and in charge of day-to-day operations of the Group.

After retirement, Dato' Sallehuddin served as an Independent Director of Al Rajhi Banking & Investment Corporation (M) Berhad for 3 years until April 2011; and AXA Affin Life Insurance Malaysia Berhad from December 2006 until December 2017.

Currently, Dato' Sallehuddin is also a Non-Independent Chairman of MSIG Insurance (M) Berhad, and Public Interest Director of Federation of Investment Managers Malaysia and a Board Director of several private limited companies.

Mr. Takuma Matsuyama (Mr. Matsuyama), aged 51, was appointed as CEO / President and Executive Director of the Bank on 6 October 2018. Mr. Matsuyama is a member of the Nomination Committee. He graduated with a B.A. in Business Administration from the COE College in USA.

Mr. Matsuyama started his career in Mitsubishi Bank of Koujimachi Branch Ltd in July 1990. He has 28 years of experience in holding various positions in Japan, a branch in Hong Kong as well as regional office in Singapore.

Prior to Mr. Matsuyama's appointment as CEO / President and Executive Director of the Bank, he was the General Manager of Strategic Alliance Office in Corporate Planning Division in Japan overseeing strategic alliance; development of relationship and synergies with Morgan Stanley; bringing business collaboration and best practice sharing into MUFG UFJ Financial Group, Inc. investment management of MUFG as the largest shareholder to MS Strategic Alliance Committee; Global Steering Committee; and sales plan for managing MUFG's share proportion.

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Director's Profile (Contd)

En. Ismail bin Mahbob (En. Ismail), aged 67, was appointed as an Independent Director of the Bank on 20 June 2014. He is the Chairman of the Risk Management Committee and the Remuneration Committee and also a member of the Audit Committee and Nomination Committee. En. Ismail holds a Diploma in Marketing from the Chartered Institute of Marketing, UK and an associate of the Association of Chartered Islamic Finance Professional ("ACIFP") from the International Centre for Education in Islamic Finance, Malaysia ("INCEIF"). En. Ismail is a Fellow of Chartered Professional in Islamic Finance ("F.CPIF") from Chartered Institute of Islamic Finance Malaysia ("CIIF").

En. Ismail started his professional career with the insurance industry in 1977. He had served in senior positions of various sectors of the industry in the capacity of a broker, insurer, reinsurer and a retakaful operator. His last position was as the President / Chief Executive Officer of MNRB Retakaful Malaysia Berhad, Malaysia from 2007 till his retirement in 2012.

After his retirement, En. Ismail was appointed as an Independent Director of the Export-Import Bank of Malaysia Berhad ("EXIM Bank Malaysia") in 2012 and the Saudi Reinsurance Company, Saudi Arabia ("Saudi Re"). He was also an Ad Junct Fellow of the College of Business, Universiti Utara Malaysia ("UUM").

Mr. Hiroaki Demizu (Mr. Demizu), aged 53, was appointed as Executive Director of the Bank on 22 June 2018. He graduated with Bachelor of Engineering from Osaka University, Japan.

Mr. Demizu is the Chief Risk Officer for Asia and General Manager of MUFG Bank, Ltd and Mitsubishi UFJ Finance Group, Inc., heading Asian Risk Management and Compliance Division. He is responsible for planning, promotion, guidance, support and overall control of comprehensive management/operation of various risks including credit risk, market risk, funding liquidity risk and operational risk in the Asian regions.

Mr. Demizu also provides risk management guidance to MUFG Asia & Oceania and East Asia, Mitsubishi UFJ Trust & Banking in Asia, Mitsubishi UFJ Securities Holdings in Asia. As a member of the key risk management committees, he contributes to the short to long term business planning within the region and globally.

Mr. Demizu served on the Board of CIMB Group Holdings Berhad as Non-Independent Non-Executive Director from March 2016 to October 2017, overseeing the business affairs relating to risk management of CIMB Group; and aiming to create value for shareholders by aligning the interests of all stakeholders and set the tone for the Group where ethics and values are concerned.

Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (Datuk Seri Dr. Nik), aged 59, was appointed as an Independent Director of the Bank on 1 June 2019. He was also appointed as the Chairman of the Audit Committee and the Nomination Committee; and also member of the Risk Management Committee and Remuneration Committee.

Datuk Seri Dr. Nik holds a Ph.D. in Law from the School of Oriental and African Studies ("SOAS"), University of London, United Kingdom and a Masters in Law from Queen Mary College, University of London, United Kingdom. He read law at the University of Buckingham, United Kingdom. He also holds a post-graduate Diploma in Syariah Law and Practice (with Distinction) from the International Islamic University Malaysia. He is a Barrister of Lincoln's Inn and an Advocate and Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was a Visiting Fulbright Scholar, Harvard Law School in 1996 to 1997, and was formerly the Acting Dean/Deputy Dean of the Faculty of Laws, International Islamic University Malaysia. He is also a Fellow of the Financial Services Institute of Australasia (FINSIA) since 2006. Previously, he was working in a firm of accountants and in a bank at Kuala Lumpur.

Currently, he is the Chairman and Senior Partner of Messrs Zaid Ibrahim & Co. (a member of ZICO Law). Prior to joining Messrs Zaid Ibrahim & Co., he was with Messrs Baker & McKenzie (International Lawyers), Singapore.

Datuk Seri Dr. Nik is the Chairman of T7 Global Berhad (formerly known as Tanjung Offshore Berhad), Chin Hin Group Berhad and Pengurusan Aset Air Berhad ("PAAB") (a wholly owned company under the Minister of Finance Inc.). He also sits on the Board of Directors of Amanah Saham Nasional Berhad ("ASNB") and Cagamas Holdings Berhad.

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities

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 fulfilled 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 judgement. 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 Senior 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 resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve 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;

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(a) Roles and Responsibilities of the Board (Contd)

- 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;
- Undertake the Board's duties and responsibilities as well as oversight functions as stipulated in the Companies Act 2016 ("CA 2016"); FSA 2013; Islamic Financial Services Act 2013 ("IFSA 2013"); BNM Policy Documents and Guidelines and any other regulations or directives issued by BNM from time to time; and
- Undertake the Board's duties and responsibilities and oversight functions as stipulated in Section 28.2 of the BNM Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") – Banking and Deposit-Taking Institutions (Sector 1) Guideline.

(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 year ended 31 March 2019, all the Directors have attended various training 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.

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(c) Directors' Training (Contd)

Training programmes attended by Directors during the financial year are as follows:

No.	Training Programmes	Attended by
1	Capital Adequacy for Islamic Banks	En. Ismail
2	5th BNM-FIDE Forum Annual Dialogue	En. Ismail
3	Bank Statement Analysis	En. Ismail
4	In-House Director's Orientation Programme	Mr. Demizu
5	Islamic Finance for Board of Directors Programme	Dato Abdul Rahim Dato' Sallehuddin En. Ismail
6	Chartered Banker Programme Level 1 EB1: Financial Systems and Regulatory Framework	En. Ismail
7	Blockchain in Financial Services Industry by IBM	Dato Abdul Rahim
8	Reserving, Financial Condition Report, and Pricing in Insurance	Dato' Sallehuddin
9	IBM THINK Malaysia	Dato Abdul Rahim
10	Islamic Finance Forum	Dato Abdul Rahim Dato' Sallehuddin Mr. Demizu
11	Global Islamic Finance Forum	Mr. Matsuyama
12	Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr. Marshall Goldsmith and Launch of FIDE FORUM's "DNA of a Board Leader"	Dato Abdul Rahim
13	10th International Conference on Financial Crime and Terrorism Financing (Opening session by Governor only)	Mr. Matsuyama
14	BNM-FIDE FORUM Board Conversations (Banks and DFIs)	Dato Abdul Rahim En. Ismail
15	Board of Directors Training Programme	Dato' Sallehuddin
16	Information and Conflict Management	Mr. Matsuyama
17	Reading the Signs: The Next Financial Crisis and Potential Impact on Asia	Dato Abdul Rahim En. Ismail

(d) Tenure of Independent Directors

The Board considers that fundamentally the independence of Directors are 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 (9) years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Bank.

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(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 ten (10) Board meetings were held during the financial year ended 31 March 2019. The details of attendance of each member at the Board meetings held during the financial year ended 31 March 2019 are as follows:

Director	Number of Meetings	
	Held	Attended
Y.Bhg. Dato Abdul Rahim bin Osman *Chairman & Independent Director* *(retired on 31 May 2019)*	10	10
Mr. Yuta Uchiyama *CEO / President and Executive Director* *(resigned on 5 October 2018)*	6	5
Mr. Takuma Matsuyama *CEO / President and Executive Director* *(appointed on 6 October 2018)*	4	4
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Independent Director*	10	10
En. Ismail bin Mahbob *Independent Director*	10	10
Mr. Hiroaki Demizu *Non-Independent Executive Director*	6	5

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.

BOARD COMMITTEES

(a) Nomination Committee ("NC")

The composition of NC is as follows:

Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Chairman)
Mr. Takuma Matsuyama (Member) (appointed on 6 October 2018)
Y.Bhg. Dato Abdul Rahim bin Osman (Member)
En. Ismail bin Mahbob (Member)
Mr. Yuta Uchiyama (Member) (resigned on 5 October 2018)

BOARD COMMITTEES (CONTD)

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

The NC meets at least 4 times a year or as and when required and during the financial year ended 31 March 2019, the NC held seven (7) meetings.

The details of attendance of each member at the NC meetings held during the financial year ended 31 March 2019 are as follows:

NC Member	Number of Meetings	
	Held	**Attended**
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Chairman*	7	7
Mr. Yuta Uchiyama *Member*	4	4
Y.Bhg. Dato Abdul Rahim bin Osman *Member*	7	7
En. Ismail bin Mahbob *Member*	7	7
Mr. Takuma Matsuyama *Member*	3	3

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; re-appointment upon the expiry of terms of appointment as approved by BNM; or removal of Directors, Senior Management and Shariah Committee members if he/she no longer meets the minimum requirements set out in paragraphs 10.2 to 10.5 and 17.2 to 17.4 of CG respectively and paragraphs 33(c) and (d) of the IFSA 2013, or has been assessed to be ineffective, errant or otherwise unsuited to carry out his/her responsibilities;
- to assess and recommend to the Board the nominees for appointment or removal of Company Secretary if he/she is disqualified under Section 238 of the CA 2016 or no longer complied with the Fit and Proper requirements;
- 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 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, Shariah Committee ("SC") members and Company Secretary;
- to assess on an annual basis that the Directors/CEO, Senior Management and Shariah Commitee members are not disqualified under Section 59 of the FSA 2013 and Section 68 of IFSA 2013 and that the Directors/CEO and Shariah Committee members continue to comply with the standards for 'fit and proper' criteria as approved by the Board;

BOARD COMMITTEES (CONTD)

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

- 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 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)
Y.Bhg. Dato Abdul Rahim bin Osman (Member)
Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Member)

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

During the financial year ended 31 March 2019, the RC held four (4) meetings.

The details of attendance of each member at the RC meetings held during the financial year ended 31 March 2019 are as follows:

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

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 SC, CEO and other members 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, CEO and other members of *Senior Management and other Material Risk Takers;
- to recommend to the Board a framework of remuneration for Directors, SC members, CEO and other members of *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;

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

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

- 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 carry out such other responsibilities as may be specified by BNM or delegated by the Board from time to time.

* "Senior Management" and "other Material Risk Takers" comprise persons as defined/stated in the Bank's Remuneration Policy.

(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)

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

During the financial year ended 31 March 2019, nine (9) meetings were held.

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

The AC may at their discretion 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 year ended 31 March 2019 are as follows:-

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

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.

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 external auditors in accordance with the expectations set out in the policy document on external auditor;

BOARD COMMITTEES (CONTD)

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

- 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:

<u>Internal Audit</u>

- to approve on the appointment, performance appraisal and remuneration, transfer and dismissal of the Chief Internal Audit ("CIA");
- to review and make recommendation to the Board on the remuneration of CIA;
- to review and approve the audit plan, audit charter, procedure manual and budgeted man-days;
- to review and approve the audit scope, procedure and frequency 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 the Banking Supervision Department of BNM, if any and Management's response;
- to review the key audit reports; 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 the CIA and the rest of 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.

<u>External Auditors</u>

- to make recommendation to the Board on the appointment/re-appointment, removal and remuneration of the external auditors to the Board;
- to monitor and assess the independence of the external auditors including by approving the provisions of non-audit services by external auditors subject to the Policy of Provision of Non-Audit Services of the Bank;

BOARD COMMITTEES (CONTD)

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

External Auditors (Contd)

- to monitor and assess the effectiveness of the external auditors including by meeting with the external auditors without the presence of Management at least annually;
- to ensure Senior 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.

Financial Reporting

- to review the accuracy and adequacy of the Chairman's statement in the Directors' report, CG disclosure and interim financial reports and preliminary announcements 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 BNM 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.

(d) Risk Management Committee ("RMC")

The primary objectives of the RMC are to oversee the Bank's activities in managing credit, market, liquidity, operational, information security 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.

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

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

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)

The RMC meets at least once every quarter.

The RMC held eight (8) meetings during the financial year ended 31 March 2019.

The details of attendance of each member at the RMC meetings held during the financial year ended 31 March 2019 are as follows:

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

The RMC's functions and responsibilities are to oversee the managing of 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 is functioning effectively. Its responsibilities include the review of risk policies and risk tolerance. A comprehensive Risk Management Policy approved by the Board has been implemented. It also reviews and assesses the adequacy of risk management process 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 risk, Market risk, Liquidity risk and Operational risk 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;

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

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

Risk Governance (Contd)

- 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 adhere to items 28.2 under Section 28 of BNM's AML/CFT – Banking and Deposit-Taking Institutions (Sector 1);
- 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 ("CRO"); 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, trigger 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.

Risk Management & Control

- to review Management's periodic reports on risk exposures, risk portfolio composition and 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 ("SCEL");
- 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.

CORPORATE GOVERNANCE (CONTD)

RISK MANAGEMENT PROCESS AND INTERNAL CONTROL FRAMEWORK

The risk management within the Bank is governed by a risk management and internal control 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 and procedures as well as organisational structure, which clearly defined roles and responsibilities of all employees.

The adequacy and effectiveness of the risk management and internal control framework are subject to periodic review by the Bank's control functions including Risk Management, Internal Audit and Compliance to ensure continuous improvements in operational efficiency while taking into consideration changes in risk appetite, external environment and regulatory requirements.

Notwithstanding the risk management and internal control framework that have been put in place, they provide reasonable, but not absolute assurance that the Bank will not be adversely affected by any event that may be reasonably foreseen.

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, monitor, control 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, market risk, liquidity risk, operational 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, controlling and managing 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 CRO chairs the Operational Risk Management and Control Committee ("ORMCC").

The AC, supported by Internal Audit Department ("IAD"), 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 Shariah Committee ("SC") is responsible to provide Shariah decision, views and opinions relating to Islamic financial business of the Bank including the endorsement of product-related documentation and Shariah-related policies and procedures.

CORPORATE GOVERNANCE (CONTD)

RISK MANAGEMENT PROCESS AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

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 credit risk, market risk, liquidity risk and operational 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 adverse 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;
- 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
- 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.

RISK MANAGEMENT PROCESS AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(b) MARKET RISK MANAGEMENT (CONTD)

(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.

(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 in the Bank's funding structure, if any;
- 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.

RISK MANAGEMENT PROCESS AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(d) OPERATIONAL RISK MANAGEMENT

(i) Risk Identification, Assessment and Measurement

- Implementation and utilisation of Risk Control Self Assessment ("RCSA") and Global Control Self Assessment ("GCSA") process;
- Implementation of Enterprise Governance Risk and Compliance ("E-GRC") solution to automate the overall Operational Risk Management environment;
- Review of new and existing procedures by ORMCC 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, RCSA, 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 ORMCC 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 minimise 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 IAD; and
- Analyse and monitor countermeasures of Self-Inspection findings to minimise operational risk.

CORPORATE GOVERNANCE (CONTD)

RISK MANAGEMENT PROCESS AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (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 meetings of IT Steering Committee ("ITSC") chaired by Head of Operations, System and Planning Unit;
- Exceptions will be reported to ORMCC and RMC regularly; and
- Comprehensive and up-to-date documentation of Information Security Standards and Procedures.

Internal Audit

Control Activities

Internal Audit is an independent and objective function to assist the AC of the Board in discharging the responsibilities defined in the terms of reference of the AC. 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 AC. 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 IAD 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.

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;

RISK MANAGEMENT PROCESS AND INTERNAL CONTROL FRAMEWORK (CONTD)

Internal Audit (Contd)

Responsibilities (Contd)

- 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 AC;
- Planning audit assignments and presenting the annual audit plan for approval by AC; and
- Monitor progress of rectification actions by auditees.

SHARIAH COMMITTEE ("SC")

The Bank's SC was established to ensure that the Bank's Islamic banking objectives and operations, business, affairs and activities are in compliance with Shariah rules and principles. The roles and responsibilities of the Bank's SC 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 SC 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 ("SCM") 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 SCM for further deliberation, or where the Bank submits applications to BNM for new product approval as outlined in BNM guidelines.

CORPORATE GOVERNANCE (CONTD)

SHARIAH COMMITTEE ("SC") (CONTD)

The SC 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 SC 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 SC 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 and Shariah Advisory Council of Securities Commision Malaysia. 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 SC 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 SC of the Bank since 2014.

Dr. Noor Suhaida binti Kasri obtained her Bachelor of Laws from the International Islamic University Malaysia in 1994, Diploma in Shariah Law from the same university in 1989, Master in Laws from King's College of London in 2008 and Doctor of Philosophy in Islamic Banking, Finance and Management, University of Gloucsetershire, United Kingdom in 2012. She was the Advocates and Solicitors, High Court of Malaya, Malaysia 1995-2007, and has also served as Research Assistant at the Oxford Academy, London in 2008. At present she is a researcher cum Head of Islamic Capital Market Unit in International Shariah Research Academy for Islamic Finance ("ISRA") and specialises in law and regulation of Islamic banking, finance and capital market. She has been a member of the SC of the Bank since 1 June 2017.

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

The SC held seven (7) meetings during the financial year.

The details of attendance of each member at the SC meetings held during the financial year ended 31 March 2019 are as follows:

SC Member	Number of Meetings	
	Held	Attended
Dr. Luqman bin Haji Abdullah *Chairman*	7	7
Assoc. Prof. Dr. Abdul Karim bin Ali *Member*	7	7
Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi *Member*	7	7
Dr. Safinar binti Salleh *Member*	7	7
Dr. Noor Suhaida binti Kasri *Member*	7	7

CORPORATE GOVERNANCE (CONTD)

REMUNERATION STRATEGY

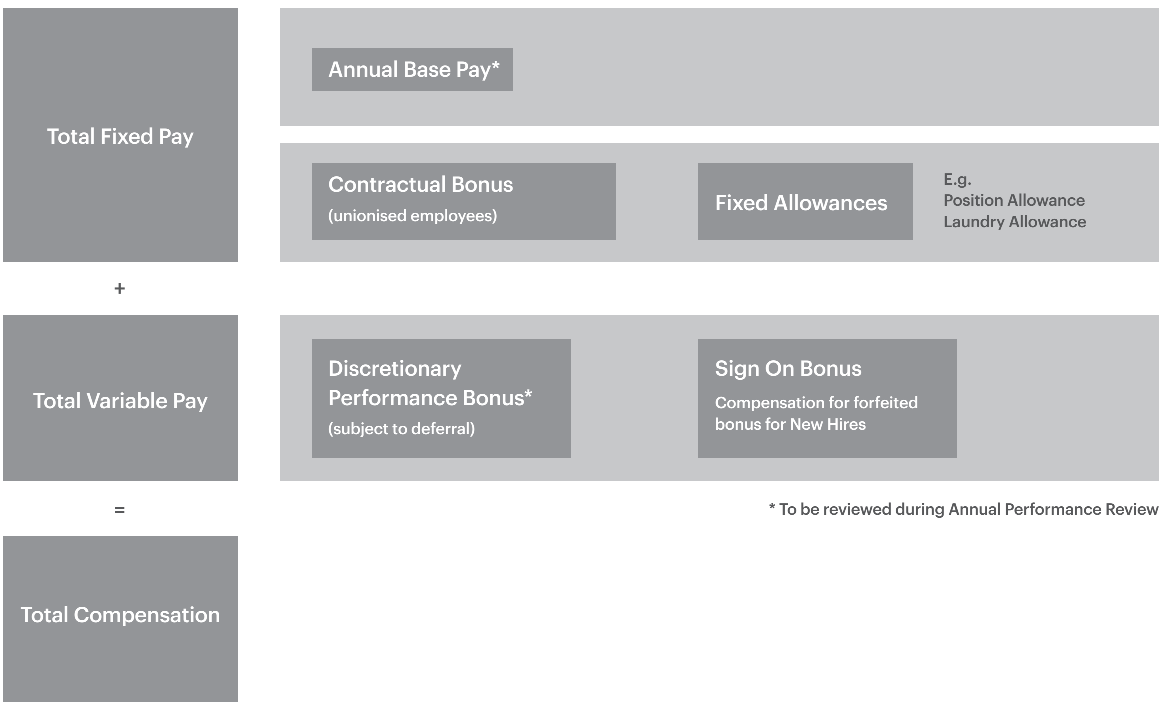
The Bank's Remuneration Policy, which has been endorsed by the Bank's Remuneration Committee and approved by the Board, applies to all of the Bank and acts as a guiding principle in relation to the design and management of our remuneration programmes.

The established six core remuneration principles are as follows:

Principles	Description
Pay for Performance	There shall be a clear link between performance and remuneration. Performance measurements are to include both financial and non-financial aspects, and taking into account the organisational and individual's performance, including, Core Competencies, and overall contribution.
Align to the Bank's Values and Competencies	Remuneration decisions are to be linked to and support MUFG's Values and Core Competencies.
Support Prudent Risk Taking and Align to the Long-Term Interests of the Bank	Remuneration decisions must align to the long-term interests of the Bank and support effective risk management. All remuneration decisions must align to the long-term sustainable growth of the Bank.
Market Relevant	Remuneration decisions are to be aligned to the external market, whilst taking into consideration the Bank's strategy and desired market position against relevant market peers.
Internal Equity	All employees are to be treated fairly and remuneration decisions are to be made free from any form of discrimination and/or inequity.
Regulatory Compliance and Governance	Remuneration decisions must align to the local regulatory requirements. Each region is to ensure there is appropriate oversight which controls the regional remuneration decisions, whilst aligning to and supporting the Bank's global governance processes.

(a) COMPONENTS OF REMUNERATION

Total Compensation



* To be reviewed during Annual Performance Review

CORPORATE GOVERNANCE (CONTD)

REMUNERATION STRATEGY (CONTD)

(a) COMPONENTS OF REMUNERATION (CONTD)

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.

Fixed	Consist of base salary and fixed allowances	Fixed Pay strategy (a) MUFG has the ability to pay across the full Peer Group Market Range. (b) MUFG 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 may have a target pay at the upper end of the Market Range, and ii. Consistent Poor Performers may 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 performances to ensure Total Compensation reflects their performance for the year. Bonus should be differentiated enough to reward top performers but still align to MUFG's culture and not encourage excessive risk taking and/or inappropriate behaviours; (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 exercise; (e) Poor Performers to receive zero variable pay; and (f) To safeguard the independence and authority of individuals engaged in control functions, MUFG 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, shareholder's 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 Key Performance Indicator ("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.

CORPORATE GOVERNANCE (CONTD)

REMUNERATION STRATEGY (CONTD)

(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 function based on their respective performance and adjustment in view of market relevance of the employment remuneration.

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

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 CRO, CCO and CIA are approved by the Board and the relevant Board Committees.

(d) DIRECTORS' REMUNERATION

This is disclosed in Note 30 of the financial statements.

(e) REMUNERATION DISCLOSURE FOR SENIOR MANAGEMENT AND OTHER MATERIAL RISK TAKERS

Total value of remuneration awards for the financial year	31 March 2019			31 March 2018		
	Unrestricted	Deferred	Number of Officers	Unrestricted	Deferred	Number of Officers
	RM'000	RM'000		RM'000	RM'000	
Senior Management						
Fixed remuneration						
Cash based	5,582	-	13	4,226	-	11
Others	902	-	10	666	-	10
Variable remuneration						
Cash based	1,209	376	10	1,856	221	10
Others	254	-	3	119	-	1
Sub total	7,947	376	36	6,867	221	32
Other material risk takers ("ORMT")						
Fixed remuneration						
Cash based	5,008	-	14	4,273	-	13
Others	772	-	14	698	-	13
Variable remuneration						
Cash based	1,707	-	14	1,543	-	12
Sub total	7,487	-	42	6,514	-	38
Total	**15,434**	**376**	**78**	**13,381**	**221**	**70**

There are no shares and share linked instruments granted to senior management and other material risk takers during the financial year.

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 6 December 2018, 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 BNM'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.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity given to Directors of the Bank is RM7.0 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 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 of the Bank inadequate to any substantial extent; or

(ii) that would render the value 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 that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Bank that has arisen since the end of the financial year.

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 year 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 year ended 31 March 2019 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 year and the date of this report.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 29 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 27 August 2019.

Takuma Matsuyama
Director

Y.Bhg. Dato' Mohd Sallehuddin bin Othman
Director

Kuala Lumpur, Malaysia

Statement by Directors

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

We, Takuma Matsuyama and Y.Bhg. Dato' Mohd Sallehuddin bin Othman, being two of the Directors of MUFG Bank (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 50 to 144 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 at 31 March 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 27 August 2019.

Takuma Matsuyama
Director

Y.Bhg. Dato' Mohd Sallehuddin bin Othman
Director

Kuala Lumpur, Malaysia

Statutory Declaration

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

I, Takuma Matsuyama, the Director primarily responsible for the financial management of MUFG Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 50 to 144 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Takuma Matsuyama, passport no: TK3127779, at Kuala Lumpur in the Federal Territory on 27 August 2019.

Takuma Matsuyama
Director

Before me:

Shariah Committee's 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 MUFG Bank (Malaysia) Berhad 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 year ended 31 March 2019.

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 year ended 31 March 2019, 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 year ended 31 March 2019 are generally in compliance with the Shariah rules and principles;

2. the allocation of profits 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 year; and

4. the Bank is not required to pay zakat for the financial year ended 31 March 2019 because its shareholder has no obligation to do so.

On that note, we, the Shariah Committee of MUFG Bank (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 MUFG Bank (Malaysia) Berhad for the financial year ended 31 March 2019 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.

Dr. Luqman bin Haji Abdullah
Chairman of the Shariah Committee

Assoc. Prof. Dr. Abdul Karim bin Ali
Member of the Shariah Committee

Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi
Member of the Shariah Committee

Dr. Safinar binti Salleh
Member of the Shariah Committee

Dr. Noor Suhaida binti Kasri
Member of the Shariah Committee

Kuala Lumpur, Malaysia
Date: 27 August 2019

Independent Auditors' Report

to the Members of MUFG Bank (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 MUFG Bank (Malaysia) Berhad, which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 144.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our 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 annual report, but does not include the financial statements of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Bank does not cover the annual 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 annual report and, in doing so, consider whether the annual 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 annual 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.

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.

Report on the Audit of the Financial Statements (Contd)

Auditors' Responsibilities for the Audit of the Financial Statements (Contd)

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 member 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.

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

Siew Chin Kiang @ Seow Chin Kiang
Approval Number : 02012/11/2020 J
Chartered Accountant

Petaling Jaya, Malaysia

Date : 27 August 2019

Statement of Financial Position

As at 31 March 2019

	Note	31.03.2019 RM'000	31.03.2018 RM'000
ASSETS			
Cash and short-term funds	3	5,314,486	5,915,504
Deposits and placements with financial institutions	4	952,641	445,990
Financial assets available-for-sale	5	-	439,634
Financial assets at fair value through other comprehensive income	6	430,995	-
Loans, advances and financing	7	7,568,611	18,973,357
Embedded loans measured at fair value through profit or loss	8	14,935,811	-
Purchased receivables	9	434,516	225,762
Collateral deposits placed	10	143,022	359,350
Derivative financial assets	11	795,338	2,179,032
Statutory deposits with Bank Negara Malaysia	12	87,648	5,776
Other assets	13	280,530	16,388
Property, plant and equipment	14	18,436	21,084
Intangible assets	15	27,307	36,415
Current tax assets		24,792	-
Deferred tax assets	16	-	1,293
TOTAL ASSETS		**31,014,133**	**28,619,585**
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	17	8,319,682	8,691,623
Deposits and placements of banks and other financial institutions	18	1,683,104	734,131
Collateral deposits received	10	16,941,590	14,547,442
Derivative financial liabilities	11	785,695	1,907,749
Other liabilities	19	127,496	98,145
Deferred tax liabilities	16	27,261	-
Provision for tax		-	8,437
TOTAL LIABILITIES		**27,884,828**	**25,987,527**
SHARE CAPITAL	20	200,000	200,000
RESERVES	21	2,929,305	2,432,058
SHAREHOLDER'S FUNDS		**3,129,305**	**2,632,058**
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		**31,014,133**	**28,619,585**
COMMITMENTS AND CONTINGENCIES	22	**78,669,767**	**77,426,204**

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

Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 March 2019

	Note	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Operating revenue	24	449,638	568,596
Interest income	25	521,245	660,223
Interest expense	26	(299,386)	(388,080)
Net interest income		221,859	272,143
Net income from embedded loans measured at FVTPL	27	157,677	-
Net income from Islamic Banking operations	40	2,506	2,284
Other operating income	28	67,596	294,169
Operating income		449,638	568,596
Other operating expenses	29	(171,878)	(178,730)
Operating profit before allowance for impairment		277,760	389,866
Reversal of/(Allowance for) impairment on financial instruments/ loans, advances and financing	31	7,487	(306)
Profit before tax		285,247	389,560
Tax expense	32	(21,942)	(105,085)
Profit after tax for the year		**263,305**	**284,475**
Other comprehensive (loss)/income, net of tax			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	33	-	(274)
Items that are or may be reclassified subsequently to profit or loss			
Change in fair value reserve:			
- Debt instruments at FVOCI	33	(724)	-
- Securities available-for-sale	33	-	644
Change in expected credit loss reserve	33	14	-
Other comprehensive (loss)/income for the year, net of tax		(710)	370
Total comprehensive income for the year		**262,595**	**284,845**
Profit attributable to:			
Owner of the Bank		263,305	284,475
Total comprehensive income attributable to:			
Owner of the Bank		262,595	284,845
Basic earnings per share (sen)	34	131.65	142.24

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

Statement of Changes in Equity

For the Financial Year Ended 31 March 2019

	Note	<---- Non-distributable					---->	Distributable	
		Share Capital RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000	Defined Benefit Reserve RM'000	ECL Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 April 2017		200,000	204,187	164,349	(5,527)	-	1,012	1,783,192	2,347,213
Remeasurement of defined benefit liability	33	-	-	-	(274)	-	-	-	(274)
Change in fair value of securities available-for-sale	33	-	-	-	-	-	644	-	644
Transfer of statutory reserve to retained profits		-	(204,187)	-	-	-	-	204,187	-
Total other comprehensive (loss)/income for the year		-	(204,187)	-	(274)	-	644	204,187	370
Profit for the year		-	-	-	-	-	-	284,475	284,475
Total comprehensive (loss)/income for the year		-	(204,187)	-	(274)	-	644	488,662	284,845
At 31 March 2018		**200,000**	**-**	**164,349**	**(5,801)**	**-**	**1,656**	**2,271,854**	**2,632,058**
At 1 April 2018									
- As previously stated		200,000	-	164,349	(5,801)	-	1,656	2,271,854	2,632,058
- Effect of change in accounting policies	41	-	-	(100,492)	-	323	22,188	312,633	234,652
At 1 April 2018, restated		200,000	-	63,857	(5,801)	323	23,844	2,584,487	2,866,710
Change in fair value of financial assets at fair value through other comprehensive income	33	-	-	-	-	-	(724)	-	(724)
Change in expected credit loss of financial assets at fair value through other comprehensive income	6	-	-	-	-	14	-	-	14
Transfer of retained profits to regulatory reserve	21(b)	-	-	29,221	-	-	-	(29,221)	-
Total other comprehensive income/(loss) for the year		-	-	29,221	-	14	(724)	(29,221)	(710)
Profit for the year		-	-	-	-	-	-	263,305	263,305
Total comprehensive income/(loss) for the year		-	-	29,221	-	14	(724)	234,084	262,595
At 31 March 2019		**200,000**	**-**	**93,078**	**(5,801)**	**337**	**23,120**	**2,818,571**	**3,129,305**
		Note 20				Note 6			

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

Statement of Cash Flows

For the Financial Year Ended 31 March 2019

	Note	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Cash Flows From Operating Activities			
Profit before tax		285,247	389,560
Adjustments for:			
Depreciation of property, plant and equipment	14	4,737	4,725
Amortisation of intangible assets	15	10,813	9,928
Loss on disposal of property, plant and equipment		321	106
(Reversal of)/Allowance for impairment on financial instruments/loans, advances and financing	31	(7,487)	306
Defined benefit plan	29	4,098	3,406
Dividend income	28	(221)	(221)
Amortisation and accretion of financial assets at fair value through other comprehensive income/available-for-sale		830	901
Gain on disposal of financial assets at fair value through other comprehensive income/available-for-sale		-	(1,434)
Interest income from financial assets at fair value through other comprehensive income/available-for-sale	25	(17,288)	(21,350)
Unrealised loss on changes in fair value of financial assets at fair value through profit or loss	27	43,841	-
Unrealised loss/(gain) on changes in fair value of derivative financial instruments	28	18,612	(59,426)
Operating profit before working capital changes		343,503	326,501
Increase/(Decrease) in operating assets:			
Financial assets at fair value through profit or loss		382	-
Financial assets at fair value through other comprehensive income		88,590	-
Loans, advances and financing		(337,475)	(135,403)
Embedded loans measured at fair value through profit or loss		(2,644,360)	-
Collateral deposits placed		216,328	(353,870)
Purchased receivables		(208,617)	(174,667)
Derivative financial assets		721,051	786,338
Statutory deposits with Bank Negara Malaysia		(81,872)	(2,508)
Other assets		(770,783)	(100,231)
(Decrease)/Increase in operating liabilities:			
Deposits from customers		(371,941)	(373,337)
Deposits and placements of banks and other financial institutions		948,972	(3,010,548)
Derivative financial liabilities		(775,874)	(778,359)
Collateral deposits received		2,394,148	2,016,132
Other liabilities		25,695	(28,882)
Cash used in operations		(452,253)	(1,828,834)
Income tax paid		(100,596)	(59,586)
Payment of staff benefits	19 (i)	(1,637)	(528)
Net cash used in operating activities		(554,486)	(1,888,948)

Statement of Cash Flows

For the Financial Year Ended 31 March 2019 (Contd)

	Note	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	14	(2,427)	(2,521)
Purchase of intangible assets	15	(1,818)	(11,513)
Proceeds from disposals of property, plant and equipment		17	47
Proceeds from disposals of intangible assets		113	-
Proceeds from sale of financial assets at fair value through profit or loss		500,978	-
Purchase of financial assets at fair value through profit or loss		(501,360)	-
Proceeds from sale of financial assets at fair value through other comprehensive income/available-for-sale		-	280,848
Purchase of financial assets at fair value through other comprehensive income/available-for-sale		(59,970)	(61,455)
Interest received from financial assets at fair value through other comprehensive income		17,714	22,276
Dividend received	28	221	221
Net cash (used in)/generated from investing activities		**(46,532)**	**227,903**
Net decrease in cash and cash equivalents		(601,018)	(1,661,045)
Cash and cash equivalents at beginning of year	3	5,915,504	7,576,549
Cash and cash equivalents at end of year	3	**5,314,486**	**5,915,504**

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

Notes to the Financial Statements

MUFG Bank (Malaysia) Berhad is a limited liability company, incorporated and domiciled in Malaysia. The address of the principal place of business and registered office of the Bank is Level 9-10, Menara IMC, No. 8 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia.

The principal activities of the Bank during the year are banking and related financial services including Islamic Banking business. There has been no significant change in the nature of the principal activities during the financial year.

The Bank is a subsidiary of MUFG Bank, Ltd. and Mitsubishi UFJ Financial Group, Inc. ("MUFG"), of which both are incorporated in Japan, and regarded by the Directors as the Bank's immediate holding and ultimate holding company, during the financial year and until the date of this report.

These financial statements were authorised for issue by the Board of Directors on 27 August 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- *MFRS 17, Insurance Contracts*

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

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

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

- from the annual period beginning on 1 April 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle),* Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)* and Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures* which are not applicable to the Bank.

1. BASIS OF PREPARATION (CONTD)

(a) Statement of compliance (Contd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed (Contd)

- from the annual period beginning on 1 April 2020 for the accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2020, except for amendments to MFRS 3, *Business Combinations – Definition of a Business.*

The Bank does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Bank.

The initial application of the accounting standards, amendments and 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 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease,* IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

Cumulative Effect Transition Approach

The Bank has assessed the estimated impact that the initial application of MFRS 16 will have on its financial statements as at 1 April 2019 as below. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the new accounting policies are subject to change until the Bank presents its first financial statements that include the date of initial application.

	As reported as at 31 March 2019 RM'000	Estimated adjustments due to adoption of MFRS 16 RM'000	Estimated adjusted opening balance at 1 April 2019 RM'000
Property, plant and equipment	18,436	-	18,436
Right-of-use assets	-	15,574	15,546
Lease liabilities	-	15,574	15,546
Retained earnings	2,818,571	-	2,818,571

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise indicated in Note 2.

(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.

1. BASIS OF PREPARATION (CONTD)

(d) Use of estimates and judgements (Contd)

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, 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 judgements 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 financial assets at fair value through other comprehensive income ("FVOCI") and embedded loans measured at fair value through profit or loss ("FVTPL") / Securities available-for-sale

Current financial year
The fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date. Fair values for embedded loans are determined based on external valuation party valuation method (Note 38). Fair values for unquoted equity securities held for socio economic reasons (classified as Level 3) are determined based on the net tangible assets of the companies.

Previous financial year
As disclosed in Note 38, 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.

(ii) Impairment allowance on financial assets

Current financial year
Expected credit loss ("ECL") are outputs of complex models with a number of underlying assumptions. The significant judgments in determining ECL include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk;
- Internal credit grading model, which assigns Probability of Defaults ("PD") to the individual grades;
- Development of ECL models, including the choice of inputs relating to macroeconomic variables;
- Determination of associations between macroeconomic scenarios and economic inputs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings;
- Determination of loss given default ("LGD") to use in the ECL model.

Previous financial year
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 judgements 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.

Arising from the adoption of MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

- Financial instruments
- Impairment losses of financial instruments

The impacts arising from the changes are disclosed in Note 41 to the financial statements.

(a) Recognition of Interest and Financing Income and Expense

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

- interest and financing on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;

- interest and financing on financial assets at fair value through other comprehensive income/available-for-sale investment securities calculated on an effective interest basis.

Interest and financing on all trading assets and liabilities were considered to be incidental to the Bank's trading operations and were presented together with all other changes in the fair value of trading assets and liabilities in other operating income.

Interest and financing on other financial assets and financial liabilities carried at FVTPL were presented in net income from other financial instruments at FVTPL.

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 the related services are performed and conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income over time based on the commitment period.

(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, interest, dividends and foreign exchange differences.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(d) Dividend Income

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

(e) Net Income from Other Financial Instruments measured at Fair Value through Profit or Loss

Net income from other financial instruments measured at FVTPL relates to non-trading derivatives that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and, from 1 April 2018, also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest and foreign exchange differences.

(f) Financial Instruments

Unless specifically disclosed below, the Bank generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Bank has elected not to restate the comparatives.

(i) Recognition and initial measurement

A financial asset or a 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.

- **Current financial year**

  A financial asset or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance.

  An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

- **Previous financial year**

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

(ii) Financial instrument categories and subsequent measurement

Classification

Financial assets

Current financial year

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI – debt investment, FVOCI – equity investment or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All other financial assets not measured at amortised cost or FVOCI, as described above are measured at FVTPL. This includes all derivative financial assets (see Note 41(a)). On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Classification (Contd)

Financial assets (Contd)

Current financial year (Contd)

Business model assessment (Contd)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' or 'profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate and modify consideration of time value of money, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse features).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Classification (Contd)

Financial assets (Contd)

Current financial year (Contd)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI") (Contd)

- **Contractually linked instruments**

  The Bank has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

  - the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;

  - the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and

  - the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

- **Financial assets at FVTPL**

  These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

- **Financial assets at amortised cost**

  These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

  Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(g)(i)) where the effective interest rate is applied to the amortised cost.

- **Debt investments at FVOCI**

  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

  Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(g)(i)) where the effective interest rate is applied to the amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Classification (Contd)

Financial assets (Contd)

Current financial year (Contd)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI") (Contd)

- **Equity investments at FVOCI**

  These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(g)(i)).

Previous financial year

The Bank classified its financial assets into one of the following categories:

- **Financial assets at fair value through profit or loss**

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

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

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

- **Loans, advances and financing**

  Loans, advances and financing were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. These financial assets were 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 was recognised as "interest income" in profit or loss. Impairment losses on loans, advances and financing were recognised in profit or loss as "allowance for impairment on loans, advances and financing". Regular way recognition of loans, advances and financing was recorded at settlement date, when all the conditions under the loan contract have been fulfilled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Classification (Contd)

Financial assets (Contd)

Previous financial year (Contd)

- **Available-for-sale financial assets**

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

  Investments in equity instruments that did not have a quoted market price in an active market and whose fair value cannot be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were 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 were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

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

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

- **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), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

  On initial recognition, the Bank may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss.

  (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

  (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel; or

  (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

  Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

  For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Bank recognises the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Classification (Contd)

Financial assets (Contd)

Current financial year (Contd)

- **Amortised cost**

  Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

  Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Bank were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

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

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

The Bank did 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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

(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.

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 be paid 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 for payment on the trade date.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them 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

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(g) Impairment

(i) Financial assets

Current financial year

- **Financial instruments**

The Bank recognises loss allowances for expected credit losses ("ECL") on the following financial instruments that are not measured at FVTPL:

(a) financial assets measured at amortised cost; and
(b) debt investments measured at FVOCI.

The Bank measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

(a) debt investments securities that are determined to have low credit risk at the reporting date; and
(b) other financial instruments and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and including forward-looking information.

The Bank assumes that the credit risk on a financial asset has increased significantly if the credit ratings downgraded by one notch as compared to the last reporting date.

The Bank considers a financial asset to be in default when:

(a) principal or interest or both are past due for 90 days 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.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank considers this to be Ba2 or higher (for Japanese corporates) and B1 or higher (for Global corporates) per Moody's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

- **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(g) Impairment (Contd)

(i) Financial assets (Contd)

Current financial year (Contd)

- **Credit-impaired financial assets**

  At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

  Evidence that a financial asset is credit-impaired includes the following observable data:

  (a) significant financial difficulty of the borrower or issuer;
  (b) a breach of contract such as a default or being more than 90 days past due;
  (c) the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
  (d) it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
  (e) the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

ECL allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

ECL allowances for off-balance sheet items measured at amortised cost are added on the gross carrying amount of other liabilities.

For debt securities at FVOCI, the ECL allowance is charged to profit or loss and is recognised in expected credit loss reserve.

- **Write-off**

  The gross carrying amount of a financial asset is written off when the Bank has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Bank has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Bank individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Bank expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Previous financial year

- **Loans, advances and financing**

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

  (a) principal or interest or both were 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 assessed 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)

(g) Impairment (Contd)

(i) Financial assets (Contd)

Previous financial year (Contd)

- **Loans, advances and financing (Contd)**

The criteria that the Bank used to determine that there was 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 assessed individually whether objective evidence of impairment exists individually for loans which were individually significant, or collectively for loans which were not individually significant. If it was determined that no objective evidence of impairment exists for an individually assessed loan, the loan was 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 were individually assessed for impairment and for which an impairment loss is or continues to be recognised were not included in collective assessment for impairment. Collective assessment impairment allowance was made on any shortfall resulting from the above computational exercise.

If there was objective evidence that an impairment loss has been incurred, the amount of loss was 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 was reduced through the use of an allowance account and the amount of loss was recognised in profit or loss.

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

- **Available-for-sale financial assets**

The Bank assessed at each reporting date whether there was 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) was removed from equity and recognised in profit or loss. For unquoted equity investments which were measured at cost, the amount of the impairment loss was 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 were not reversed through profit or loss.

For debt instruments, impairment was 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 was 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 was reversed through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(g) Impairment (Contd)

(ii) Non-financial assets

The carrying amounts of other assets (except for 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 generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

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 (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

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 financial year in which the reversals are recognised.

(h) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(h) Property, Plant and Equipment (Contd)

(ii) Subsequent costs (Contd)

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.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of the asset then that component is depreciated separately.

Depreciation 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.

(i) Leased Assets

Operating lease

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. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(j) 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 instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(k) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(k) Income Tax (Contd)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. 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 assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(m) 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 less than 3 months.

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

(n) 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.

(o) 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.

(p) Intangible Assets

Intangible assets, comprising computer software that are not an integral part of a tangible asset, are measured at cost less any accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g)(ii). 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 based on cost of an asset less its residual value. 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.

(q) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(r) Earnings Per Ordinary 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, adjusted for own shares held.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(s) Fair Value Measurements

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

	31.03.2019 RM'000	31.03.2018 RM'000
Amortised cost		
Cash and balances with banks and other financial institutions	53,319	47,581
Money at call and deposit placements maturing within three months	5,261,167	5,867,923
	5,314,486	**5,915,504**

4. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31.03.2019 RM'000	31.03.2018 RM'000
Amortised cost		
Licensed bank		
● Malaysia	768,391	445,990
● Other countries	184,250	-
	952,641	**445,990**

5. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	31.03.2019 RM'000	31.03.2018 RM'000
At fair value		
Money market instruments		
● Malaysian Government Securities	-	243,139
● Sukuk	-	193,502
At cost		
Unquoted bonds #	-	27
Unquoted shares	-	2,966
	-	**439,634**

Unquoted bonds are stated net of impairment loss amounting to Nil (2018: RM2,429,000).

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

	31.03.2019 RM'000	31.03.2018 RM'000
Money market instruments:		
Malaysian Government Securities	201,260	-
Sukuk	204,215	-
	405,475	-
Non-money market instruments:		
Unquoted bonds	27	-
Unquoted shares	25,493	-
	25,520	-
Total	**430,995**	**-**

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

	31.03.2019 RM'000
12-Month ECL Stage 1	
At 1 April 2018	-
Effects of adopting MFRS 9	323
At 1 April 2018, as restated	323
Allowance made due to changes in credit risk	18
Deferred tax impact	(4)
At 31 March 2019	**337**

7. LOANS, ADVANCES AND FINANCING

(a) By type:

	31.03.2019 RM'000	31.03.2018 RM'000
At amortised cost		
Overdrafts	9,109	17,174
Term loans		
● Housing loans	11,561	12,442
● Other term loans	3,813,578	15,510,309
Revolving credits	3,601,109	3,464,744
Bills receivable	132,624	23,563
Claims on customers under acceptance credits	3,234	43,591
Staff loans	7,929	6,083
	7,579,144	19,077,906
Unearned interest	(154)	(263)
Gross loans, advances and financing	7,578,990	19,077,643
Impairment allowances on loans, advances and financing		
● Stage 1 - 12 month ECL	(5,461)	-
● Stage 2 - lifetime ECL not credit impaired	(4,781)	-
● Stage 3 - lifetime ECL credit impaired	(137)	-
● Individual assessment	-	(3,531)
● Collective assessment	-	(100,755)
Net loans, advances and financing	**7,568,611**	**18,973,357**

Loans, advances and financing to customers amounting to Nil (2018: RM11,832,503,000) embedded with derivatives measured at FVTPL. The carrying amounts of the embedded derivatives are separately recognised as derivative financial assets and derivative financial liabilities as appropriate in the prior year.

(b) By maturity structure:

	31.03.2019 RM'000	31.03.2018 RM'000
Maturing within one year	3,985,803	7,794,243
More than one year to three years	463,877	4,363,722
More than three years to five years	1,999,024	4,025,575
More than five years	1,130,286	2,894,103
	7,578,990	**19,077,643**

7. LOANS, ADVANCES AND FINANCING (CONTD)

(c) By type of customer:

	31.03.2019 RM'000	31.03.2018 RM'000
Domestic non-bank financial institutions	788,016	5,688,007
Domestic business enterprises		
● Small medium enterprises	1,916,743	1,761,607
● Others	3,271,693	9,698,759
Individuals	19,062	18,050
Foreign entities	1,583,476	1,911,220
	7,578,990	**19,077,643**

(d) By interest/profit rate sensitivity:

	31.03.2019 RM'000	31.03.2018 RM'000
Fixed rate		
● Staff loans	5,263	5,378
Variable rates	7,573,727	19,072,265
	7,578,990	**19,077,643**

(e) By economic sector:

	31.03.2019 RM'000	31.03.2018 RM'000
Agricultural, hunting, forestry and fishing	670,442	844,874
Mining and quarrying	-	42,547
Manufacturing	1,759,531	2,479,077
Electricity, gas and water	380,390	2,355,820
Construction	925,920	2,280,481
Wholesale, retail trade, restaurants and hotels	651,694	946,816
Transport, storage and communication	2,082,583	2,601,652
Finance, insurance, real estate and business services	1,088,940	7,384,059
Households	19,490	18,526
Others	-	123,791
	7,578,990	**19,077,643**

(f) By geographical location:

	31.03.2019 RM'000	31.03.2018 RM'000
Malaysia	6,684,766	17,589,538
Other countries	894,224	1,488,105
	7,578,990	**19,077,643**

7. LOANS, ADVANCES AND FINANCING (CONTD)

(g) Credit-impaired loans by economic sector is as follows:

	31.03.2019 RM'000	31.03.2018 RM'000
Household	732	839
Finance, insurance and business services	-	3,863
	732	**4,702**

(h) Credit-impaired loans by geographical location are as follows:

	31.03.2019 RM'000	31.03.2018 RM'000
Malaysia	**732**	**4,702**

(i) Movements in impaired loans, advances and financing are as follows:

	31.03.2019 RM'000	31.03.2018 RM'000
At 1 April	4,702	4,562
Classified as impaired during the year	1,241	1,055
Amount recovered	(35)	(24)
Reclassified as performing	(1,350)	(575)
Amount written off	(3,826)	(316)
At 31 March	**732**	**4,702**

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

		Lifetime ECL		
	12 month ECL Stage 1 RM'000	Not credit impaired Stage 2 RM'000	Credit impaired Stage 3 RM'000	Total RM'000
At 1 April				104,286
Effects of adopting MFRS 9 (Note 41)				(82,879)
At 1 April 2018, as restated	7,343	10,181	3,883	21,407
Transfer to 12-Month ECL (Stage 1)	1	-	(3)	(2)
Transfer to Lifetime ECL credit impaired (Stage 3)	(1)	-	-	(1)
New financial assets originated	2,749	4,665	-	7,414
Financial assets derecognised (other than write-off)	(3,736)	(9,827)	-	(13,563)
Net remeasurement due to changes in credit risk	(895)	(238)	58	(1,075)
Amount written off	-	-	(3,801)	(3,801)
At 31 March 2019	**5,461**	**4,781**	**137**	**10,379**

7. LOANS, ADVANCES AND FINANCING (CONTD)

(k) Movements in impairment allowances on loans, advances and financing in prior year are as follows:

	31.03.2018 RM'000
(i) Individual assessment	
At 1 April	3,343
Allowance made during the year	188
At 31 March	3,531
(ii) Collective assessment	
At 1 April / 31 March	100,755
	104,286

(l) Details of collective assessment in prior year:

	31.03.2018 RM'000
Allowance on impaired loans	260
Allowance on unimpaired loans	100,495
	100,755

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

	31.03.2019 RM'000	31.03.2018 RM'000
At fair value		
Embedded loans	**14,935,811**	-

Embedded loans category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note 41 of the financial statements.

Embedded loans included RM14,486,293,000 (2018: Nil) of outstanding balance for loans, advances and financing, and fair value for loans and derivatives of RM449,518,000 (2018: Nil).

(a) By maturity structure:

	31.03.2019 RM'000	31.03.2018 RM'000
Maturing within one year	5,889,367	-
More than one year to three years	5,231,756	-
More than three years to five years	1,805,690	-
More than five years	2,008,998	-
	14,935,811	**-**

8. EMBEDDED LOANS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") (CONTD)

(b) By type of customer:

	31.03.2019 RM'000	31.03.2018 RM'000
Domestic non-bank financial institutions	6,922,232	-
Domestic business enterprises		
● Small medium enterprises	587,372	-
● Others	7,426,207	-
	14,935,811	**-**

(c) By interest rate sensitivity:

	31.03.2019 RM'000	31.03.2018 RM'000
Variable rates	**14,935,811**	**-**

(d) By economic sector:

	31.03.2019 RM'000	31.03.2018 RM'000
Mining and quarrying	5,181	-
Manufacturing	933,211	-
Electricity, gas and water	2,208,030	-
Construction	1,133,790	-
Wholesale, retail trade, restaurants and hotels	961,117	-
Transport, storage and communication	1,387,690	-
Finance, insurance, real estate and business services	8,295,606	-
Others	11,186	-
	14,935,811	**-**

(e) By geographical location:

	31.03.2019 RM'000	31.03.2018 RM'000
Malaysia	**14,935,811**	**-**

9. PURCHASED RECEIVABLES

	31.03.2019 RM'000	31.03.2018 RM'000
Amortised cost		
Purchased receivables	434,564	225,947
Impairment allowances on purchased receivables		
Stage 1 - 12 month ECL	(44)	-
Stage 2 - lifetime ECL not credit impaired	(4)	-
Collective assessment	-	(185)
	434,516	**225,762**

Purchased receivables relate to receivables acquired by the Bank under the account receivables purchasing and vendors financing product. These amounts owing from obligors have a tenure of within three months. Included in purchased receivables are non-recourse bills receivable amounting to RM404,328,000 (2018: RM197,849,000).

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

		Lifetime ECL		
	12 month ECL Stage 1 RM'000	Not credit impaired Stage 2 RM'000	Credit impaired Stage 3 RM'000	Total RM'000
At 1 April				185
Effects of adopting MFRS 9				(138)
At 1 April 2018, as restated	-	47	-	47
New financial assets originated	44	4	-	48
Financial assets derecognised (other than write-off)	-	(47)	-	(47)
At 31 March	**44**	**4**	**-**	**48**

Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note 41 of the financial statements in prior financial year.

Movements in impairment allowances on purchased receivables in prior financial year:

	31.03.2018 RM'000
(i) Collective assessment	
At 1 April / 31 March	**185**

10. COLLATERAL DEPOSITS

	31.03.2019 RM'000	31.03.2018 RM'000
Amortised cost		
Cash collaterals placed	**143,022**	**359,350**

The cash collaterals placed are recognised at amortised cost. These are placed 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.

Cash collaterals received	**16,941,590**	**14,547,442**

The cash collaterals received are recognised at amortised cost. These are received in respect of derivative balances pursuant to agreements in accordance with ISDA and CSA entered into with respective counterparties, and Cash Collateral Scheme entered into with a branch of the holding company amounting to RM16,728,449,000 (2018: RM14,041,352,000).

11. 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 year 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 managing these risks are set out in Note 37 to the financial statements.

	31.03.2019			31.03.2018		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At Fair Value						
Trading Derivatives *						
Foreign exchange related contracts						
● Forwards	10,870,314	56,071	44,508	8,143,152	93,309	96,687
● Swaps	18,062,934	686,950	590,079	31,491,297	1,873,257	1,579,512
Interest rate related contracts						
● Swaps	25,281,881	45,194	144,555	28,825,952	120,340	138,994
Other derivatives						
● Currency options	148,538	660	570	148,547	288	718
● Premium yielder investments	3,351,907	6,463	5,983	3,089,440	91,838	91,838
	57,715,574	**795,338**	**785,695**	**71,698,388**	**2,179,032**	**1,907,749**

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM41,182,000 (2018: RM61,073,000) and RM98,798,000 (2018: RM205,674,000) respectively.

12. 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.

13. OTHER ASSETS

	31.03.2019 RM'000	31.03.2018 RM'000
Accrued interest receivable	5,568	10,158
Other receivables, deposits and prepayments	275,005	6,283
	280,573	16,441
Impairment allowances on other assets		
Stage 3 - lifetime ECL credit impaired	(43)	-
Allowance for impairment on other assets	-	(53)
	280,530	**16,388**

Movements in allowances for impairment which reflect the expected credit loss ("ECL") model on impairment are as follows:

	31.03.2019 RM'000
Lifetime ECL Stage 3	
At 1 April 2018	53
Effects of adopting MFRS 9	-
At 1 April 2018, as restated	53
Written back due to changes in credit risk	(10)
At 31 March 2019	**43**

14. 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
31.03.2019						
Cost						
At 1 April 2018	2,963	14,146	29,054	8,378	1,329	55,870
Additions	-	42	1,491	384	510	2,427
Disposals	-	(2,711)	(25)	(61)	-	(2,797)
At 31 March 2019	2,963	11,477	30,520	8,701	1,839	55,500
Accumulated Depreciation						
At 1 April 2018	-	8,988	18,179	6,904	715	34,786
Charge for the year	-	771	3,332	400	234	4,737
Disposals	-	(2,378)	(25)	(56)	-	(2,459)
At 31 March 2019	-	7,381	21,486	7,248	949	37,064
Carrying Amount	**2,963**	**4,096**	**9,034**	**1,453**	**890**	**18,436**
31.03.2018						
Cost						
At 1 April 2017	2,963	13,787	29,181	8,363	1,467	55,761
Additions	-	359	1,922	240	-	2,521
Disposals	-	-	(2,049)	(225)	(138)	(2,412)
At 31 March 2018	2,963	14,146	29,054	8,378	1,329	55,870
Accumulated Depreciation						
At 1 April 2017	-	8,235	16,740	6,725	620	32,320
Charge for the period	-	753	3,335	404	233	4,725
Disposals	-	-	(1,896)	(225)	(138)	(2,259)
At 31 March 2018	-	8,988	18,179	6,904	715	34,786
Carrying Amount	**2,963**	**5,158**	**10,875**	**1,474**	**614**	**21,084**

15. INTANGIBLE ASSETS

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

	31.03.2019 RM'000	31.03.2018 RM'000
Cost		
At 1 April	77,068	65,555
Additions	1,818	11,513
Disposals	(323)	-
At 31 March	78,563	77,068
Accumulated Amortisation		
At 1 April	40,653	30,725
Charge for the year	10,813	9,928
Disposals	(210)	-
At 31 March	51,256	40,653
Carrying Amount	**27,307**	**36,415**

16. DEFERRED TAX (LIABILITIES)/ASSETS

	31.03.2019 RM'000	31.03.2018 RM'000
At 1 April	1,293	(803)
Effect of adopting MFRS 9 (Note 41)	(54,588)	-
At 1 April 2018, as restated	(53,295)	(803)
Recognised in profit or loss (Note 32)	25,810	2,213
Recognised in other comprehensive income (Note 33)	224	(117)
At 31 March	**(27,261)**	**1,293**

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.

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

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

Recognised deferred tax (liabilities)/assets

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net tax assets/(liabilities)	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Fair value reserve	-	-	(5,549)	(568)	(5,549)	(568)
Defined benefit reserve	1,392	123	-	-	1,392	123
ECL reserve	-	-	(81)	-	(81)	-
Property, plant & equipment	4,413	-	-	(2,565)	4,413	(2,565)
Other temporary differences	-	4,303	(27,436)	-	(27,436)	4,303
Tax assets/(liabilities)	5,805	4,426	(33,066)	(3,133)	(27,261)	1,293
Set off of tax	(5,805)	(3,133)	5,805	3,133	-	-
Net tax assets/(liabilities)	**-**	**1,293**	**(27,261)**	**-**	**(27,261)**	**1,293**

Movement in temporary differences during the year:

	At 31.03.2017 RM'000	Recognised in profit or loss (Note 32) RM'000	Recognised in other compre-hensive income (Note 33) RM'000	At 31.03.2018 RM'000	Effects of adopting MFRS 9 (Note 41) RM'000	At 01.04.2018 RM'000	Recognised in profit or loss (Note 32) RM'000	Recognised in other compre-hensive income (Note 33) RM'000	At 31.03.2019 RM'000
Fair value reserve	(364)	-	(204)	(568)	(5,325)	(5,893)	116	228	(5,549)
Defined benefit reserve	751	(715)	87	123	-	123	1,269	-	1,392
ECL reserve	-	-	-	-	(78)	(78)	1	(4)	(81)
Property, plant & equipment	(8,712)	6,147	-	(2,565)	-	(2,565)	6,978	-	4,413
Other temporary differences	7,522	(3,219)	-	4,303	(49,185)	(44,882)	17,446	-	(27,436)
Total	**(803)**	**2,213**	**(117)**	**1,293**	**(54,588)**	**(53,295)**	**25,810**	**224**	**(27,261)**

17. DEPOSITS FROM CUSTOMERS

	31.03.2019 RM'000	31.03.2018 RM'000
At amortised cost		
Demand deposits	3,122,530	3,720,544
Money market deposits	1,357,623	1,154,076
Savings deposits	16,909	25,137
Fixed deposits	3,822,620	3,791,866
	8,319,682	**8,691,623**

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

	31.03.2019 RM'000	31.03.2018 RM'000
Due within six months	3,770,781	3,546,941
More than six months to one year	44,332	241,335
More than one year to two years	7,507	3,590
	3,822,620	**3,791,866**

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

	31.03.2019 RM'000	31.03.2018 RM'000
Business enterprises	8,252,850	8,607,082
Individuals	66,832	84,541
	8,319,682	**8,691,623**

18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.03.2019 RM'000	31.03.2018 RM'000
At amortised cost		
Licensed banks	**1,683,104**	**734,131**

19. OTHER LIABILITIES

		31.03.2019 RM'000	31.03.2018 RM'000
Provision for retirement benefits	(i)	29,129	26,668
Impairment allowances on commitment and contingencies	(ii)		
Stage 1 - 12 month ECL		113	-
Stage 2 - lifetime ECL not credit impaired		1,081	-
Accrued interest payable		18,461	12,244
Bills payable		16,020	4,565
Other payables and accruals		62,692	54,668
		127,496	**98,145**

(i) Provision for retirement benefits

The Bank operates an unfunded defined benefit plan which was ended with effect from financial year ended 2018. Actuarial valuation of the plan was performed in April 2018 and is revalue once in three years starting from financial year beginning 1 April 2018.

Movements in provision for retirement benefits are as follows:

	31.03.2019 RM'000	31.03.2018 RM'000
At 1 April	26,668	23,429
Included in profit or loss (Note 29)		
Current service cost	2,796	2,260
Interest cost	1,302	1,146
	4,098	3,406
Included in other comprehensive income (Note 33)		
Remeasurement loss		
- Actuarial loss arising from:		
● Experience adjustments	-	361
	-	361
Others		
Benefits paid	(1,637)	(528)
	(1,637)	(528)
At 31 March	**29,129**	**26,668**

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

	31.03.2019 %	31.03.2018 %
Discount rate	5.0	5.0
Expected rate of salary increment	6.0	6.0

At 31 March 2019, the duration of the defined benefit obligation was 8.1 years (2018: 9.1 years).

19. OTHER LIABILITIES (CONTD)

(i) Provision for retirement benefits (Contd)

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
31.03.2019		
Discount rate (1% movement)	(2,316)	2,647
Rate of salary (1% movement)	2,481	(2,215)
31.03.2018		
Discount rate (1% movement)	(2,120)	2,423
Rate of salary (1% movement)	2,429	(2,168)

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.

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

		Lifetime ECL		
	12 month ECL Stage 1 RM'000	Not credit impaired Stage 2 RM'000	Credit impaired Stage 3 RM'000	Total RM'000
At 1 April				-
Effects of adopting MFRS9				1,288
At 1 April 2018, as restated	175	1,113	-	1,288
Transfer to 12-Month ECL (Stage 1)	16	(292)	-	(276)
Transfer to Lifetime ECL not credit impaired (Stage 2)	(3)	203	-	200
New financial assets originated	54	666	-	720
Financial assets derecognised (other than write-off)	(131)	(128)	-	(259)
Net remeasurement due to changes in credit risk	2	(481)	-	(479)
At 31 March	**113**	**1,081**	**-**	**1,194**

20. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Issued and fully paid-up ordinary shares	**200,000**	**200,000**	**200,000**	**200,000**

21. RESERVES

		31.03.2019 RM'000	31.03.2018 RM'000
Non-distributable			
Fair value reserve		23,120	1,656
Expected credit loss reserve		337	-
Defined benefit reserve	(a)	(5,801)	(5,801)
Regulatory reserve	(b)	93,078	164,349
Distributable			
Retained profits		2,818,571	2,271,854
		2,929,305	**2,432,058**

(a) The defined benefit reserve is in respect of actuarial gains and losses arising from remeasurement of the Bank's defined benefit plan as disclosed in Note 19 of the financial statements.

(b) The regulatory reserve is maintained in compliance with the requirements under BNM's Policy document on Financial Reporting to maintain, in aggregate, impairment allowance for non-credit impaired exposures (Stage 1 and Stage 2 ECL) and regulatory reserve of not less than 1% of total credit exposures, net of impairment allowance exposures.

22. COMMITMENTS AND CONTINGENCIES

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

31.03.2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Contingent Liabilities				
Direct credit substitutes	2,275		2,274	1,137
Transaction related contingent items	1,014,310		505,980	448,340
Short-term self liquidating trade-related contingencies	213,504		42,700	43,307
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
● not exceeding one year	221,392		44,272	44,272
● exceeding one year	417		197	148
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	7,403,938		-	-
Securitisation exposures	15,000		3,000	2,250
	8,870,836		598,423	539,454
Embedded Loans				
Foreign exchange related contracts				
● less than one year	1,260,365	21,671	49,782	37,134
● one year to less than five years	7,980,022	369,255	1,059,065	951,372
● five years and above	1,300,020	94,330	276,693	276,693
Interest rate related contracts				
● less than one year	75,000	70	145	145
● one year to less than five years	2,208,600	31,448	43,973	14,594
● five years and above	966,219	33,265	78,534	66,004
	13,790,226	550,039	1,508,192	1,345,942

22. COMMITMENTS AND CONTINGENCIES (CONTD)

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

31.03.2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Derivative Financial Instruments				
Foreign exchange related contracts				
● less than one year	16,589,819	193,338	375,365	220,778
● one year to less than five years	8,776,387	388,461	1,207,140	708,720
● five years and above	3,567,042	161,222	659,862	466,298
Interest rate related contracts				
● less than one year	5,395,562	1,988	9,504	3,749
● one year to less than five years	15,748,884	27,357	262,554	128,260
● five years and above	4,137,435	15,849	235,282	132,078
Currency options *				
● less than one year	74,269	660	1,774	1,774
Premium yielder investments *				
● less than one year	903,007	2,264	28,053	7,034
● one year to less than five years	816,300	4,199	45,014	9,003
	56,008,705	795,338	2,824,548	1,677,694
	78,669,767	**1,345,377**	**4,931,163**	**3,563,090**

* Only buy legs are taken into account for counterparty credit risk purposes.

22. COMMITMENTS AND CONTINGENCIES (CONTD)

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

31.03.2018	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Contingent Liabilities				
Direct credit substitutes	2,975		2,975	1,488
Transaction related contingent items	880,159		440,080	352,541
Short-term self liquidating trade-related contingencies	171,907		34,381	34,381
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
● exceeding one year	49,147		24,574	24,574
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	4,608,628		-	-
Securitisation exposures	15,000		3,000	2,250
	5,727,816		505,010	415,234
Derivative Financial Instruments				
Foreign exchange related contracts				
● less than one year	10,929,703	603,734	787,873	449,635
● one year to less than five years	19,911,846	858,721	1,651,310	1,196,330
● five years and above	8,792,900	504,111	1,687,242	1,371,042
Interest rate related contracts				
● less than one year	8,619,594	2,055	9,878	3,152
● one year to less than five years	13,737,227	69,240	253,444	119,016
● five years and above	6,469,131	49,045	344,042	191,676
Currency options				
● less than one year	148,547	288	2,516	2,516
Premium yielder investments				
● one year to less than five years	3,089,440	91,838	277,205	83,246
	71,698,388	2,179,032	5,013,510	3,416,613
	77,426,204	**2,179,032**	**5,518,520**	**3,831,847**

23. 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 financial year are as follows:

	31.03.2019			31.03.2018		
	Holding Company RM'000	Related Companies RM'000	Total RM'000	Holding Company RM'000	Related Companies RM'000	Total RM'000
Income						
Interest on advances	7	-	7	9	-	9
Other operating income	11,006	32	11,038	9,198	3	9,201
	11,013	32	11,045	9,207	3	9,210
Expenditure						
Interest on advances	486,779	-	486,779	242,893	-	242,893
Interest on deposits	388	-	388	433	-	433
Other fee expenses	210	141	351	367	3	370
Other operating expenses	3,866	-	3,866	4,160	-	4,160
	491,243	141	491,384	247,853	3	247,856
Amount due from						
Advances	184,250	-	184,250	-	-	-
Current accounts	381,954	14,292	396,246	522,242	6,961	529,203
Money at call and deposit placements maturing within 1 - 3 months	221	-	221	243	-	243
Derivative assets	41,057	125	41,182	60,104	969	61,073
	607,482	14,417	621,899	582,589	7,930	590,519
Amount due to						
Advances	1,612,193	-	1,612,193	733,742	-	733,742
Current accounts	70,485	451	70,938	402	1	403
Accrued interest payable	4,050	-	4,050	216	-	216
	1,686,728	451	1,687,179	734,360	1	734,361
Cash collaterals	16,728,367	82	16,728,449	14,041,352	-	14,041,352
Derivative liabilities	98,651	147	98,798	204,735	939	205,674
	18,513,746	680	18,514,426	14,980,447	940	14,981,387
Capital expenditures	7,038	-	7,038	5,309	-	5,309

23. 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
MUFG Bank, Ltd.	Immediate holding company
MUFG Bank (Europe) N.V.	Subsidiary of immediate holding company
MUFG Bank (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.

The intercompany charges paid to the holding companies and its subsidiaries are relating to other operating expenses as follows:-

Company	Type of Services	Country	31.03.2019 RM'000	31.03.2018 RM'000
MUFG Bank, Ltd	Agency service	Japan	7	3
	Professional fees	Japan	37	-
	Website maintenance service	Japan	794	9
	Information technology services	Japan	2,967	4,125
MUFG Bank, Ltd,	Website maintenance service	USA	13	-
USA Branch	Information technology services	USA	2	23
MUFG Bank, Ltd,	Professional fees	Singapore	21	-
Singapore Branch	Information technology services	Singapore	25	-
			3,866	**4,160**

(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.

	31.03.2019 RM'000	31.03.2018 RM'000
Outstanding credit exposures with connected parties	569,484	653,457
Total credit exposures	28,800,365	27,800,126
Percentage of outstanding credit exposures to connected parties		
● as a proportion of total credit exposures	2.0%	2.4%
● as a proportion of total capital	18.4%	25.4%

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

23. 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 Chief Executive Officer ("CEO").

The remuneration of the CEO included in profit or loss is as follows:

	31.03.2019 RM'000	31.03.2018 RM'000
Short-term employee benefits	1,247	1,377
	1,247	**1,377**

Directors' remuneration is disclosed in Note 30 of the financial statements.

24. OPERATING REVENUE

Operating revenue of the Bank comprises of net interest income, fee and commission income, investment income, income derived from investment securities, net income from embedded loans measured at fair value through profit or loss, gross dividends and other income derived from conventional banking and Islamic Banking operations.

25. INTEREST INCOME

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Loans, advances and financing measured at amortised cost	361,829	445,717
Money at call and deposit placements with financial institutions	142,128	193,156
Financial assets at FVOCI/Securities available-for-sale	17,288	21,350
	521,245	**660,223**

26. INTEREST EXPENSE

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Deposits and placements of banks and other financial institutions	126,419	244,648
Deposits from customers	172,967	143,432
	299,386	**388,080**

27. NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Interest income	419,755	-
Interest expense	(360,830)	-
Unrealised loss in fair value of embedded loans	(43,841)	-
Realised gain in fair value of embedded loans	142,593	-
	157,677	**-**

28. OTHER OPERATING INCOME

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Fee income		
Commission	1,840	1,720
Guarantee fees	3,921	3,745
Service charges and fees	1,859	1,582
Commitment fees	679	735
Other fee income	10,166	10,734
	18,465	18,516
Net investment income		
Gross dividends	221	221
Realised (loss)/gain in fair value of derivative financial instruments	(55,180)	36,217
Realised gain in fair value of trading securities	2,875	-
Unrealised (loss)/gain in fair value of derivative financial instruments	(18,612)	59,426
Foreign exchange gain	115,931	173,927
Net premium paid for options	(18)	(1)
	45,217	269,790
Other income		
Other operating income	3,914	5,863
	67,596	**294,169**

29. OTHER OPERATING EXPENSES

		Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Personnel expenses	**(i)**	106,676	100,685
Establishment related expenses	**(ii)**	22,574	21,213
Promotion and marketing related expenses	**(iii)**	2,473	2,206
Administrative and other expenses	**(iv)**	40,155	54,626
		171,878	**178,730**
(i) Personnel expenses			
Wages, salaries and bonuses		80,468	74,792
Defined benefit plan (Note 19(i))		4,098	3,406
Defined contribution plan		8,791	9,690
Other employee benefits		13,319	12,797
		106,676	**100,685**
(ii) Establishment related expenses			
Depreciation of property, plant and equipment		4,737	4,725
Amortisation of intangible assets		10,813	9,928
Hire of equipment		882	695
Repair and maintenance		391	306
Rental of premises		4,848	4,563
Others		903	996
		22,574	**21,213**
(iii) Promotion and marketing related expenses			
Advertising and publicity		352	503
Others		2,121	1,703
		2,473	**2,206**
(iv) Administrative and other expenses			
Cash collateral fees		16,200	34,129
Communication expenses		1,151	995
Legal and professional fees		1,921	2,663
Auditors' remuneration			
• Statutory audit		390	320
• Non audit related services			
- KPMG PLT		65	230
- Local affiliates of KPMG PLT		350	180
Others		20,078	16,109
		40,155	**54,626**

30. DIRECTORS' REMUNERATION

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

	Year ended 31.03.2019						Year ended 31.03.2018					
	Salary RM'000	Fee RM'000	Bonus RM'000	Benefits-in-Kind RM'000	Other Remuneration RM'000	Total RM'000	Salary RM'000	Fee RM'000	Bonus RM'000	Benefits-in-Kind RM'000	Other Remuneration RM'000	Total RM'000
Executive Directors / CEO												
Mr. Takuma Matsuyama (appointed on 6 October 2018)	271	-	115	43	-	429	-	-	-	-	-	-
Mr. Yuta Uchiyama (resigned on 5 October 2018)	628	-	96	94	-	818	684	-	240	453	-	1,377
Non-Executive Directors												
Y.Bhg. Dato Abdul Rahim bin Osman (resigned on 31 May 2019)	-	70	-	-	144	214	-	70	-	-	133	203
Y.Bhg. Dato' Mohd Sallehuddin bin Othman (appointed on 1 June 2019 as Chairman)	-	70	-	-	106	176	-	70	-	-	95	165
En. Ismail Bin Mahbob	-	70	-	-	98	168	-	70	-	-	87	157
	899	**210**	**211**	**137**	**348**	**1,805**	**684**	**210**	**240**	**453**	**315**	**1,902**

The remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind, during the financial year amounted to RM1,247,000 (2018: RM1,377,000).

Other remuneration consists of Chairman's allowance, Committee Member allowance and Meeting allowance.

31. (REVERSAL OF)/ALLOWANCE FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS/LOANS, ADVANCES AND FINANCING

		Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
(a)	**(Reversal of)/Allowance for impairment on loans, advances and financing**		
	Stage 1 and 2/Collective impairment made during the year	7,415	-
	Stage 1 and 2/Collective impairment written back	(14,697)	-
	Stage 3 ECL/Individual impairment made during the year	55	188
	Stage 3 ECL/Individual impairment written back	(279)	-
	Impaired loans, advances and financing written off	181	185
	Bad debts written back	(77)	(65)
		(7,402)	308
(b)	**Allowance for/(Reversal of) impairment on purchased receivables**		
	Stage 1 and 2/Collective impairment made during the year	48	-
	Stage 1 and 2/Collective impairment written back	(47)	-
		1	-
(c)	**(Reversal of)/Allowance for impairment on off-balance sheet exposures**		
	Stage 1 and 2/Collective impairment made during the year	942	-
	Stage 1 and 2/Collective impairment written back	(1,036)	-
		(94)	-
(d)	**Reversal of impairment on other assets**		
	Stage 3 ECL/Individual impairment written back	(10)	(2)
(e)	**Allowance for impairment on financial assets at FVOCI**		
	Stage 1 and 2 impairment made during the year	18	-
		(7,487)	**306**

32. TAX EXPENSE

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Current tax		
● Malaysian income tax in respect of current financial year	55,285	98,521
● (Over)/Underprovision in prior years	(7,533)	8,777
Total current tax recognised in profit or loss	47,752	107,298
Deferred tax (Note 16)		
● Relating to origination and reversal of temporary differences	18,000	(2,603)
● (Over)/Underprovision in prior years	(43,810)	390
Total deferred tax recognised in profit or loss	(25,810)	(2,213)
Total tax expense	**21,942**	**105,085**

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:

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Profit before tax	285,247	389,560
Taxation at Malaysian statutory tax rate of 24%	68,459	93,494
Income not subject to tax	(53)	(53)
Expenses not deductible for tax purposes	4,879	2,477
(Over)/Underprovision of deferred tax in prior years	(43,810)	390
(Over)/Underprovision of current tax expense in prior years	(7,533)	8,777
Tax expense for the year	**21,942**	**105,085**

33. OTHER COMPREHENSIVE INCOME

	31.03.2019 Deferred Tax			31.03.2018 Deferred Tax		
	Before Tax RM'000	Benefit/(Expense) (Note 16) RM'000	Net of Tax RM'000	Before Tax RM'000	(Expense)/Benefit (Note 16) RM'000	Net of Tax RM'000
Change in fair value of securities available-for-sale	-	-	-	848	(204)	644
Change in fair value of financial assets at FVOCI	(952)	228	(724)	-	-	-
Changes in expected credit losses reserve	18	(4)	14	-	-	-
Remeasurement of defined benefit liability	-	-	-	(361)	87	(274)
	(934)	**224**	**(710)**	**487**	**(117)**	**370**

34. EARNINGS PER SHARE

The earnings per ordinary share of the Bank have been calculated based on the profit for the year of RM263,305,000 (2018: RM284,475,000) and on the number of ordinary shares in issue during the year of 200,000,000 (2018: 200,000,000).

35. 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:

	31.03.2019 RM'000	31.03.2018 RM'000
Future minimum rental payments		
● Not later than 1 year	5,240	4,879
● Later than 1 year but not later than 5 years	1,046	4,637
	6,286	**9,516**

36. CAPITAL ADEQUACY

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

	31.03.2019 %	31.03.2018 %
Common equity Tier 1 ("CET 1") capital ratio	21.308	18.228
Tier 1 capital ratio	21.308	18.228
Total capital ratio	22.054	19.270

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 including capital conservation buffer for the following capital ratios are:

CET 1 Capital Ratio	7.00	%
Tier 1 Capital Ratio	8.50	%
Total Capital Ratio	10.50	%

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

		31.03.2019 RM'000	31.03.2018 RM'000
CET 1 and Tier 1 capital			
● Paid-up ordinary share capital		200,000	200,000
● Retained profits		2,818,571	2,271,854
● Other reserves		110,734	160,204
		3,129,305	2,632,058
Less:	Deferred tax assets	-	(1,293)
	Intangible assets	(27,307)	(36,415)
	55% of fair value reserve	(12,716)	(911)
	Regulatory reserve	(93,078)	(164,349)
		2,996,204	2,429,090
Tier 2 capital			
● Stage 1 and 2 ECL/Collective impairment allowance and regulatory reserve*		104,903	138,887
Total Capital		**3,101,107**	**2,567,977**

* Excludes impairment allowance on collective assessment on impaired loans restricted from Tier 2 capital of the Bank of Nil (2018: RM260,000).

36. 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:

	31.03.2019 RM'000	31.03.2018 RM'000
Credit risk	11,530,367	11,110,990
Market risk	1,596,710	1,376,771
Operational risk	934,602	838,540
	14,061,679	**13,326,301**

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

37. 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, 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 ("IAD"). IAD undertakes regular reviews of risk management controls and procedures, the results of which are reported to the AC.

37. FINANCIAL RISK MANAGEMENT (CONTD)

(a) INTRODUCTION (CONTD)

The effect of initially applying MFRS 9 on the Bank's financial instruments is described in Note 41 of the financial statements. The Bank has elected not to restate the comparative information.

Financial Instruments by Categories

Current financial year

The table below provides an analysis of financial instruments as at 31 March 2019 categorised as follows:

(a) Amortised cost
(b) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9
- Designated upon initial recognition ("DUIR")

(c) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR")
- Debt instrument ("DI")

The following table shows the carrying amounts of financial assets and financial liabilities:

31.03.2019	Amortised cost RM'000	FVTPL RM'000	FVOCI - DI RM'000	FVOCI - EIDUIR RM'000
Financial Assets				
Cash and short-term funds	5,314,486	-	-	-
Deposits and placement with financial institutions	952,641	-	-	-
Financial assets at FVOCI	-	-	405,475	25,520
Loans, advances and financing	7,568,611	-	-	-
Embedded loans measured at FVTPL	-	14,935,811	-	-
Purchased receivables	434,516	-	-	-
Collateral deposits placed	143,022	-	-	-
Derivative financial assets	-	795,338	-	-
Statutory deposits with Bank Negara Malaysia	87,648	-	-	-
Other assets	277,155	-	-	-
	14,778,079	**15,731,149**	**405,475**	**25,520**
Financial Liabilities				
Deposits from customers	8,319,682	-	-	-
Deposits and placements of banks and other financial institutions	1,683,104	-	-	-
Collateral deposits received	16,941,590	-	-	-
Derivative financial liabilities	-	785,695	-	-
Other liabilities	127,496	-	-	-
	27,071,872	**785,695**	**-**	**-**

37. FINANCIAL RISK MANAGEMENT (CONTD)

(a) INTRODUCTION (CONTD)

Financial Instruments by Categories (Contd)

Previous financial year

The table below provides an analysis of financial instruments as at 31 March 2018 categorised as follows:
(a) Loans, advances and receivables ("L&R")
(b) Financial assets available-for-sale ("AFS")
(c) Financial liabilities measured at amortised cost ("FL")

31.03.2018	Carrying amount RM'000	L&R/FL RM'000	AFS RM'000	Derivatives RM'000
Financial assets				
Cash and short-term funds	5,915,504	5,915,504	-	-
Deposits and placements with financial institutions	445,990	445,990	-	-
Financial assets available-for-sale	439,634	-	439,634	-
Loans, advances and financing	18,973,357	18,973,357	-	-
Purchased receivables	225,762	225,762	-	-
Derivative financial assets	2,179,032	-	-	2,179,032
Statutory deposits with Bank Negara Malaysia	5,776	5,776	-	-
Other assets	13,366	13,366	-	-
Collateral deposits placed	359,350	359,350	-	-
	28,557,771	**25,939,105**	**439,634**	**2,179,032**
Financial Liabilities				
Deposits from customers	8,691,623	8,691,623	-	-
Deposits and placements of banks and other financial institutions	734,131	734,131	-	-
Collateral deposits received	14,547,442	14,547,442	-	-
Derivative financial liabilities	1,907,749	-	-	1,907,749
Other liabilities	98,145	98,145	-	-
	25,979,090	**24,071,341**	**-**	**1,907,749**

37. FINANCIAL RISK MANAGEMENT (CONTD)

(a) INTRODUCTION (CONTD)

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 borrowers 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.

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.

(b) CREDIT RISK

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.

Loans, Advances and Financing and Embedded Loans

The Bank's primary business is lending to business entities. The Bank is therefore mainly exposed to credit risk from loans, advances and financing 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 RM22,938,938,000 (2018: RM19,199,119,000) for on-balance sheet exposures and RM8,870,836,000 (2018: RM5,727,816,000) 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.

37. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Loans, Advances and Financing and Embedded Loans (Contd)

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”).

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 (“PRO”) 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.

37. 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:

31.03.2019	Cash and Short-Term Funds RM'000	Deposits and Placements with Financial Institutions RM'000	Financial Assets at FVOCI RM'000	Loans Advances and Financing # RM'000	Embedded Loans Measured at FVTPL RM'000	Purchased Receivables # RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitment and Contingencies* RM'000
Agricultural, hunting, forestry and fishing	-	-	-	670,442	-	-	-	3,674	-	-	674,116	50,000
Manufacturing	-	-	-	1,759,531	6,629	-	-	21,529	-	-	1,787,689	204,775
Electricity, gas and water	-	-	-	380,390	905,754	29,903	-	7,917	-	-	1,323,964	3,880,539
Mining and quarrying	-	-	-	-	2,149,849	-	-	-	-	-	2,149,849	522,700
Construction	-	-	-	925,920	1,032,551	-	-	625	-	-	1,959,096	414,062
Wholesale and retail trade and restaurants and hotels	-	-	-	651,694	903,262	333	-	7,559	-	-	1,562,848	1,930,915
Transport, storage and communication	-	-	204,216	2,082,583	1,358,488	-	-	70,888	-	-	3,716,175	582,615
Finance, insurance and business services	2,046,375	184,250	23,985	1,088,940	8,119,429	404,328	143,022	683,146	-	-	12,693,475	1,280,313
Government and government agencies	3,264,700	768,135	201,260	-	-	-	-	-	87,648	-	4,321,743	-
Households	-	-	-	19,490	-	-	-	-	-	-	19,490	417
Others	-	256	1,534	-	10,331	-	-	-	-	-	12,121	4,500
	5,311,075	952,641	430,995	7,578,990	14,486,293	434,564	143,022	795,338	87,648	-	30,220,566	8,870,836
Other assets not subject to credit risk	3,411	-	-	-	449,518	-	-	-	-	277,155	730,084	-
	5,314,486	**952,641**	**430,995**	**7,578,990**	**14,935,811**	**434,564**	**143,022**	**795,338**	**87,648**	**277,155**	**30,950,650**	**8,870,836**

Stated at gross.

* Commitment and contingencies excluding derivative financial assets and embedded loans measured at FVTPL.

37. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

31.03.2018	Cash and Short-Term Funds RM'000	Deposits and Placements with Financial Institutions RM'000	Financial Assets Available-for-Sale RM'000	Loans, Advances and Financing# RM'000	Purchased Receivables# RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitment and Contingencies* RM'000
Agricultural, hunting, forestry and fishing	-	-	-	844,874	-	-	11,664	-	-	856,538	78,797
Manufacturing	-	-	-	2,479,077	28,098	-	84,241	-	-	2,591,416	2,491,932
Electricity, gas and water	-	-	-	2,355,820	-	-	158,485	-	-	2,514,305	220,233
Mining and quarrying	-	-	-	42,547	-	-	-	-	-	42,547	159,961
Construction	-	-	-	2,280,481	-	-	210,379	-	-	2,490,860	186,857
Wholesale and retail trade and restaurants and hotels	-	-	-	946,816	-	-	63,324	-	-	1,010,140	1,403,220
Transport, storage and communication	-	-	193,502	2,601,652	-	-	146,014	-	-	2,941,168	261,630
Finance, insurance and business services	2,643,896	208	2,730	7,384,059	197,849	359,350	1,485,295	-	-	12,073,387	922,172
Government and government agencies	3,268,500	445,782	243,139	-	-	-	-	5,776	-	3,963,197	-
Households	-	-	-	18,526	-	-	-	-	-	18,526	1,437
Others	-	-	263	123,791	-	-	19,630	-	-	143,684	1,577
	5,912,396	445,990	439,634	19,077,643	225,947	359,350	2,179,032	5,776	-	28,645,768	5,727,816
Other assets not subject to credit risk	3,108	-	-	-	-	-	-	-	13,366	16,474	-
	5,915,504	**445,990**	**439,634**	**19,077,643**	**225,947**	**359,350**	**2,179,032**	**5,776**	**13,366**	**28,662,242**	**5,727,816**

Stated at gross.

* Commitment and contingencies excluding derivative financial assets.

37. 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, Advances and Financing

Gross loans, advances and financing by grading are analysed as follows:

	31.03.2019				31.03.2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Neither past due nor impaired					
Normal grades	5,520,136	1,999,864	-	7,520,000	18,913,167
Close watch	-	55,091	-	55,091	156,081
Past due but not impaired					
Normal grades	1,133	-	-	1,133	3,693
Close watch	-	2,034	-	2,034	-
Impaired *	-	-	732	732	4,702
	5,521,269	**2,056,989**	**732**	**7,578,990**	**19,077,643**

* Included in impaired loans, advances and financing are accounts that have been individually assessed of Nil (2018: RM3,863,000) of which allowance of stage 3 ECL/individual assessment of Nil (2018: RM3,531,000) including accrued interest was provided.

Corporate loans, advances and financing 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, Advances and Financing Past Due but not Impaired

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

	Carrying Amount	
Borrower's Ageing	31.03.2019 RM'000	31.03.2018 RM'000
Past due 1 to 30 days	1,133	1,497
Past due 31 to 90 days	2,034	2,196
	3,167	**3,693**

37. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

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 RM1,226,333,000 (2018: RM2,618,666,000) for on-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 RM6,687,304,000 (2018: RM6,734,210,000).

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.

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.

37. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans, advances and financing for the Bank as at 31 March 2019 are at 66.36% (2018: 62.30%) and 4.06% (2018: 5.52%) 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 PRO 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.

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's category, maturity period, credit quality grade and other factors within BNM's guidelines.

37. 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 reprising date and maturity date:

	<---------- Non-Trading Book					---------->			
31.03.2019	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 %
Financial assets									
Cash and short-term funds	4,864,700	221	-	-	-	449,565	-	5,314,486	4.78
Deposits and placements									
with financial institutions	941,075	-	-	-	-	11,566	-	952,641	0.01
Financial assets at FVOCI	-	-	120,670	284,805	-	25,520	-	430,995	4.04
Loans, advances and financing									
- Non-impaired	2,665,318	648,028	672,071	2,462,842	1,129,922	(10,165)	-	7,568,016	3.78
- Impaired *	179	-	26	46	344	-	-	595	
Embedded loans measured at FVTPL	176,329	312,760	5,400,278	7,037,446	2,008,998	-	-	14,935,811	3.34
Purchased receivables	290,955	143,609	-	-	-	(48)	-	434,516	2.74
Collateral deposits placed	143,022	-	-	-	-	-	-	143,022	3.17
Derivative financial assets	-	-	-	-	-	-	795,338	795,338	
Statutory deposits with Bank									
Negara Malaysia	-	-	-	-	-	87,648	-	87,648	
Other assets	-	-	-	-	-	277,155	-	277,155	
	9,081,578	1,104,618	6,193,045	9,785,139	3,139,264	841,241	795,338	30,940,223	
Non-financial assets									
Property, plant and equipment	-	-	-	-	-	18,436	-	18,436	
Intangible assets	-	-	-	-	-	27,307	-	27,307	
Current tax assets	-	-	-	-	-	24,792	-	24,792	
	-	-	-	-	-	70,535	-	70,535	
Total assets	**9,081,578**	**1,104,618**	**6,193,045**	**9,785,139**	**3,139,264**	**911,776**	**795,338**	**31,010,758**	

* This is arrived after deducting the ECL from the outstanding gross impaired loans, advances and financing.

37. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

31.03.2019	<------ Non-Trading Book ------>						Trading Book RM'000	Total RM'000	Effective Interest Rate %
	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			
Liabilities									
Deposits from customers	3,480,880	1,307,848	400,917	7,507	-	3,122,530	-	8,319,682	2.89
Deposits and placements of banks and other financial institutions	846,395	836,709	-	-	-	-	-	1,683,104	2.58
Collateral deposits received	2,383,402	283,935	922,673	10,932,497	2,419,083	-	-	16,941,590	2.35
Derivative financial liabilities	-	-	-	-	-	-	785,695	785,695	
Other liabilities	-	-	-	-	-	127,496	-	127,496	
	6,710,677	**2,428,492**	**1,323,590**	**10,940,004**	**2,419,083**	**3,250,026**	**785,695**	**27,857,567**	
On-balance sheet interest sensitivity gap	2,370,901	(1,323,874)	4,869,455	(1,154,865)	720,181	(2,338,250)	9,643	3,153,191	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	297,496	297,496	
Total interest sensitivity gap	**2,370,901**	**(1,323,874)**	**4,869,455**	**(1,154,865)**	**720,181**	**(2,338,250)**	**307,139**	**3,450,687**	

37. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

31.03.2018	<---- Non-Trading Book ----						Trading Book RM'000	Total RM'000	Effective Interest Rate %
	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			
Financial assets									
Cash and short-term funds	4,638,743	700,000	-	-	-	576,761	-	5,915,504	5.02
Deposits and placements with financial institutions	411,292	-	-	-	-	34,698	-	445,990	0.89
Financial assets available-for-sale	-	-	100,544	142,595	193,502	2,993	-	439,634	6.69
Loans, advances and financing									
- Non-impaired	2,652,984	1,318,775	3,816,055	8,389,136	2,893,679	(98,443)	-	18,972,186	2.88
- Impaired *	565	-	21	161	424	-	-	1,171	
Purchased receivables	87,378	137,551	1,018	-	-	(185)	-	225,762	2.17
Collateral deposits placed	359,350	-	-	-	-	-	-	359,350	3.25
Derivative financial assets	-	-	-	-	-	-	2,179,032	2,179,032	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	5,776	-	5,776	
Other assets	-	-	-	-	-	16,388	-	16,388	
	8,150,312	2,156,326	3,917,638	8,531,892	3,087,605	537,988	2,179,032	28,560,793	
Non-financial assets									
Property, plant and equipment	-	-	-	-	-	21,084	-	21,084	
Intangible assets	-	-	-	-	-	36,415	-	36,415	
Deferred tax assets	-	-	-	-	-	1,293	-	1,293	
	-	-	-	-	-	58,792	-	58,792	
Total assets	**8,150,312**	**2,156,326**	**3,917,638**	**8,531,892**	**3,087,605**	**596,780**	**2,179,032**	**28,619,585**	

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

37. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

	<---------- Non-Trading Book					---------->			
31.03.2018	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	3,549,954	822,965	868,934	3,590	-	3,446,180	-	8,691,623	2.64
Deposits and placements of banks and other financial institutions	541,041	193,090	-	-	-	-	-	734,131	1.83
Collateral deposits received	1,896,338	413,963	2,122,551	8,330,165	1,784,425	-	-	14,547,442	2.06
Derivative financial liabilities	-	-	-	-	-	-	1,907,749	1,907,749	
Other liabilities	-	-	-	-	-	98,145	-	98,145	
	5,987,333	**1,430,018**	**2,991,485**	**8,333,755**	**1,784,425**	**3,544,325**	**1,907,749**	**25,979,090**	
On-balance sheet interest sensitivity gap	2,162,979	726,308	926,153	198,137	1,303,180	(2,947,545)	271,283	2,640,495	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	298,239	298,239	
Total interest sensitivity gap	**2,162,979**	**726,308**	**926,153**	**198,137**	**1,303,180**	**(2,947,545)**	**569,522**	**2,938,734**	

37. 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 year was:

	31.03.2019						31.03.2018					
	Denominated in						Denominated in					
	USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	Others RM'000	USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	Others RM'000
Assets												
Cash and short-term funds	-	321,843	18,097	40,422	17,074	48,718	289,861	133,909	68,554	35,239	17,193	28,898
Deposits and placements with financial institutions	204,075	737,000	-	-	-	-	193,090	218,202	-	-	-	-
Financial assets at FVOCI/available-for-sale	203,874	-	-	-	-	-	193,502	-	-	-	-	-
Loans, advances and financing	4,542,222	120,967	-	-	78,737	-	16,072,486	37,939	-	-	73,774	73,438
Embedded loans measured at FVTPL	13,618,365	-	-	-	-	-	-	-	-	-	-	-
Purchased receivables	418,545	-	-	-	-	-	206,825	-	-	-	-	-
Collateral deposits placed	32,570	-	-	-	-	-	241,710	-	-	-	-	-
	19,019,651	1,179,810	18,097	40,422	95,811	48,718	17,197,474	390,050	68,554	35,239	90,967	102,336
Liabilities												
Deposits from customers	2,597,703	230,153	12,814	36,195	-	11,758	2,529,660	243,640	71,095	23,459	824	5,331
Deposits and placements of banks and other financial institutions	1,682,024	-	-	-	-	-	733,742	-	-	-	-	-
Collateral deposits received	15,490,065	1,264,567	-	-	78,711	-	14,022,560	-	-	-	73,755	73,248
Other liabilities	44,761	9,543	-	320	-	6,158	6,806	2,344	986	939	-	298
	19,814,553	1,504,263	12,814	36,515	78,711	17,916	17,292,768	245,984	72,081	24,398	74,579	78,877
Net financial (liabilities)/assets exposure	**(794,902)**	**(324,453)**	**5,283**	**3,907**	**17,100**	**30,802**	**(95,294)**	**144,066**	**(3,527)**	**10,841**	**16,388**	**23,459**

37. 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:

	31.03.2019	31.03.2018
	Increase / (Decrease)	
	RM'000	RM'000
Impact on earnings from 100 bps parallel shift		
MYR	48,134	36,133
USD	(9,400)	825
Others	(8,895)	(758)
Total	**29,839**	**36,200**
Impact on economic value from 100 bps parallel shift		
MYR	(16,262)	(19,883)
USD	(5,020)	(5,450)
Others	(4,605)	(3,335)
Total	**(25,887)**	**(28,668)**

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.

37. 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 2019, potential maximum loss computed for Scenario 1 to be RM90,981,000 (2018: RM80,293,000), Scenario 2 to be RM96,658,000 (2018: RM86,635,000) and Scenario 3 to be RM125,207,000 (2018: RM112,425,000).

(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.

37. FINANCIAL RISK MANAGEMENT (CONTD)

(d) LIQUIDITY RISK (CONTD)

Maturity Analysis

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
31.03.2019						
Liabilities						
Deposits from customers	8,319,682	8,334,778	8,326,955	7,823	-	-
Deposits and placements of banks and other financial institutions	1,683,104	1,686,502	1,686,502	-	-	-
Collateral deposits received	16,941,590	18,192,105	3,602,749	4,850,638	6,788,647	2,950,071
Derivative financial liabilities	785,695	785,695	88,200	267,581	222,379	207,535
Other liabilities	127,496	127,496	99,979	1,826	10,981	14,710
	27,857,567	**29,126,576**	**13,804,385**	**5,127,868**	**7,022,007**	**3,172,316**
31.03.2018						
Liabilities						
Deposits from customers	8,691,623	8,709,372	8,705,616	3,756	-	-
Deposits and placements of banks and other financial institutions	734,131	734,557	734,557	-	-	-
Collateral deposits received	14,547,442	15,163,727	4,459,885	10,703,842	-	-
Derivative financial liabilities	1,907,749	1,907,751	578,621	130,376	606,398	592,356
Other liabilities	98,145	98,145	68,762	1,867	10,310	17,206
	25,979,090	**26,613,552**	**14,547,441**	**10,839,841**	**616,708**	**609,562**

37. FINANCIAL RISK MANAGEMENT (CONTD)

(d) LIQUIDITY RISK (CONTD)

Maturity analysis (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 by behavioural profile:

31.03.2019	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
Assets							
Cash and short-term funds	4,864,700	221	-	-	-	449,565	5,314,486
Deposits and placements with							
financial institutions	941,075	-	-	-	-	11,566	952,641
Financial assets at FVOCI	-	-	30,238	90,432	284,805	25,520	430,995
Loans, advances and financing	2,655,282	648,028	554,747	117,366	3,593,188	-	7,568,611
Embedded loans measured at FVTPL	176,329	312,760	162,844	5,237,434	9,046,444	-	14,935,811
Purchased receivables	290,907	143,609	-	-	-	-	434,516
Collateral deposits placed	143,022	-	-	-	-	-	143,022
Derivative financial assets	20,362	79,212	32,601	66,075	597,088	-	795,338
Other assets	-	-	-	-	-	364,803	364,803
	9,091,677	**1,183,830**	**780,430**	**5,511,307**	**13,521,525**	**851,454**	**30,940,223**
Liabilities							
Deposits from customers	3,463,971	1,307,848	356,585	44,332	7,507	3,139,439	8,319,682
Deposits and placements of banks							
and other financial institutions	775,486	836,708	-	-	-	70,910	1,683,104
Collateral deposits received	1,290,330	283,935	562,530	360,143	13,351,580	1,093,072	16,941,590
Derivative financial liabilities	5,106	29,391	11,577	46,325	693,296	-	785,695
Other liabilities	-	-	-	-	-	127,496	127,496
	5,534,893	**2,457,882**	**930,692**	**450,800**	**14,052,383**	**4,430,917**	**27,857,567**
Commitment and contingencies	**11,660,215**	**7,229,157**	**6,675,851**	**7,345,098**	**45,759,446**	**-**	**78,669,767**

37. FINANCIAL RISK MANAGEMENT (CONTD)

(d) LIQUIDITY RISK (CONTD)

Maturity analysis (Contd)

31.03.2018	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
Assets							
Cash and short-term funds	4,638,743	700,000	-	-	-	576,761	5,915,504
Deposits and placements with							
financial institutions	411,292	-	-	-	-	34,698	445,990
Securities available-for-sale	-	-	-	100,544	336,097	2,993	439,634
Loans, advances and financing	2,555,107	1,318,775	1,431,701	2,384,374	11,283,400	-	18,973,357
Purchased receivables	87,193	137,551	1,018	-	-	-	225,762
Collateral deposits placed	359,350	-	-	-	-	-	359,350
Derivative financial assets	103,779	142,211	119,878	240,208	1,572,956	-	2,179,032
Other assets	3,489	-	-	-	-	15,653	19,142
	8,158,953	**2,298,537**	**1,552,597**	**2,725,126**	**13,192,453**	**630,105**	**28,557,771**
Liabilities							
Deposits from customers	3,250,454	822,965	616,499	252,435	3,590	3,745,680	8,691,623
Deposits and placements of banks							
and other financial institutions	540,653	193,090	-	-	-	388	734,131
Collateral deposits received	1,896,339	413,963	533,183	1,589,367	10,114,590	-	14,547,442
Derivative financial liabilities	93,082	116,696	143,226	225,616	1,329,129	-	1,907,749
Other liabilities	-	-	-	-	-	98,145	98,145
	5,780,528	**1,546,714**	**1,292,908**	**2,067,418**	**11,447,309**	**3,844,213**	**25,979,090**
Commitment and contingencies	**6,403,749**	**5,354,486**	**8,651,668**	**7,811,183**	**49,205,118**	**-**	**77,426,204**

37. 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.

38. 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.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Information (Contd)

31.03.2019	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total Fair Value	Carrying Amount
	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	RM'000	RM'000
Financial assets										
Fair Value through Profit or Loss										
● Embedded loans measured at FVTPL	-	14,935,811	-	14,935,811	-	-	-	-	14,935,811	14,935,811
● Derivative financial assets	-	795,338	-	795,338	-	-	-	-	795,338	795,338
Fair Value through Other Comprehensive Income										
● Financial assets at FVOCI	-	405,475	25,520	430,995	-	-	-	-	430,995	430,995
Amortised costs										
● Loans, advances and financing *	-	-	-	-	-	-	6,961,056	6,961,056	6,961,056	7,578,853
● Purchased receivables *	-	-	-	-	-	-	434,564	434,564	434,564	434,564
● Cash and short-term funds	-	-	-	-	-	-	5,314,486	5,314,486	5,314,486	5,314,486
● Deposits and placement with financial institutions	-	-	-	-	-	-	952,641	952,641	952,641	952,641
● Collateral deposits placed	-	-	-	-	-	-	143,022	143,022	143,022	143,022
● Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	87,648	87,648	87,648	87,648
● Other assets	-	-	-	-	-	-	280,530	280,530	280,530	280,530
	-	**16,136,624**	**25,520**	**16,162,144**	**-**	**-**	**14,173,947**	**14,173,947**	**30,336,091**	**30,953,888**
Financial liabilities										
Amortised costs										
● Deposits from customers	-	-	-	-	-	-	5,196,927	5,196,927	5,196,927	8,319,682
● Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	1,683,104	1,683,104	1,683,104	1,683,104
● Collateral deposits received	-	-	-	-	-	-	15,918,384	15,918,384	15,918,384	16,941,590
● Derivative financial liabilities	-	785,695	-	785,695	-	-	-	-	785,695	785,695
● Other liabilities	-	-	-	-	-	-	127,496	127,496	127,496	127,496
	-	**785,695**	**-**	**785,695**	**-**	**-**	**22,925,911**	**22,925,911**	**23,711,606**	**27,857,567**

* Stated at gross.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Information (Contd)

31.03.2018	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total Fair Value	Carrying Amount
	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	RM'000	RM'000
Financial assets										
Fair Value through Profit or Loss										
● Derivative financial assets	-	2,179,032	-	2,179,032	-	-	-	-	2,179,032	2,179,032
Available-for-Sale Financial Assets										
● Financial assets available-for-sale	-	436,641	-	436,641	-	2,993	-	2,993	439,634	439,634
Amortised costs										
● Loans, advances and financing *	-	-	-	-	-	-	17,895,795	17,895,795	17,895,795	19,073,924
● Purchased receivables *	-	-	-	-	-	-	225,947	225,947	225,947	225,947
● Cash and short-term funds	-	-	-	-	-	-	5,915,504	5,915,504	5,915,504	5,915,504
● Deposits and placement with financial institutions	-	-	-	-	-	-	445,990	445,990	445,990	445,990
● Collateral deposits placed	-	-	-	-	-	-	359,350	359,350	359,350	359,350
● Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	5,776	5,776	5,776	5,776
● Other assets	-	-	-	-	-	-	16,388	16,388	16,388	16,388
	-	**2,615,673**	**-**	**2,615,673**	**-**	**2,993**	**24,864,750**	**24,867,743**	**27,483,416**	**28,661,545**
Financial liabilities										
Amortised costs										
● Deposits from customers	-	-	-	-	-	-	8,684,400	8,684,400	8,684,400	8,691,623
● Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	734,131	734,131	734,131	734,131
● Collateral deposits received	-	-	-	-	-	-	14,044,680	14,044,680	14,044,680	14,547,442
● Derivative financial liabilities	-	1,907,749	-	1,907,749	-	-	-	-	1,907,749	1,907,749
● Other liabilities	-	-	-	-	-	-	98,145	98,145	98,145	98,145
	-	**1,907,749**	**-**	**1,907,749**	**-**	**-**	**23,561,356**	**23,561,356**	**25,469,105**	**25,979,090**

* Stated at gross.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Information (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.

Financial assets at FVOCI

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.

Embedded loans

The estimated fair values of embedded loans are derived from both loans and derivatives. The outstanding balances for loans, advances and financing is derived from principal and accrued interest using effective interest rate. Fair values for embedded loans are derived using correlation, credit spread and discounted cash flow.

- *Correlation*
  Correlation is a measure of the extent to which two or more variables change in relation to each other. It may vary over time, and calculating correlation information from market data requires significant assumptions regarding the informational efficiency of the market.

- *Credit spread*
  Credit spread is a component of the security representing its credit quality. Credit spread reflects the market perception of changes in prepayment, delinquency and recovery rates, therefore capturing the impact of other variables on the fair value. Credit spread is used in combination with the interest rate curves to derive the cash flows of the loans.

- *Discounted cash flow*
  Fair value of loans are discounted using combination of credit spread of the instruments and interest rate term structure that is based on the US Treasury yields and Malaysia government bond yields.

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.

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 year (2018: 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.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Information (Contd)

Level 3 fair value (Contd)

Cash and short-term funds

For cash and short-term funds 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.

Deposits and placement with financial institutions

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.

Loans, advances and financing

The fair values of loans, advances and financing 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.

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.

Collateral deposits

The fair values of collateral deposits maturing within a short period of time are estimated to approximate their carrying amount. For those with maturity exceeding one year, fair values are estimated by discounting the estimated future cash flows based on the contracted maturity of the collateral deposits. The discount rates are based on the current market rates corresponding to the applicable maturity.

39. 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 RM '000	Gross Amount Offset in the Statement of Financial Position RM '000	Amount Presented in the Statement of Financial Position RM '000	Amount Not Set-off in the Statement of Financial Position		Net Amount RM '000
				Values of the Financial Instruments RM '000	Cash Collateral Received / Pledged RM '000	
31.03.2019						
Derivative financial assets						
Foreign exchange related contracts	743,021	-	743,021	(266,491)	(237,118)	239,412
Interest rate related contracts	45,194	-	45,194	(93,863)	(23,894)	(72,563)
Currency options	660	-	660	(90)	-	570
Premium yielder investments	6,463	-	6,463	(479)	-	5,984
	795,338	**-**	**795,338**	**(360,923)**	**(261,012)**	**173,403**
Derivative financial liabilities						
Foreign exchange related contracts	634,587	-	634,587	(266,491)	(211,429)	156,667
Interest rate related contracts	144,555	-	144,555	(93,863)	(68,046)	(17,354)
Currency options	570	-	570	(90)	-	480
Premium yielder investments	5,983	-	5,983	(479)	-	5,504
	785,695	**-**	**785,695**	**(360,923)**	**(279,475)**	**145,297**
31.03.2018						
Derivative financial assets						
Foreign exchange related contracts	1,966,566	-	1,966,566	(334,346)	(490,636)	1,141,584
Interest rate related contracts	120,340	-	120,340	(9,677)	(15,455)	95,208
Currency options	288	-	288	(429)	-	(141)
Premium yielder investments	91,838	-	91,838	-	-	91,838
	2,179,032	**-**	**2,179,032**	**(344,452)**	**(506,091)**	**1,328,489**
Derivative financial liabilities						
Foreign exchange related contracts	1,676,199	-	1,676,199	(334,346)	(355,434)	986,419
Interest rate related contracts	138,994	-	138,994	(9,677)	(3,916)	125,401
Currency options	718	-	718	(429)	-	289
Premium yielder investments	91,838	-	91,838	-	-	91,838
	1,907,749	**-**	**1,907,749**	**(344,452)**	**(359,350)**	**1,203,947**

40. THE OPERATIONS OF ISLAMIC BANKING

The financial statements as at 31 March 2019 and for the financial year ended on the date are summarised as follows:

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

		31.03.2019 RM'000	31.03.2018 RM'000
ASSETS			
Cash and short-term funds	(a)	34,000	26,500
Deposits and placements with financial institutions	(b)	1,139	4,692
Other assets		10	5
TOTAL ASSETS		**35,149**	**31,197**
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	3	3
Other liabilities	(d)	8,617	6,507
TOTAL LIABILITIES		**8,620**	**6,510**
CAPITAL FUND		25,000	25,000
RESERVE		1,529	(313)
ISLAMIC BANKING FUNDS		**26,529**	**24,687**
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		**35,149**	**31,197**
COMMITMENTS AND CONTINGENCIES	(e)	**5,400**	**-**

Islamic financing based on Commodity Murabahah (Tawarruq) of RM522,068,149 (2018: RM546,211,822) was financed under an internal Wakalah scheme and is reported at the entity level.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

		Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Income derived from investment of Islamic Banking capital funds	(f)	1,142	884
Other operating income	(g)	1,364	1,400
Total net income		2,506	2,284
Other operating expenses	(h)	(654)	(513)
Operating profit before allowance for impairment		1,852	1,771
Allowance for impairment on commitment and contingencies	(i)	(10)	-
Profit before tax		1,842	1,771
Tax expense		-	-
Profit for the year		**1,842**	**1,771**

40. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Capital Fund RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total RM'000
At 1 April 2017	25,000	(2,084)	22,916
Profit for the year	-	1,771	1,771
At 31 March 2018	**25,000**	**(313)**	**24,687**
At 1 April 2018	25,000	(313)	24,687
Profit for the year	-	1,842	1,842
At 31 March 2019	**25,000**	**1,529**	**26,529**

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Cash flows from operating activities		
Profit before tax	1,842	1,771
Operating profit before working capital changes	1,842	1,771
Increase/(Decrease) in operating liabilities:		
Deposits and placements with financial institutions	3,553	(3,532)
Other assets	(5)	-
Deposits from customers	-	3
Other liabilities	2,110	1,258
Net cash generated from operating activities	7,500	(500)
Net increase in cash and cash equivalents	7,500	(500)
Cash and cash equivalents at beginning of the year	26,500	27,000
Cash and cash equivalents at end of the year	**34,000**	**26,500**
Cash and cash equivalents at end of year	34,000	26,500

40. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

Shariah Committee

The Shariah Committee was established under BNM's "Shariah Governance Framework for Islamic Financial Institutions" (BNM/RH/GL_012_3) 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, Dr. Safinar binti Salleh and Dr. Noor Suhaida binti Kasri.

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 year ended 31 March 2019.

(a) Cash and short-term funds

	31.03.2019 RM'000	31.03.2018 RM'000
Cash and balances with banks and other financial institutions	34,000	26,500

(b) Deposits and placements with financial institutions

	31.03.2019 RM'000	31.03.2018 RM'000
Amortised cost		
Licensed bank		
● Malaysia	1,139	4,692
	1,139	**4,692**

(c) Deposits from customers

		31.03.2019 RM'000	31.03.2018 RM'000
(i)	**By type of deposits:**		
	Current accounts - Qard	3	3
(ii)	**By type of customer:**		
	Business enterprises	3	3

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

(d) Other liabilities

		31.03.2019 RM'000	31.03.2018 RM'000
Impairment allowances on commitment and contingencies			
Stage 2 - lifetime ECL not credit impaired	(i)	10	-
Accruals and provisions for operational expenses		8,607	6,507
		8,617	**6,507**

40. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

Basis of Preparation (Contd)

(d) Other liabilities (Contd)

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

	12 month ECL	Lifetime ECL		
		Not credit impaired	Credit impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2018				-
Effects of adopting MFRS9				-
At 1 April 2018, as restated	-	-	-	-
New financial assets originated	-	10	-	10
At 31 March 2019	**-**	**10**	**-**	**10**

(e) Commitments and contingencies

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

31.03.2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Contingent Liabilities				
Transaction related contingent items	5,400		2,700	2,700
	5,400		**2,700**	**2,700**

There are no commitments and contingencies exposures or related counterparty credit risk of the Islamic Banking for the financial year ended 31 March 2018.

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

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Money at call and placements with financial institutions	1,142	884

(g) Other operating income

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Other fee income	1,364	1,400

40. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

Basis of Preparation (Contd)

(h) Other operating expenses

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Personnel expenses	406	392
Other expenses	248	121
	654	**513**

Included in other operating expenses is the Shariah Committee's remuneration. The total remuneration of the Shariah Committee members are as follows:

	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Dr. Luqman bin Haji Abdullah	7	7
Assoc. Prof. Dr. Abdul Karim bin Ali	6	6
Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi	6	5
Dr. Safinar binti Salleh	6	6
Dr. Noor Suhaida binti Kasri	6	5
Dr. Mek Wok binti Mahmud	-	1
	31	**30**

(i) Allowance for impairment on commitment and contingencies

	Year ended 31.03.2019 RM'000
Stage 1 and 2 ECL made during the year	10
	10

40. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

Basis of Preparation (Contd)

(j) 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:

	31.03.2019	31.03.2018
Common equity Tier 1 ("CET 1") capital ratio	138.179%	294.770%
Tier 1 capital ratio	138.179%	294.770%
Total capital ratio	138.231%	294.770%

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

	31.03.2019 RM'000	31.03.2018 RM'000
CET 1 and Tier 1 capital		
• Capital fund	25,000	25,000
• Retained profits/(Accumulated losses)	1,529	(313)
	26,529	24,687
Tier 2 capital	10	-
Total capital	**26,539**	**24,687**

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

	31.03.2019 RM'000	31.03.2018 RM'000
Credit risk	2,700	-
Operational risk	16,499	8,375
	19,199	**8,375**

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.

40. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

Basis of Preparation (Contd)

(k) Liquidity risk

Maturity analysis

The table below summarises the maturity profile of the Islamic 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
31.03.2019						
Liabilities						
Deposits from customers	3	3	3	-	-	-
Other liabilities	8,617	8,617	8,617	-	-	-
	8,620	**8,620**	**8,620**	**-**	**-**	**-**
31.03.2018						
Liabilities						
Deposits from customers	3	3	3	-	-	-
Other liabilities	6,507	6,507	6,507	-	-	-
	6,510	**6,510**	**6,510**	**-**	**-**	**-**

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

31.03.2019	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
Assets							
Cash and short-term funds	34,000	-	-	-	-	-	34,000
Deposits and placements							
with financial institutions	-	-	-	-	-	1,139	1,139
Other assets	-	-	-	-	-	10	10
	34,000	**-**	**-**	**-**	**-**	**1,149**	**35,149**
Liabilities							
Deposits from customers	-	-	-	-	-	3	3
Other liabilities	-	-	-	-	-	8,617	8,617
	-	**-**	**-**	**-**	**-**	**8,620**	**8,620**
Commitment and							
contingencies	**-**	**-**	**-**	**-**	**5,400**	**-**	**5,400**

40. THE OPERATIONS OF ISLAMIC BANKING (CONTD)

Basis of Preparation (Contd)

(k) Liquidity risk (Contd)

Maturity analysis (Contd)

31.03.2018	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
Assets							
Cash and short-term funds	26,500	-	-	-	-	-	26,500
Deposits and placements with financial institutions	-	-	-	-	-	4,692	4,692
Other assets	-	-	-	-	-	5	5
	26,500	**-**	**-**	**-**	**-**	**4,697**	**31,197**
Liabilities							
Deposits from customers	-	-	-	-	-	3	3
Other liabilities	-	-	-	-	-	6,507	6,507
	-	**-**	**-**	**-**	**-**	**6,510**	**6,510**
Commitment and contingencies	-	-	-	-	-	-	-

41. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of MFRS 9 Financial Instruments (2014)

The Bank has adopted the requirements of MFRS 9 on 1 April 2018. MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting which have resulted in the following significant changes in accounting policies.

The changes in accounting policies have been applied retrospectively from 1 April 2018. In accordance with the transition requirements, comparatives are not restated. The significant changes to accounting policies are discussed and summarised below:

(i) Classification and measurement

The Bank classified financial assets into three primary measurement categories: Amortised Cost, Fair Value Through Profit or Loss and Fair Value Through Other Comprehensive Income. The basis of classification depends on the Bank's business model and contractual cash flow characteristics of the financial asset.

41. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of MFRS 9 Financial Instruments (2014) (Contd)

(i) Classification and measurement (Contd)

Financial assets

Financial assets are measured at amortised cost if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest. Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual cash flows represent solely payments of principal and interest. All other financial assets are classified and measured at FVTPL. On initial recognition of certain equity investments that are not held for trading, the Bank has irrevocably elected to present subsequent changes of fair value in OCI.

Financial liabilities

As MFRS 9 retains most of the MFRS 139 requirements, there is no change to the classification and measurement of the Bank's financial liabilities.

Impact as a result of MFRS 9 adoption

The unquoted equity instruments which are not held for trading and were previously classified as securities available-for-sale are now classified and measured at FVOCI.

Certain debt instruments which were previously classified as loans, advances and financing are redesignated and now measured at FVTPL.

The financial effects arising from the adoption of MFRS 9 are presented in Note 41(c).

(ii) Impairment

MFRS 9 introduces expected credit losses model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses whilst the incurred loss impairment model only requires recognition of credit losses incurred as at reporting date. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and certain loan commitments as well as financial guarantee contracts, which include loans, advances and financing and investment securities.

MFRS 9 does not distinguish between individual assessment and collective assessment. The Bank applies a three-stage approach to measure ECL on debt instruments accounted for at amortised cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: lifetime ECL - non-credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

Stage 3: lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

41. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of MFRS 9 Financial Instruments (2014) (Contd)

(ii) Impairment (Contd)

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

Impact as a result of MFRS 9 adoption

The total ECL allowances computed under MFRS 9 is lower than the total allowance for impairment on loans, advances and financing under MFRS 139, despite of a forward looking approach being adopted and more financial assets (MFRS 9 includes loan commitments and financial guarantee contracts) included for impairment and allowances assessment. This is contributed by a revision to Loss Given Default ("LGD") and recognition of certain debt instruments which were previously classifed as loans, advances and financing, now measured at FVTPL.

The financial effects arising from the adoption of MFRS 9 are presented in Note 41(c).

(b) BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions

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

The financial effects arising from the adoption of MFRS 9 are presented in Note 41(c).

41. CHANGES IN ACCOUNTING POLICIES

(c) Financial Effects Due to the Changes in Accounting Policies

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statement of financial position of the Bank:

Impact of adopting MFRS 9 as at 1 April 2018

	RM'000
Financial assets available-for-sale	
Closing balance under MFRS 139 at 31 March 2018	439,634
- Redesignation to financial assets at FVOCI	(439,634)
Opening balance under MFRS 9 at 1 April 2018	**-**
Financial assets at FVOCI	
Closing balance under MFRS 139 at 31 March 2018	-
- Redesignation from securities available-for-sale	439,634
- Unrealised gain on financial investments at FVOCI	22,188
Opening balance under MFRS 9 at 1 April 2018	**461,822**
Loans, advances and financing	
Closing balance under MFRS 139 at 31 March 2018	18,973,357
- Redesignation to financial assets at FVTPL	(11,832,503)
- Recognition of expected credit losses under MFRS 9 (Note 7)	82,879
Opening balance under MFRS 9 at 1 April 2018	**7,223,733**
Embedded loans measured at FVTPL	
Closing balance under MFRS 139 at 31 March 2018	-
- Redesignation from loans, advances and financing	11,832,503
- Reclassification from derivative financial assets	736,646
- Reclassification from derivative financial liabilities	(438,796)
- Unrealised gain on embedded loans	204,938
Opening balance under MFRS 9 at 1 April 2018	**12,335,291**
Purchased receivables	
Closing balance under MFRS 139 at 31 March 2018	225,762
- Recognition of expected credit losses under MFRS 9 (Note 9)	138
Opening balance under MFRS 9 at 1 April 2018	**225,900**

41. CHANGES IN ACCOUNTING POLICIES

(c) Financial Effects Due to the Changes in Accounting Policies (Contd)

Impact of adopting MFRS 9 as at 1 April 2018 (Contd)

	RM'000
Derivative financial assets	
Closing balance under MFRS 139 at 31 March 2018	2,179,032
- Reclassification to embedded loans measured at FVTPL	(736,646)
- Other adjustments	37,901
Opening balance under MFRS 9 at 1 April 2018	**1,480,287**
Deferred tax assets/(liabilities)	
Closing balance under MFRS 139 at 31 March 2018	1,293
- In respect of recognition of expected credit losses under MFRS 9	(54,588)
Opening balance under MFRS 9 at 1 April 2018	**(53,295)**
Derivative financial liabilities	
Closing balance under MFRS 139 at 31 March 2018	1,907,749
- Reclassification to embedded loans measured at FVTPL	(438,796)
- Other adjustments	37,901
Opening balance under MFRS 9 at 1 April 2018	**1,506,854**
Other liabilities	
Closing balance under MFRS 139 at 31 March 2018	98,145
- Recognition of expected credit losses under MFRS 9	1,288
Opening balance under MFRS 9 at 1 April 2018	**99,433**
Provision for tax	
Closing balance under MFRS 139 at 31 March 2018	8,437
- In respect of recognition of expected credit losses under MFRS 9	19,615
Opening balance under MFRS 9 at 1 April 2018	**28,052**
Regulatory reserves	
Closing balance under MFRS 139 at 31 March 2018	164,349
- Transfer to retained profits	(100,492)
Opening balance under MFRS 9 at 1 April 2018	**63,857**
Expected credit loss reserve	
Closing balance under MFRS 139 at 31 March 2018	-
- Recognition of expected credit losses under MFRS 9	323
Opening balance under MFRS 9 at 1 April 2018	**323**

41. CHANGES IN ACCOUNTING POLICIES

(c) Financial Effects Due to the Changes in Accounting Policies (Contd)

Impact of adopting MFRS 9 as at 1 April 2018 (Contd)

	RM'000
Fair value reserve	
Closing balance under MFRS 139 at 31 March 2018	1,656
- Unrealised gain on financial investments at FVOCI	22,188
Opening balance under MFRS 9 at 1 April 2018	**23,844**
Retained profits	
Closing balance under MFRS 139 at 31 March 2018	2,271,854
- Transfer from regulatory reserve	100,492
- Unrealised gain on embedded loans measured at FVTPL	204,938
- Recognition of expected credit losses under MFRS 9	81,406
- Tax effect arising from adoption of MFRS 9	(74,203)
Opening balance under MFRS 9 at 1 April 2018	**2,584,487**

The following table is a reconciliation of the impairment allowance from the closing balance as at 31 March 2018 in accordance with MFRS 139 to the ECL allowance opening balance as at 1 April 2018 in accordance with MFRS 9:

	At 31 March 2018 (MFRS 139) RM'000	ECL Impairment RM'000	Restated 1 April 2018 (MFRS 9) RM'000
Loans, advances and financing			
- Collective assessment/12 month ECL and lifetime			
non-credit impaired ECL	100,755	(83,231)	17,524
- Individual assessment/Lifetime credit impaired ECL	3,531	352	3,883
Purchased receivables			
- Collective assessment/12 month ECL and lifetime			
non-credit impaired ECL	185	(138)	47
Other liabilities	-	1,288	1,288
	104,471	**(81,729)**	**22,742**

41. CHANGES IN ACCOUNTING POLICIES

(c) Financial Effects Due to the Changes in Accounting Policies (Contd)

The financial effects due to the changes in accounting policies have been adjusted to the statement of financial position and capital adequacy ratios of the Bank as at 1 April 2018. There are no changes to the comparatives in the statement of profit or loss and statement of cash flows of the Bank. A reconciliation of these changes is summarised in the following tables:

Statement of financial position	At 31 March 2018 (MFRS 139) RM'000	Reclassification RM'000	Remeasurement RM'000	Tax impact RM'000	ECL impairment RM'000	Restated 1 April 2018 (MFRS 9) RM'000
Cash and short-term funds	5,915,504	-	-	-	-	5,915,504
Deposits and placements						
with financial institutions	445,990	-	-	-	-	445,990
Financial assets available-for-sale	439,634	(439,634)	-	-	-	-
Financial assets at FVOCI	-	439,634	22,188	-	-	461,822
Loans, advances and financing	18,973,357	(11,832,503)	-	-	82,879	7,223,733
Embedded loans measured at FVTPL	-	12,130,353	204,938	-	-	12,335,291
Purchased receivables	225,762	-	-	-	138	225,900
Derivative financial assets	2,179,032	(698,745)	-	-	-	1,480,287
Statutory deposits with Bank						
Negara Malaysia	5,776	-	-	-	-	5,776
Other assets	16,388	-	-	-	-	16,388
Collateral deposits placed	359,350	-	-	-	-	359,350
Property, plant and equipment	21,084	-	-	-	-	21,084
Intangible assets	36,415	-	-	-	-	36,415
Deferred tax assets	1,293	(1,293)	-	-	-	-
TOTAL ASSETS	**28,619,585**	**(402,188)**	**227,126**	**-**	**83,017**	**28,527,540**

41. CHANGES IN ACCOUNTING POLICIES

(c) Financial Effects Due to the Changes in Accounting Policies (Contd)

	At 31 March 2018 (MFRS 139) RM'000	Reclassification RM'000	Remeasurement RM'000	Tax impact RM'000	ECL impairment RM'000	Restated 1 April 2018 (MFRS 9) RM'000
Deposits from customers	8,691,623	-	-	-	-	8,691,623
Deposits and placements of banks and other financial institutions	734,131	-	-	-	-	734,131
Collateral deposits received	14,547,442	-	-	-	-	14,547,442
Derivative financial liabilities	1,907,749	(400,895)	-	-	-	1,506,854
Other liabilities	98,145	-	-	-	1,288	99,433
Deferred tax liabilities	-	(1,293)	-	54,588	-	53,295
Provision for tax	8,437	-	-	19,615	-	28,052
TOTAL LIABILITIES	**25,987,527**	**(402,188)**	**-**	**74,203**	**1,288**	**25,660,830**
SHARE CAPITAL	200,000	-	-	-	-	200,000
RESERVES	2,432,058	-	227,126	-	7,526	2,666,710
SHAREHOLDER'S FUNDS	**2,632,058**	**-**	**227,126**	**-**	**7,526**	**2,866,710**
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	**28,619,585**	**(402,188)**	**227,126**	**74,203**	**8,814**	**28,527,540**

	31 March 2018	Impact of MFRS 9	1 April 2018
Capital adequacy			
CET 1 capital	18.228%	2.087%	20.315%
Tier 1 capital	18.228%	2.087%	20.315%
Total capital	19.270%	1.645%	20.915%
Risk-weighted assets (RM'000)	13,326,301	227,126	13,553,427

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 YEAR ENDED 31 MARCH 2019

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 >

Takuma Matsuyama

Date : 4 June 2019

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 ("IAD") 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:

	31.03.2019		31.03.2018	
	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	11,530,367	922,429	11,110,990	888,878
Market Risk	1,596,710	127,737	1,376,771	110,142
Operational Risk	934,602	74,768	838,540	67,083
	14,061,679	**1,124,934**	**13,326,301**	**1,066,103**

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:

	31.03.2019 %	31.03.2018 %
Common equity Tier 1 ("CET 1") capital ratio	21.308	18.228
Tier 1 capital ratio	21.308	18.228
Total capital ratio	22.054	19.270

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

The minimum regulatory capital adequacy requirements including capital conservation buffer for the following capital ratios are:

CET 1 Capital	7.00	%
Tier 1 Capital	8.50	%
Total Capital	10.50	%

Please refer to Note 40(i) 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:

	31.03.2019 RM'000	31.03.2018 RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	2,818,571	2,271,854
• Other reserves	110,734	160,204
	3,129,305	2,632,058
Less: Deferred tax assets	-	(1,293)
Intangible assets	(27,307)	(36,415)
55% of fair value reserve	(12,716)	(911)
Regulatory reserve	(93,078)	(164,349)
	2,996,204	2,429,090
Tier 2 capital		
• Stage 1 and 2 ECL/Collective impairment allowance and regulatory reserve*	104,903	138,887
Total capital	**3,101,107**	**2,567,977**

* Excludes impairment allowance on collective assessment on impaired loans restricted from Tier 2 capital of the Bank of Nil (2018: RM260,000).

2. CAPITAL MANAGEMENT (CONTD)

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

	31.03.2019 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	4,298,143	4,298,143	151,365	12,109
	Public Sector Entities	-	-	-	-
	Banks, Development Financial Institutions & MDBs	2,901,673	2,901,610	681,081	54,486
	Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
	Corporates	21,954,927	6,415,216	6,594,398	527,553
	Regulatory Retail	2,000	2,000	2,000	160
	Residential Mortgages	14,755	14,755	6,986	559
	Equity Exposures	2,993	2,993	2,993	239
	Other Assets	529,360	529,360	525,950	42,076
	Defaulted Exposures	2,504	2,504	2,504	200
	Total On-Balance Sheet Exposures	29,706,355	14,166,581	7,967,277	637,382
	Off-Balance Sheet Exposures:				
	Credit-Related Exposures	595,423	595,423	537,204	42,976
	Securitisation Exposures	3,000	3,000	2,250	180
	Derivatives Financial Instruments	4,332,740	4,332,740	3,023,636	241,891
	Total Off-Balance Sheet Exposures	4,931,163	4,931,163	3,563,090	285,047
	Total On and Off-Balance Sheet Exposures	**34,637,518**	**19,097,744**	**11,530,367**	**922,429**
(ii)	**Large Exposure Risk Requirement**	-	-	-	-
(iii)	**Market Risk**	**Long Position**	**Short Position**		
	Interest Rate Risk	68,793,803	(68,496,307)	1,582,510	126,601
	Foreign Currency Risk	14,200	(4,652)	14,200	1,136
		68,808,003	**(68,500,959)**	**1,596,710**	**127,737**
(iv)	**Operational Risk**			**934,602**	**74,768**
	Total RWA and Capital Requirements	**34,637,518**	**19,097,744**	**14,061,679**	**1,124,934**

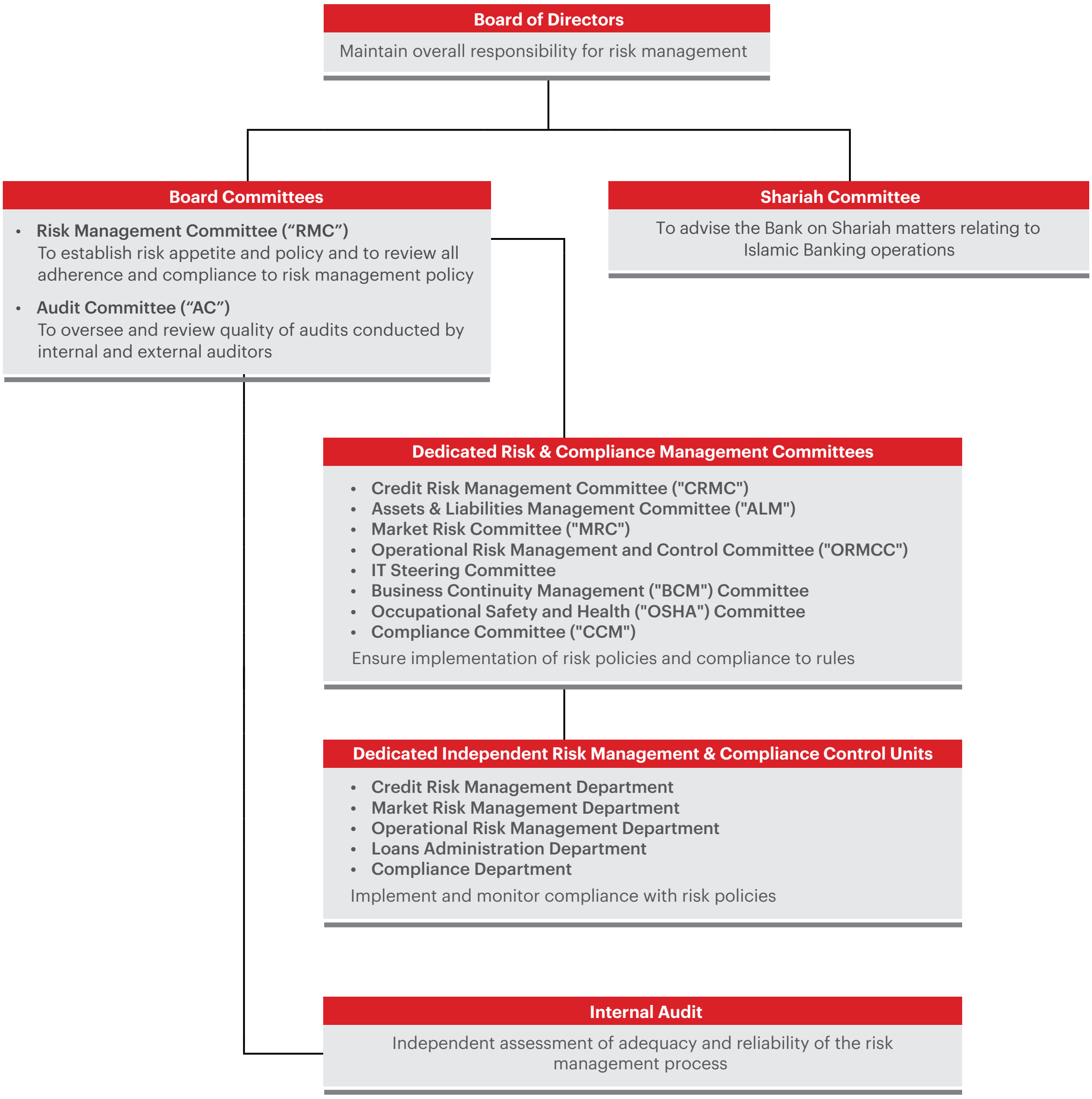
2. CAPITAL MANAGEMENT (CONTD)

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

31.03.2018 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			3,919,960	3,919,960	-	-
Public Sector Entities			10,778	10,778	2,156	172
Banks, Development Financial Institutions & MDBs			3,353,765	3,353,557	782,770	62,622
Insurance Cos, Securities Firms & Fund Managers			-	-	-	-
Corporates			18,908,306	5,976,923	6,141,167	491,293
Regulatory Retail			1,691	1,691	1,691	135
Residential Mortgages			14,117	14,117	6,418	513
Equity Exposures			2,993	2,993	2,993	239
Other Assets			342,385	342,385	339,277	27,142
Defaulted Exposures			2,837	2,837	2,671	214
Total On-Balance Sheet Exposures			26,556,832	13,625,241	7,279,143	582,330
Off-Balance Sheet Exposures:						
Credit-Related Exposures			502,010	502,010	412,984	33,039
Securitisation Exposures			3,000	3,000	2,250	180
Derivatives Financial Instruments			5,013,510	5,013,510	3,416,613	273,329
Total Off-Balance Sheet Exposures			5,518,520	5,518,520	3,831,847	306,548
Total On and Off-Balance Sheet Exposures			**32,075,352**	**19,143,761**	**11,110,990**	**888,878**
(ii) Large Exposure Risk Requirement			-	-	-	-
(iii) Market Risk	**Long Position**	**Short Position**				
Interest Rate Risk	67,523,173	(67,224,934)			1,292,546	103,404
Foreign Currency Risk	20,155	(84,225)			84,225	6,738
	67,543,328	**(67,309,159)**			**1,376,771**	**110,142**
(iv) Operational Risk					**838,540**	**67,083**
Total RWA and Capital Requirements			**32,075,352**	**19,143,761**	**13,326,301**	**1,066,103**

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 IAD 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 monitored and managed through Compliance Committee Meeting ("CCM"). These committees are responsible for overseeing the development and implementation of risk management policies to facilitate the managing and monitoring of risk exposures and portfolio composition. It is also to ensure that adequate infrastructure, resources and systems are put in place to support the risk management and compliance process.

The designated independent risk management control units provide crucial support to the RMC and are responsible for ensuring risk policies are implemented and complied with. They are also responsible for the identification, measurement, controling, monitoring and reporting 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 evaluation and measurement, risk control and mitigation, risk monitoring and reporting 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 arising from changes in both operating and regulatory environments.

The integrated risk management process follows four broad processes:

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 and processes

3. RISK MANAGEMENT FRAMEWORK (CONTD)

Internal Capital Adequacy Assessment Process ("ICAAP") (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 & 2 and other risks whereby the Bank's risk profile 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 reviewed annually to reflect the changes to its business plan, operating environment or other factors, guided by 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 internal capital trigger and target setting process.

The Bank's internal capital trigger and target are set to ensure that the Bank's capital level is resilent under stressed economic conditions, commensurate with the risk profile of the Bank and remains above regulatory requirements.

The Bank's capital adequacy ratio is being monitored through Risk Appetite Statement ("RAS") dashboard and is reported to the RMC and the Board on a quarterly basis.

Stress Testing/Reverse 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. Reverse stress testing ("RST") process was added to Bank's existing stress testing framework. The objective of RST is to identify a range of adverse scenarios and trigger points that could potentially threaten the viability of the Bank's business model, including solvency concern and liquidity crunch. The assessment covers the likelihood of such events that could materialise over a time horizon that enables the Bank to identify its potential vulnerabilities and fault lines in its business model.

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 trigger and target, as part of the sound capital management process under ICAAP, which are reported to RMC and the Board on a half-yearly 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. The department is also involved in post-implementation validation of borrower rating model which include the assessment of accuracy and discriminatory power of rating model.

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.

Credit risk management reports are regularly presented to both the CRMC and the RMC, containing information on trends across major portfolios, including credit exposure, quality of credit portfolios, 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:

31.03.2019	Cash and Short-Term Funds RM'000	Deposits and Placement with Financial Institutions RM'000	Financial Assets at FVOCI RM'000	Loans, Advances and Financing# RM'000	Embedded Loans Measured at FVTPL RM'000	Purchased Receivables# RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitment and Contingencies* RM'000
Agricultural	-	-	-	670,442	-	-	-	3,674	-	-	674,116	50,000
Manufacturing	-	-	-	1,759,531	6,629	-	-	21,529	-	-	1,787,689	204,775
Electricity, gas and water	-	-	-	380,390	905,754	29,903	-	7,917	-	-	1,323,964	3,880,539
Mining and quarrying	-	-	-	-	2,149,849	-	-	-	-	-	2,149,849	522,700
Construction	-	-	-	925,920	1,032,551	-	-	625	-	-	1,959,096	414,062
Wholesale and retail trade and restaurants and hotels	-	-	-	651,694	903,262	333	-	7,559	-	-	1,562,848	1,930,915
Transport, storage and communication	-	-	204,216	2,082,583	1,358,488	-	-	70,888	-	-	3,716,175	582,615
Finance, insurance and business services	2,046,375	184,250	23,985	1,088,940	8,119,429	404,328	143,022	683,146	-	-	12,693,475	1,280,313
Government and government agencies	3,264,700	768,135	201,260	-	-	-	-	-	87,648	-	4,321,743	-
Households	-	-	-	19,490	-	-	-	-	-	-	19,490	417
Others	-	256	1,534	-	10,331	-	-	-	-	-	12,121	4,500
	5,311,075	952,641	430,995	7,578,990	14,486,293	434,564	143,022	795,338	87,648	-	30,220,566	8,870,836
Other assets not subject to credit risk	3,411	-	-	-	449,518	-	-	-	-	277,155	730,084	-
	5,314,486	**952,641**	**430,995**	**7,578,990**	**14,935,811**	**434,564**	**143,022**	**795,338**	**87,648**	**277,155**	**30,950,650**	**8,870,836**

Stated at gross.

* Commitment and contingencies excluding derivative financial assets and embedded loans measured at FVTPL.

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

31.03.2018	Cash and Short-Term Funds RM'000	Deposits and Placement with Financial Institutions RM'000	Securities Available-for-Sale RM'000	Loans, Advances and Financing# RM'000	Purchased Receivables# RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitment and Contingencies* RM'000
Agricultural	-	-	-	844,874	-	-	11,664	-	-	856,538	78,797
Manufacturing	-	-	-	2,479,077	28,098	-	84,241	-	-	2,591,416	2,491,932
Electricity, gas and water	-	-	-	2,355,820	-	-	158,485	-	-	2,514,305	220,233
Mining and quarrying	-	-	-	42,547	-	-	-	-	-	42,547	159,961
Construction	-	-	-	2,280,481	-	-	210,379	-	-	2,490,860	186,857
Wholesale and retail trade and restaurants and hotels	-	-	-	946,816	-	-	63,324	-	-	1,010,140	1,403,220
Transport, storage and communication	-	-	193,502	2,601,652	-	-	146,014	-	-	2,941,168	261,630
Finance, insurance and business services	2,643,896	208	2,730	7,384,059	197,849	359,350	1,485,295	-	-	12,073,387	922,172
Government and government agencies	3,268,500	445,782	243,139	-	-	-	-	5,776	-	3,963,197	-
Households	-	-	-	18,526	-	-	-	-	-	18,526	1,437
Others	-	-	263	123,791	-	-	19,630	-	-	143,684	1,577
	5,912,396	445,990	439,634	19,077,643	225,947	359,350	2,179,032	5,776	-	28,645,768	5,727,816
Other assets not subject to credit risk	3,108	-	-	-	-	-	-	-	13,366	16,474	-
	5,915,504	**445,990**	**439,634**	**19,077,643**	**225,947**	**359,350**	**2,179,032**	**5,776**	**13,366**	**28,662,242**	**5,727,816**

Stated at gross.

* Commitment and contingencies excluding derivative financial assets.

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:

	31.03.2019		31.03.2018	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Cash and short-term funds	4,905,182	409,304	5,378,217	537,287
Deposits and placement with financial institutions	768,391	184,250	445,990	-
Financial assets available-for-sale	-	-	439,634	-
Financial assets at FVOCI	430,995	-	-	-
Loans, advances and financing	6,684,766	894,224	17,589,538	1,488,105
Embedded loans measured at FVTPL	14,935,811	-	-	-
Purchased receivables	16,019	418,545	206,825	19,122
Collateral deposits placed	143,022	-	359,350	-
Derivative financial assets	670,593	124,745	1,982,041	196,991
Statutory deposits with Bank Negara Malaysia	87,648	-	5,776	-
Other assets	351,065	-	75,180	-
On-Balance Sheet Exposures	28,993,492	2,031,068	26,482,551	2,241,505
Off-Balance Sheet Exposures	4,351,889	579,274	4,728,045	790,475
	33,345,381	**2,610,342**	**31,210,596**	**3,031,980**

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 54% (2018: 52%) of the Bank's exposures to customers is short-term, having contractual maturity of one year or less:

31.03.2019	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	No Specific Maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	4,864,700	221	-	-	-	449,565	5,314,486
Deposits and placement with financial institutions	941,075	-	-	-	-	11,566	952,641
Financial assets at FVOCI	-	-	120,670	284,805	-	25,520	430,995
Loans, advances and financing	2,665,584	648,028	672,113	2,462,902	1,130,286	-	7,578,913
Embedded loans measured at FVTPL	176,329	312,760	5,400,278	7,037,446	2,008,998	-	14,935,811
Purchased receivables	290,955	143,609	-	-	-	-	434,564
Collateral deposits placed	143,022	-	-	-	-	-	143,022
Derivative financial assets	20,362	79,212	98,677	420,017	177,070	-	795,338
Statutory deposits with Bank							
Negara Malaysia	-	-	-	-	-	87,648	87,648
Other assets	-	-	-	-	-	277,155	277,155
	9,102,027	**1,183,830**	**6,291,738**	**10,205,170**	**3,316,354**	**851,454**	**30,950,573**

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 54% (2018: 52%) of the Bank's exposures to customers is short-term, having contractual maturity of one year or less: (Contd)

31.03.2018	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	No Specific Maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	4,638,743	700,000	-	-	-	576,761	5,915,504
Deposits and placement with financial institutions	411,292	-	-	-	-	34,698	445,990
Financial assets available-for-sale	-	-	100,544	142,595	193,502	2,993	439,634
Loans, advances and financing	2,657,081	1,318,775	3,816,075	8,389,298	2,894,102	-	19,075,331
Embedded loans measured at FVTPL	-	-	-	-	-	-	-
Purchased receivables	87,378	137,551	1,018	-	-	-	225,947
Collateral deposits placed	359,350	-	-	-	-	-	359,350
Derivative financial assets	103,779	142,211	360,086	1,019,799	553,157	-	2,179,032
Statutory deposits with Bank							
Negara Malaysia	-	-	-	-	-	5,776	5,776
Other assets	3,489	-	-	-	-	9,877	13,366
	8,261,112	**2,298,537**	**4,277,723**	**9,551,692**	**3,640,761**	**630,105**	**28,659,930**

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. Apart from derivative financial instruments that 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. Market Risk Management Department ("MRMD") and Processing Department ("PRO") 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 RM8,163,000 for 31 March 2019 (2018: RM7,723,600).

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iv) Credit Rating Downgrade (Contd)

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

31.03.2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Contingent Liabilities				
Direct credit substitutes	2,275		2,274	1,137
Transaction related contingent items	1,014,310		505,980	448,340
Short-term self liquidating trade-related contingencies	213,504		42,700	43,307
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	221,392		44,272	44,272
• exceeding one year	417		197	148
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	7,403,938		-	-
Securitisation exposures	15,000		3,000	2,250
	8,870,836		598,423	539,454
Embedded Loans				
Foreign exchange related contracts				
• less than one year	1,260,365	21,671	49,782	37,134
• one year to less than five years	7,980,022	369,255	1,059,065	951,372
• five years and above	1,300,020	94,330	276,693	276,693
Interest rate related contracts				
• less than one year	75,000	70	145	145
• one year to less than five years	2,208,600	31,448	43,973	14,594
• five years and above	966,219	33,265	78,534	66,004
	13,790,226	550,039	1,508,192	1,345,942

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iv) Credit Rating Downgrade (Contd)

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

31.03.2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Derivative Financial Instruments				
Foreign exchange related contracts				
• less than one year	16,589,819	193,338	375,365	220,778
• one year to less than five years	8,776,387	388,461	1,207,140	708,720
• five years and above	3,567,042	161,222	659,862	466,298
Interest rate related contracts				
• less than one year	5,395,562	1,988	9,504	3,749
• one year to less than five years	15,748,884	27,357	262,554	128,260
• five years and above	4,137,435	15,849	235,282	132,078
Currency options *				
• less than one year	74,269	660	1,774	1,774
Premium yielder investments *				
• less than one year	903,007	2,264	28,053	7,034
• one year to less than five years	816,300	4,199	45,014	9,003
	56,008,705	795,338	2,824,548	1,677,694
	78,669,767	**1,345,377**	**4,931,163**	**3,563,090**

* Only buy legs are taken into account for counterparty credit risk purposes.

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iv) Credit Rating Downgrade (Contd)

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

31.03.2018	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Contingent Liabilities				
Direct credit substitutes	2,975		2,975	1,488
Transaction related contingent items	880,159		440,080	352,541
Short-term self liquidating trade-related contingencies	171,907		34,381	34,381
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• exceeding one year	49,147		24,574	24,574
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	4,608,628		-	-
Securitisation exposures	15,000		3,000	2,250
	5,727,816		505,010	415,234
Derivative Financial Instruments				
Foreign exchange related contracts				
• less than one year	10,929,703	603,734	787,873	449,635
• one year to less than five years	19,911,846	858,721	1,651,310	1,196,330
• five years and above	8,792,900	504,111	1,687,242	1,371,042
Interest rate related contracts				
• less than one year	8,619,594	2,055	9,878	3,152
• one year to less than five years	13,737,227	69,240	253,444	119,016
• five years and above	6,469,131	49,045	344,042	191,676
Currency options				
• less than one year	148,547	288	2,516	2,516
Premium yielder investments				
• one year to less than five years	3,089,440	91,838	277,205	83,246
	71,698,388	2,179,032	5,013,510	3,416,613
	77,426,204	**2,179,032**	**5,518,520**	**3,831,847**

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.

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:

	31.03.2019 RM'000	31.03.2018 RM'000
Traditional securitisation of third party exposures	15,000	15,000

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
31.03.2019				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	**3,000**	**2,250**	**180**
31.03.2018				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	**3,000**	**2,250**	**180**

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, the CRM that includes 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. For mortgage loans, the collateral in the form of residential property, is required to be insured at all times against the peril of fire and other associated risks. 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.

31.03.2019 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	4,298,143	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,901,673	63	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	21,954,927	896,643	14,643,068	-
Regulatory Retail	2,000	-	-	-
Residential Mortgages	14,755	-	-	-
Equity Exposures	2,993	-	-	-
Other Assets	529,360	-	-	-
Defaulted Exposures	2,504	-	-	-
Total On-Balance Sheet Exposures	29,706,355	896,706	14,643,068	-
Off-Balance Sheet Exposures:				
Credit-related exposures	595,423	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	4,332,740	-	-	-
Total Off-Balance Sheet Exposures	4,931,163	-	-	-
Total Credit Exposures	**34,637,518**	**896,706**	**14,643,068**	**-**

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

31.03.2018 **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	3,919,960	-	-	-
Public Sector Entities	10,778	-	-	-
Banks, Development Financial Institutions & MDBs	3,353,765	208	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	18,908,306	1,052,931	11,878,452	-
Regulatory Retail	1,691	-	-	-
Residential Mortgages	14,117	-	-	-
Equity Exposures	2,993	-	-	-
Other Assets	342,385	-	-	-
Defaulted Exposures	2,837	-	-	-
Total On-Balance Sheet Exposures	26,556,832	1,053,139	11,878,452	-
Off-Balance Sheet Exposures:				
Credit-related exposures	502,010	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	5,013,510	-	-	-
Total Off-Balance Sheet Exposures	5,518,520	-	-	-
Total Credit Exposures	**32,075,352**	**1,053,139**	**11,878,452**	**-**

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 issuer rating. Where there is 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)

31.03.2019	<---------------------- 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	4,298,143	-	-	-	-	-	-	4,298,143

	<--------------------------- 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	3,007,177	1,886,418	-	77,641	7,551	-	-	4,978,787

	<-------------- Ratings of Corporate by Approved ECAIs -------------->					
Credit Exposure	**1**	**2**	**3**	**4**	**Unrated**	**Total**
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	107,026	107,026
Corporates	1,170,743	10,437	-	-	23,517,573	24,698,753
Regulatory Retail	-	-	-	-	2,000	2,000
Residential Mortgages	-	-	-	-	17,456	17,456
Other Assets	-	-	-	-	529,360	529,360
Securitisation Exposure	-	-	-	-	3,000	3,000
Equity Exposure	-	-	-	-	2,993	2,993
	1,170,743	10,437	-	-	24,179,408	25,360,588

4. CREDIT RISK (CONTD)

Assignment of Risk Weights for Portfolios Under the Standardised Approach (Contd)

31.03.2018 Credit Exposure	<---- Ratings of Sovereign and Central Banks by Approved ECAIs ---->							Total
	1	2	3	4	5	6	Unrated	
On and Off Balance Sheet Exposures								
Sovereign/Central Banks	3,920,070	-	-	-	-	-	-	3,920,070

Credit Exposure	<---- Ratings of Banking Institutions by Approved ECAIs ---->							Total
	1	2	3	4	5	6	Unrated	
On and Off Balance Sheet Exposures								
Banks, Development Financial Institutions & MDBs	3,456,024	2,274,060	-	-	2,360	-	-	5,732,444

Credit Exposure	<---- Ratings of Corporate by Approved ECAIs ---->					Total
	1	2	3	4	Unrated	
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	10,778	10,778
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	23	23
Corporates	1,511,387	12,962	-	-	20,520,842	22,045,191
Regulatory Retail	-	-	-	-	1,691	1,691
Residential Mortgages	-	-	-	-	16,622	16,622
Other Assets	-	-	-	-	342,540	342,540
Securitisation Exposure	-	-	-	-	3,000	3,000
Equity Exposure	-	-	-	-	2,993	2,993
	1,511,387	12,962	-	-	20,898,489	22,422,838

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:

31.03.2019 Risk Weights	<-------- Exposures after Netting and Credit Risk Mitigation -------->										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, Development 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		
0%	3,541,318	-	90,956	-	-	-	-	-	-	3,411	3,635,685	-
20%	756,825	-	2,916,221	-	274,100	-	-	-	-	-	3,947,146	968,758
35%	-	-	-	-	-	-	9,232	-	-	-	9,232	3,231
50%	-	-	1,886,355	-	10,437	-	2,771	-	-	-	1,899,563	949,813
75%	-	-	-	-	-	-	2,314	3,000	-	-	5,314	3,985
100%	-	-	77,641	107,026	8,874,505	2,000	3,139	-	2,993	525,949	9,593,253	9,593,254
150%	-	-	7,551	-	-	-	-	-	-	-	7,551	11,326
Total Exposures	**4,298,143**	**-**	**4,978,724**	**107,026**	**9,159,042**	**2,000**	**17,456**	**3,000**	**2,993**	**529,360**	**19,097,744**	**11,530,367**
Risk-Weighted Assets by Exposures	151,365	-	1,615,420	107,026	9,113,873	2,000	9,491	2,250	2,993	525,949	11,530,367	
Average Risk Weight	4%	0%	32%	100%	100%	100%	54%	75%	100%	99%	60%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

Assignment of Risk Weights for Portfolios Under the Standardised Approach (Contd)

31.03.2018 Risk Weights	<---- Exposures after Netting and Credit Risk Mitigation ---->										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, Development 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		
0%	3,920,070	-	147,005	-	-	-	-	-	-	3,108	4,070,183	-
20%	-	10,778	3,309,020	-	458,456	-	-	-	-	-	3,778,254	966,237
35%	-	-	-	-	-	-	9,305	-	-	-	9,305	3,257
50%	-	-	2,273,852	-	12,962	-	2,320	-	-	-	2,289,134	1,144,671
75%	-	-	-	-	-	-	1,965	3,000	-	-	4,965	3,724
100%	-	-	-	23	8,642,389	1,691	3,032	-	2,993	339,432	8,989,560	8,989,561
150%	-	-	2,360	-	-	-	-	-	-	-	2,360	3,540
Total Exposures	**3,920,070**	**10,778**	**5,732,237**	**23**	**9,113,807**	**1,691**	**16,622**	**3,000**	**2,993**	**342,540**	**19,143,761**	**11,110,990**
Risk-Weighted Assets by Exposures	-	2,156	1,802,374	23	8,951,148	1,691	8,923	2,250	2,993	339,432	11,110,990	
Average Risk Weight	0%	20%	31%	100%	98%	100%	54%	75%	100%	99%	58%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans, Advances and Financing

The tables below present the gross loans, advances and financing analysed by credit quality:

	31.03.2019				31.03.2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Neither past due nor impaired					
Normal grades	5,520,136	1,999,864	-	7,520,000	18,913,167
Close watch	-	55,091	-	55,091	156,081
Past due but not impaired					
Normal grades	1,133	-	-	1,133	3,693
Close watch	-	2,034	-	2,034	-
Impaired *	-	-	732	732	4,702
	5,521,269	**2,056,989**	**732**	**7,578,990**	**19,077,643**

* Included in impaired loans, advances and financing are accounts that have been individually assessed of Nil (2018: RM3,863,000) of which allowance of stage 3 ECL/individual assessment of Nil (2018: RM3,531,000) including accrued interest was provided.

	31.03.2019	31.03.2018
Gross impaired loans as a percentage of gross loans, advances and financing	0.01%	0.02%

(a) Neither past due nor impaired

The credit quality of gross loans, advances and financing which are neither past due nor impaired is described in Note 37(b) to the financial statements.

(b) Past due but not impaired

Past due but not impaired loans, advances and financing 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, advances and financing of the Bank as at 31 March 2019 was 0.04% (2018: 0.02%).

The amount of past due but not impaired loans breakdown by economic sector is as follows:

	31.03.2019 RM'000	31.03.2018 RM'000
Household	1,133	3,693

The amount of past due but not impaired loans breakdown by geographical location is as follows:

	31.03.2019		31.03.2018	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Past due but not impaired	1,133	-	3,693	-

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans, Advances and Financing (Contd)

(c) Impaired Loans, Advances and Financing

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 37(b) to the financial statements.

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, advances and financing are set out in Note 7(i), the movements in impairment allowances are set out in Note 7(j) and the amount of impaired loans, advances and financing broken down by economic sector and geographical location are set out in Note 7(g) and Note 7(h) to the financial statement.

The amount of expected credit losses/allowance for individual and collective assessment by economic purpose is as follows:

	31.03.2019		31.03.2018	
	Stage 3 Expected Credit Loss RM'000	Stage 1 and 2 Expected Credit Loss RM'000	Individual Assessment RM'000	Collective Assessment RM'000
Agricultural, hunting, forestry and fishing	-	3	-	-
Mining and quarrying	-	-	-	12
Manufacturing	-	5,423	-	34,373
Electricity, gas and water	-	434	-	557
Construction	-	757	-	6,484
Wholesale and retail trade and restaurants and hotels	-	1,004	-	16,767
Transport, storage and communication	-	1,060	-	11,625
Finance, insurance, real estate and business services	-	1,478	3,531	30,122
Households	137	83	-	801
Others	-	-	-	14
	137	**10,242**	**3,531**	**100,755**

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans, Advances and Financing (Contd)

(c) Impaired Loans, Advances and Financing (Contd)

The charges for allowance for individual assessment/stage 3 expected credit losses during the year is as follows:

	Allowance for Individual Assessment 1 April 2018 RM'000	(Writeback)/ Allowance for the Year RM'000	Stage 3 Lifetime ECL Credit Impaired 31 March 2019 RM'000
Finance, insurance, real estate and business services	3,531	(3,531)	-
Household	-	137	137
	3,531	**(3,394)**	**137**

(d) The amount of allowance for expected credit losses/individual and collective assessment by geographical location and loans written off by economic sector are as per table below:

Impairment allowances by geographical location:

	31.03.2019 RM'000	31.03.2018 RM'000
Malaysia		
• Stage 1 - 12 month ECL	4,165	-
• Stage 2 - lifetime ECL not credit impaired	4,780	-
• Stage 3 - lifetime ECL credit impaired	137	-
	9,082	**-**
Other countries		
• Stage 1 - 12 month ECL	**1,297**	**-**

Impairment allowances by geographical location:

	31.03.2019 RM'000	31.03.2018 RM'000
Malaysia		
• Collective impairment allowance	-	92,973
• Individual impairment allowance	-	3,531
	-	**96,504**
Other countries		
• Collective impairment allowance	**-**	**7,782**

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans, Advances and Financing (Contd)

(d) The amount of allowance for expected credit losses/individual and collective assessment by geographical location and loans written off by economic sector are as per table below: (Contd)

Economic sector for loans written off:

	31.03.2019 RM'000	31.03.2018 RM'000
Finance, insurance, real estate and business services	3,800	-
Household	1	316
	3,801	**316**

Islamic Banking Business

	31.03.2019		31.03.2018	
	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	2,700	216	-	-

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
31.03.2019				
Interest rate risk - general interest rate risk	68,793,803	(68,496,307)	1,582,510	126,601
Foreign exchange risk	14,200	(4,652)	14,200	1,136
	68,808,003	**(68,500,959)**	**1,596,710**	**127,737**
31.03.2018				
Interest rate risk - general interest rate risk	67,523,173	(67,224,934)	1,292,546	103,404
Foreign exchange risk	20,155	(84,225)	84,225	6,738
	67,543,328	**(67,309,159)**	**1,376,771**	**110,142**

5. MARKET RISK (CONTD)

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.

The table in Note 37(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 2019, the Bank had an overall positive interest rate gap of RM5,491,000 (2018: RM5,592,000), 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:

	31.03.2019	31.03.2018
	Increase/(Decrease)	
Impact on earnings from 100 bps parallel shift (RM'000)		
MYR	48,134	36,133
USD	(9,400)	825
Others	(8,895)	(758)
Total	**29,839**	**36,200**
Impact on economic value from 100 bps parallel shift (RM'000)		
MYR	(16,262)	(19,883)
USD	(5,020)	(5,450)
Others	(4,605)	(3,335)
Total	**(25,887)**	**(28,668)**

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(a) Interest Rate Risk/Rate of Return in the Banking Book (Contd)

Sensitivity of Profit (Contd)

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.

(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 2019, the NOP of the Bank stood at RM9,547,588 (long position) (2018: RM64,070,627 (short position)).

The table in Note 37(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 2019, potential maximum loss computed for Scenario 1 to be RM90,981,000 (2018: RM80,293,000), Scenario 2 to be RM96,658,000 (2018: RM86,635,000) and Scenario 3 to be RM125,207,000 (2018: RM112,425,000).

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.

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(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 RM25,493,000 (2018: RM2,966,000) which are privately held for social economic purpose and is unquoted and stated at fair value through other comprehensive income and adjusted for impairment loss, if any.

Islamic Banking Business

There are no significant market risk exposures as at 31 March 2019 (2018: Nil).

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 2019, the Bank holds a sizeable balance of government securities amounting to RM201,260,000 (2018: RM243,139,000) or 49% (2018: 55%) 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.

6. LIQUIDITY RISK (CONTD)

Risk Management Approach (Contd)

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 2019, 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 2019 (2018: Nil).

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:

	31.03.2019		31.03.2018	
	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	934,602	74,768	838,540	67,083

7. OPERATIONAL RISK (CONTD)

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 Policies.

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"), Global Control Self Assessment ("GCSA"), Loss Event Data ("LED") and Key Risk Indicators ("KRI")};
- Descriptions of the RCSA/GCSA process (identify, assess, respond, monitor and report);
- Descriptions of the LED process (identify, assess, respond, monitor and report);
- Descriptions of the KRI process (identify, assess, respond, monitor and report); and
- The framework covers both Conventional and Shariah risks.

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.

7. OPERATIONAL RISK (CONTD)

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.

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.

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 Risk Management in Technology ("RMiT") practices based on regulatory requirement, 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.

7. OPERATIONAL RISK (CONTD)

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, operations volume, staff attrition, Shariah non-compliance, outsourcing activities and managing legal action taken against the Bank. The operational risk management reports are tabled to the Operational Risk Management and Control Committee Meeting ("ORMCC") on monthly basis and escalated to the Risk Management Committee Meeting ("RMC") on quarterly basis.

Islamic Banking Business

	31.03.2019		31.03.2018	
	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	16,499	1,320	8,375	670

8. PROFIT SHARING INVESTMENT ACCOUNTS

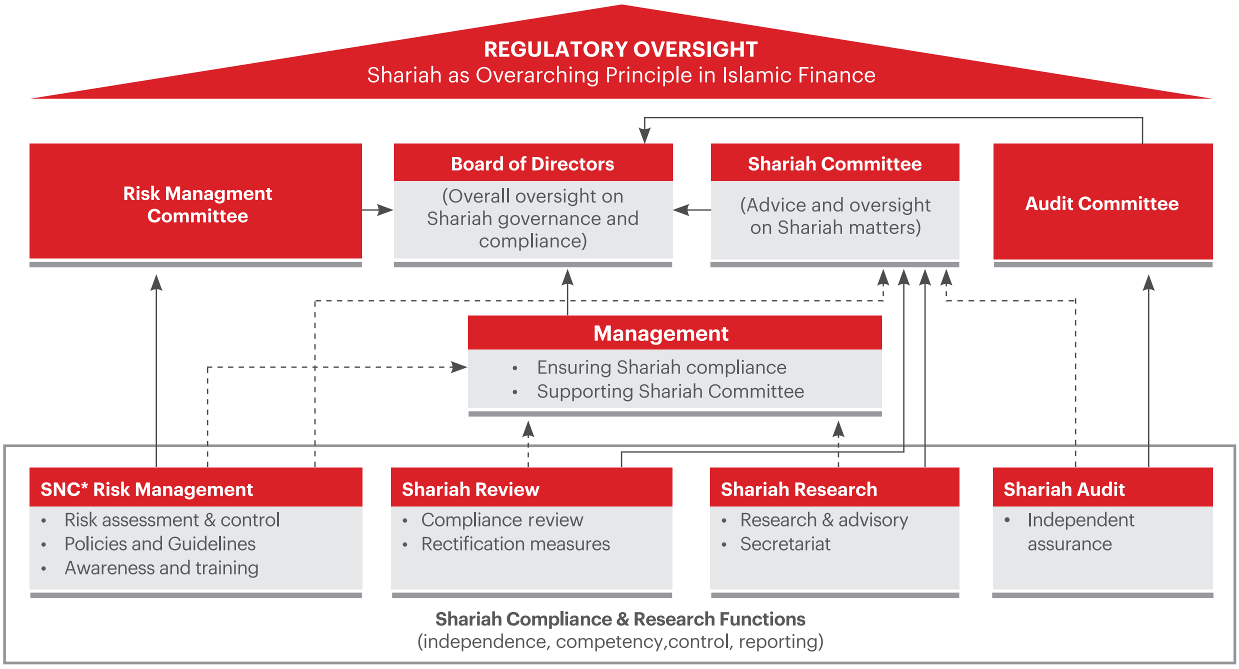
This disclosure is not applicable as the Islamic Banking business does not have any Profit Sharing Investment Accounts.

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:

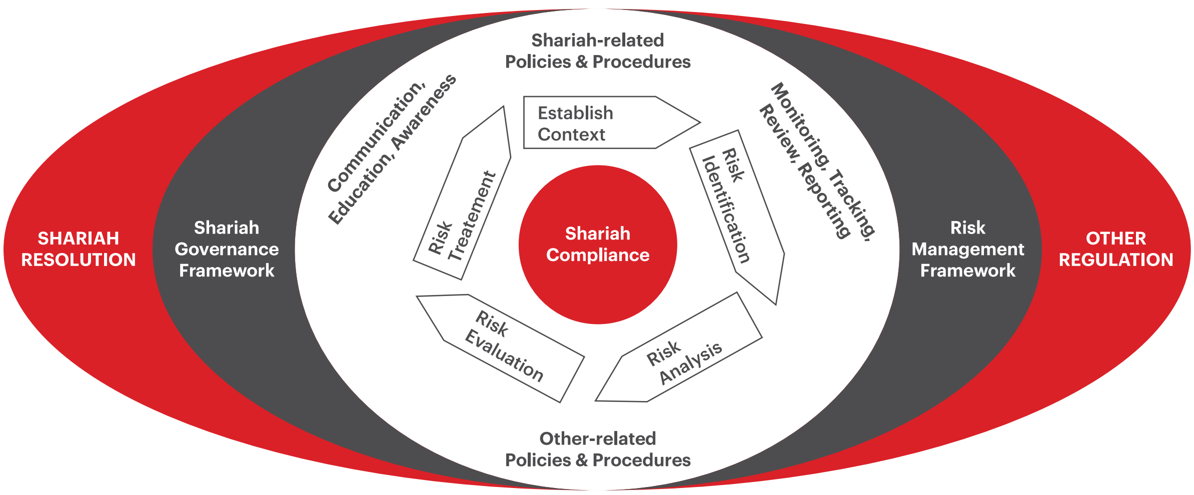


*SNC: Shariah Non-Compliance

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.

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:



9. SHARIAH GOVERNANCE (CONTD)

Managing Risk of Shariah Non-Compliance (Contd)

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 are beyond the Bank's control but may disrupt the Bank's operations or cause damage to the Bank.

Shariah Non-Compliance Event

For financial year ended 31 March 2019, no actual Shariah non-compliance event has been detected. As such, no Shariah non-compliant income or related income has been recorded for the year.

GLOBAL NETWORK

MUFG Bank (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 22, 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	Unit 1504, 15th Floor Exchange Square, Building No.19&20, Street 106, Village 2, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia, 12202	855-23-964-321
China	Beijing	MUFG Bank (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
	Shanghai	MUFG Bank (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
		MUFG Bank (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
		MUFG Bank (China), Ltd. Shanghai Pilot Free Trade Zone Sub-Branch	20F, AZIA Center, No.1233, Lujiazui Ring Road, Pudong New District, Shanghai 200120, People's Republic of China	86-21-6888-1666
	Dalian	MUFG Bank (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
		MUFG Bank (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
	Shenzhen	MUFG Bank (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

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
ASIA & OCEANIA				
China	Tianjin	MUFG Bank (China), Ltd. Tianjin Branch	21F Tianjin International Building, 75 Nanjing Road, Heping District, Tianjin 300050, People's Republic of China	86-22-2311-0088
	Wuxi	MUFG Bank (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	MUFG Bank (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
		MUFG Bank (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	MUFG Bank (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	MUFG Bank (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	MUFG Bank (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	MUFG Bank (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	MUFG Bank (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
		MUFG Bank (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	MUFG Bank (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
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	1st Floor Neemrana Central, CC-12, RIICO Industrial Area, Phase 1 Neemrana, Alwar, Rajasthan 301 705, India	91-14-9467-0800
	Bengaluru	Bengaluru Branch	N701, 7th Floor, World Trade Center Bangalore Brigade Gateway Campus, 26/1, Dr. Rajkumar Road, Malleswaram West, Bengaluru 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 Service Point	Befa Square Unit G-C Lantai G, Jl. Kalimantan, Kawasan Industri, MM2100, Desa Gandasari, Cikarang Barat, Bekasi, Jawa Barat 17842, 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, Tangerang, Banten 19110, Republic of Indonesia	62-21-5591-3600
		Cikampek Service Point	Sentra Niaga, Blok A-II/29 No. B7, Kota Bukit Indah	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, 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	Grha Indosurya, 3rd Floor, Jl. Asia Afrika 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	MUFG Bank (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 Branch	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	MUFG Bank (Malaysia) Berhad, Penang Branch	1827-G1, Jalan Perusahaan, Auto-City, 13600 Prai, Penang, Malaysia	60-4-503-6000
Japan	Tokyo	MUFG Bank, 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	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 PCL ("Krungsri"), Krungsri Ploenchit Tower	550 Ploenchit Road, Lumphini, Pathumwan, Bangkok 10330, Kingdom of Thailand	66-2-266-3011
		BOT Lease (Thailand) Co.,Ltd.	4th Floor, Harindhorn Tower, 54 North Sathorn Road, Bangrak, Bangkok 10500, Kingdom of Thailand	66-2-266-3060
		MUFG Participation (Thailand) Co.,Ltd.	898 Ploenchit Tower, 9th Floor Zone B1, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	66-2-263-0856
		MUFG Holding (Thailand) Co., Ltd.	898 Ploenchit Tower, 9th Floor Zone B1, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	66-2-263-0856
		Bangkok MUFG Limited	898 Ploenchit Tower, 9th Floor Zone B1, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	66-2-263-0856
		Bank of Ayudhya PCL ("Krungsri"), Head Office	1222 Rama III Road, Bang Phongphang, Yan Nawa, Bangkok 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	84-28-3823-1560
	Hanoi	Hanoi Branch	6th & 7th Floor, Pacific Place, 83B Ly Thuong Kiet Street, Hoan Kiem District, Hanoi, Socialist Republic of Vietnam	84-24-3946-0600
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	Canada 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 520, Montreal, Quebec, H3A 3J2, Canada	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	335 8th Avenue SW, Suite 1840, Calgary, Alberta, T2P 1C9, Canada	1-403-444-4970
U.S.A.	New York	New York Branch	1251 Avenue of the Americas, New York, NY 10020-1104, U.S.A.	1-212-782- 6800
		New York 1221 Building Branch	1221 Avenue of the Americas, New York, NY 10020, U.S.A.	1-212-782- 6800
		MUFG Union Bank, N.A.	Principal Executive Office 1251 Avenue of the Americas, New York, NY 10020, U.S.A.	1-212-782-6800
	Atlanta	Atlanta Corporate Banking Office	3475 Piedmont Road, NE, Atlanta, GA 30305 U.S.A.	1-404-577-2960
	Kentucky	Kentucky Corporate Banking Office	7300 Turfway Road, Suite 440, Florence, KY 41042, U.S.A.	1-859-568-1400
	San Francisco	San Francisco Corporate Banking Representative Office	350 California Street, San Francisco, CA 94104 U.S.A.	1-415-765-2050
		MUFG Union Bank, N.A.	Main Banking Office 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
	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, DC 20006-1161 U.S.A.	1-202-463-0477
Mexico	Mexico, D.F.	Representative Office in Mexico	Avenida Paseo de la Reforma No. 250, Piso 11 (Torre A), Colonia Juarez, Delegacion Cuauhtemoc, C.P. 06600, Mexico, Ciudad de Mexico	52-55-1102-8490
		MUFG Bank Mexico, S.A.	Avenida Paseo de la Reforma No. 250, Piso 11 (Torre A), Colonia Juarez, Delegacion Cuauhtemoc, C.P. 06600, Mexico, Ciudad de Mexico	52-55-1102-8300
	Leon	MUFG Bank 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
Latin America				
Argentina	Buenos Aires	Representative Office in Argentina	Av. Leandro N. Alem 855, 25th Floor, Buenos Aires City, Argentina	54-11-5531-1450
Brazil	Sao Paulo	Banco MUFG Brasil S.A.	Av. Paulista 1274, Bela Vista, Sao Paulo, SP, Brasil CEP 01310-925	55-11-3268-0211
Cayman	Grand Cayman	Cayman Branch	c/o MUFG Bank, Ltd., New York Branch	
Chile	Santiago	Representative Office in Chile	Avda. Mariano Sanchez Fontecilla 310, 7th Floor, Office 701-C, Las Condes, Santiago, Republic of Chile	56-2-2345-1000
Colombia	Bogota	Representative Office in Colombia	Carrera 7 No.71-21, Torre B Of. 507, Bogota, Republic of Colombia	57-1-325-9000
Peru	Lima	Representative Office in Peru	Av. Victor Andres Belaunde 214, Oficina 302 San Isidro, Lima, Peru	51-1-213-6900
Venezuela	Caracas	Representative Office in Venezuela	c/o MUFG Bank, Ltd., Representative Office in Colombia	-

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	MUFG Bank (Europe) N.V. Germany Branch Dusseldorf Branch	Breite Strasse 34, 40213 Dusseldorf, F.R. Germany (mailing address: 10 49 51, 40040 Dusseldorf, F.R.Germany)	49-211-36670
		MUFG Europe 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	MUFG Bank (Europe) N.V. Germany Branch Hamburg Office	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	MUFG Bank (Europe) N.V. Germany Branch, Munich Office	Nymphenburger Strasse 3c, 80335 Munich, F.R. Germany	49-89-225354
	Frankfurt	MUFG Bank (Europe) N.V. Germany Branch, Frankfurt Office	Junghofstrasse 24, 60311 Frankfurt am Main, F.R. Germany	49-69-7137490
	Berlin	MUFG Bank (Europe) N.V. Germany Branch Berlin Representative Office	Internationales Handelszentrum, 5th Floor, Friedrichstrasse 95, 10117 Berlin, F.R.Germany	49-30-2096-3037
Italy	Milano	Milano Branch	Via Filippo Turati, 9, 20121 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, Emilii Plater 53, Warsaw, Republic of Poland (mailing address: ul. Emilii 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	MUFG Bank (Europe) N.V Lisbon Representative Office	Avenida Engenheiro Duarte Pacheco, Amoreiras, Torre1, Poso4, Sala10, 1070-101, Lisboa, Portugal	351-21-351-4550
Russia	Moscow	AO MUFG Bank (Eurasia)	Building 2, Romanov per. 4, Moscow 125009, Russian Federation	7-495-225-8999
	Saint-Petersburg	AO MUFG Bank (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 MUFG Bank Vladivostok Sub-Branch	17 Okeanskiy Prospect, "Fresh Plaza", Vladivostok, 690091, Russian Federation	7-423-201-1995
Spain	Madrid	MUFG Bank (Europe) N.V. Spain Branch	Jose Ortega y Gasset 29, 3rd Floor, 28006, Madrid, Spain	34-91-432-8500
	Barcelona	MUFG Bank (Europe) N.V. Spain Branch, Barcelona Office	Paseo de Gracia, 56, 6-C, 08007 Barcelona, Spain	34-93-494-7450
United Kingdom	London	London Branch	Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN, United Kingdom (mailing address: P.O.Box 280, London EC2M 7DX, United Kingdom)	44-20-7577-1000
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
Saudi Arabia	Riyadh	Riyadh Branch	5th Floor, Building RD-01 Al-Raidah Digital City P.O. Box 66822, Riyadh 11586 The Kingdom of Saudi Arabia	+966-11-835-3900

GLOBAL NETWORK (Contd)

Country	City	Office/Affiliates	Address	Tel. No.
EUROPE, THE MIDDLE EAST & AFRICA				
The Middle East & Africa				
Turkey	Istanbul	MUFG Bank Turkey Anonim Sirketi	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