

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

**Company No : 199401016638 (302316-U)**

**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED  
31 DECEMBER 2019**

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

**Company No : 199401016638 (302316-U)**

**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED  
31 DECEMBER 2019**

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019**

	Note	2019 December RM'000	2019 March RM'000
<b>ASSETS</b>			
Cash and short-term funds	11	5,469,128	5,314,486
Deposits and placement with financial institutions	12	1,172,737	952,641
Financial assets held-for-trading		500,682	-
Financial assets at fair value through other comprehensive income	13	526,200	430,995
Loans, advances and financing	14	6,909,291	7,568,611
Embedded loans measured at fair value through profit or loss	15	14,294,813	14,935,811
Purchased receivables	16	1,004,868	434,516
Collateral deposits placed		183,238	143,022
Derivative financial assets	17	638,462	795,338
Statutory deposits with Bank Negara Malaysia		99,610	87,648
Other assets		41,958	280,530
Property, plant and equipment		21,033	18,436
Intangible assets		28,791	27,307
Rights-of-use assets		12,511	-
Current tax assets		2,450	24,792
<b>TOTAL ASSETS</b>		<u>30,905,771</u>	<u>31,014,133</u>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>			
Deposits from customers	18	8,359,064	8,319,682
Deposits and placements of banks and other financial institutions	19	2,502,470	1,683,104
Collateral deposits received		15,672,976	16,941,590
Derivative financial liabilities	17	841,062	785,695
Other liabilities	20	248,702	127,496
Lease liabilities		12,642	-
Deferred tax liabilities		-	27,261
<b>TOTAL LIABILITIES</b>		<u>27,636,916</u>	<u>27,884,828</u>
<b>SHARE CAPITAL</b>		200,000	200,000
<b>RESERVES</b>		<u>3,068,855</u>	<u>2,929,305</u>
<b>SHAREHOLDER'S FUNDS</b>		<u>3,268,855</u>	<u>3,129,305</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>		<u>30,905,771</u>	<u>31,014,133</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	21	<u>73,795,948</u>	<u>78,669,767</u>

**MUFG BANK (MALAYSIA) BERHAD**  
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 31 DECEMBER 2019**

Note	3rd Quarter Ended		Nine Months Ended	
	2019 December RM'000	2018 December RM'000	2019 December RM'000	2018 December RM'000
Operating revenue	107,868	169,240	335,861	377,783
Interest income	22 103,458	142,095	331,135	390,918
Interest expense	23 (56,492)	(69,241)	(161,540)	(184,731)
Net interest income	46,966	72,854	169,595	206,187
Net income from loans measured at FVTPL	24 7,535	58,270	28,754	43,939
Net income from Islamic Banking operations	401	(21)	1,034	839
Other operating income	25 52,965	38,180	136,479	126,861
Operating income	107,868	169,283	335,861	377,826
Other operating expenses	26 (37,157)	(46,288)	(116,280)	(128,176)
Profit before allowance for impairment on financial instruments	70,712	122,995	219,581	249,649
Allowance for impairment on financial instruments	27 (3,223)	(2,575)	(16,366)	12,332
Profit before tax	67,489	120,420	203,215	261,981
Tax expense	(39,675)	(18,468)	(68,925)	(64,419)
Profit for the period	27,814	101,952	134,290	197,562
<b>Other comprehensive income net of tax</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Foreign currency translation in respect of expected credit loss	2	-	2,058	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Change in fair value of financial assets at fair value through other comprehensive income	1,264	(600)	3,198	(930)
Change in expected credit loss reserve	-	-	4	-
Total comprehensive income for the period	29,080	101,352	139,550	196,632
Profit attributable to : Owner of the Bank	27,814	101,952	134,290	197,562
Total comprehensive income attributable to : Owner of the Bank	29,080	101,352	139,550	196,632
Basic earnings per share (sen)	13.9	51.0	67.1	98.8

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 DECEMBER 2019**

	Attributable to Shareholder of the Bank						Total RM'000
	Non-distributable			Distributable			
	Share capital RM'000	Regulatory reserve RM'000	Defined benefit reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	
<b>2019 December</b>							
At beginning of the period	200,000	93,078	(5,801)	337	23,120	2,818,571	3,129,305
Profit for the period	-	-	-	-	-	134,290	134,290
Other comprehensive income	-	-	-	4	3,198	2,058	5,260
Total comprehensive income	-	-	-	4	3,198	136,348	139,550
Exchange difference	-	-	-	-	-	-	-
At end of the period	200,000	93,078	(5,801)	341	26,318	2,954,919	3,268,855
<b>2018 December</b>							
At beginning of the period	200,000	164,349	(5,801)	-	1,656	2,271,854	2,632,058
- As previously stated	-	(101,152)	-	-	21,866	299,220	219,934
At beginning of the period, as restated	200,000	63,197	(5,801)	-	23,522	2,571,074	2,851,992
Profit for the period	-	-	-	-	-	197,562	197,562
Other comprehensive income	-	-	-	-	(930)	-	(930)
Total comprehensive income	-	-	-	-	(930)	197,562	196,632
Transfer from retained profits	-	64,570	-	-	-	(64,570)	-
At end of the period	200,000	127,767	(5,801)	-	22,592	2,704,067	3,048,625

**MUFG BANK (MALAYSIA) BERHAD**  
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**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2019**

	2019 December RM'000	2018 December RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before tax	203,215	261,981
Adjustments for:		
Loss/(Gain) on disposal of property, plant and equipment	193	(15)
Depreciation of property, plant and equipment	3,729	3,560
Depreciation of right-of-use assets	3,303	-
Amortisation of intangible assets	8,940	8,165
Provision for retirement benefits	3,078	3,112
Dividend income	(1,481)	(221)
Interest income from financial assets at fair value through other comprehensive income	(13,948)	(12,904)
Amortisation and accretion of financial assets at fair value through other comprehensive income	666	622
(Write back)/Allowance for impairment on financial instruments/loans, advances and financing	16,351	(11,776)
Writeback of provision for diminution in value of financial assets at fair value through other comprehensive income	-	(10)
Unrealised loss on changes in trading securities	51	-
Unrealised loss/(gain) on changes in fair value of derivative financial instruments	17,837	(28,356)
Unrealised (gain)/loss on changes in fair value of financial assets at fair value through profit or loss	58,568	17,355
Operating profit before changes in working capital	<u>300,501</u>	<u>241,513</u>
(Increase)/Decrease in operating assets:		
Financial assets at fair value through profit or loss	584,488	(2,373,156)
Financial assets at fair value through other comprehensive income	21,800	(14,166)
Loans, advances and financing	643,530	(3,710,254)
Collateral deposits placed	(40,216)	289,448
Purchased receivables	(570,861)	(370,919)
Derivative financial assets	126,536	631,725
Financial assets held-for-trading	185	-
Statutory deposits with Bank Negara Malaysia	(11,962)	(54,331)
Other assets	2,661	(599,375)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	39,382	13,765
Deposits and placements of banks and other financial institutions	819,366	(731,224)
Collateral deposits received	(1,268,614)	6,036,833
Derivative financial liabilities	67,870	(850,483)
Other liabilities	137,322	6,506
Cash generated from/(used in) operations	<u>851,987</u>	<u>(1,484,118)</u>
Income taxes paid	(73,851)	(63,881)
Payment of staff gratuities	(3,046)	(1,065)
Net cash generated from/(used in) operating activities	<u>775,090</u>	<u>(1,549,064)</u>

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**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2019 (CONTD.)**

	<b>2019 December</b> <b>RM'000</b>	<b>2018 December</b> <b>RM'000</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(6,411)	(1,451)
Purchase of intangible assets	(10,540)	(1,617)
Proceeds from sale of financial assets at fair value through other comprehensive income/available-for-sale	180,000	-
Proceeds from disposal of property, plant and equipment	8	15
Purchase of financial assets at fair value through other comprehensive income/available-for-sale	(271,754)	(29,835)
Proceeds from disposal of trading securities	785,811	-
Purchase of trading securities	(1,286,729)	-
Payment for lease liabilities	(3,549)	-
Dividend received	1,481	221
Interest income from financial assets at fair value through other comprehensive income/available-for-sale	(8,766)	13,296
Net cash generated from/(used in) investing activities	<u>(620,448)</u>	<u>(19,371)</u>
<b>Net increase in cash and cash equivalents</b>	<b>154,642</b>	<b>(1,568,435)</b>
<b>Cash and cash equivalents at beginning of quarter</b>	<u><b>5,314,486</b></u>	<u><b>5,915,504</b></u>
<b>Cash and cash equivalents at end of quarter</b>	<u><b>5,469,128</b></u>	<u><b>4,347,069</b></u>

**MUFG BANK (MALAYSIA) BERHAD**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED 31 DECEMBER 2019**

**1 BASIS OF PREPARATION**

The unaudited condensed interim financial report for the quarter ended 31 December 2019 have been prepared under the historical cost convention except for financial assets at fair value through other comprehensive income, loans, advances and financing at fair value through profit or loss, embedded loans measured at fair value through profit or loss and derivative financial instruments which are stated at fair value.

The unaudited condensed interim financial report have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standard Board ("MASB") and Bank Negara Malaysia's Guidelines on Financial Reporting. The unaudited interim financial report should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2019. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 March 2019.

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.
- 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*.



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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE QUARTER ENDED 31 DECEMBER 2019 (CONTD.)**

**1 BASIS OF PREPARATION (CONTD)**

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.

The financial impact is disclosed under Note 30.

**2 AUDIT REPORT**

The audit report on the audited financial statements for the financial year ended 31 March 2019 was not subject to any qualification.

**3 SEASONAL OR CYCLICAL FACTORS**

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

**4 EXCEPTIONAL OR EXTRAORDINARY ITEMS**

There were no exceptional or extraordinary items for the financial period ended 31 December 2019.

**5 CHANGES IN ESTIMATES**

There were no significant changes in estimates of amounts reported in prior financial years that have a material effects on the financial results and position of the Bank for the financial period ended 31 December 2019, other than the estimates arising from the adoption of MFRS 16.

**6 CHANGES IN DEBT AND EQUITY SECURITIES**

There were no issuance and repayment of debt and equity securities during the financial period ended 31 December 2019.

**7 DIVIDEND PAID**

No dividend was paid during the financial period ended 31 December 2019.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
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**8 SUBSEQUENT EVENTS**

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

**9 REVIEW OF PERFORMANCE**

The Bank's profit before taxation for the financial period ended 31 December 2019 was RM203.2 million, a decrease of 23% or RM59 million compared to the corresponding period last year. Operating income decreased by RM41.9 million from RM377.8 million to RM335.8 million whilst operating expenses lower by RM11.8 million mainly attributed to lower collateral deposit fees during the financial period.

Total assets increased marginally from RM31.0 billion to RM30.9 billion compared to 31 March 2019. The Bank's CET 1/Tier 1 capital ratio and total capital ratio remained strong at 21.72% and 22.55% respectively.

**10 PROSPECTS**

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.

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**11 CASH AND SHORT-TERM FUNDS**

	2019 December RM'000	2019 March RM'000
<i>At amortised cost</i>		
Cash and balances with banks and other financial institutions	370,228	53,319
Money at call and deposit placements maturing within three months	5,098,900	5,261,167
	<u>5,469,128</u>	<u>5,314,486</u>

**12 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	2019 December RM'000	2019 March RM'000
<i>At amortised cost</i>		
Licensed bank		
• Malaysia	1,172,737	768,391
• Other countries	-	184,250
	<u>1,172,737</u>	<u>952,641</u>

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

	2019 December RM'000	2019 March RM'000
<b>Money market instruments</b>		
• Malaysian Government Securities	292,972	201,260
• Sukuk	205,372	204,215
	<u>498,344</u>	<u>405,475</u>
<b>Non-money market instruments:</b>		
Unquoted bonds	27	27
Unquoted shares	27,829	25,493
	<u>27,856</u>	<u>25,520</u>
<b>Total</b>	<u>526,200</u>	<u>430,995</u>

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

	2019 December RM'000	2019 March RM'000
<b>12-Month ECL Stage 1</b>		
At 1 April	337	-
Effects of adopting MFRS 9	-	323
At 1 April, as restated	337	323
Allowance made/(written back) due to changes in credit risk	6	18
Deferred tax impact	-	(4)
At 31 December/31 March	<u>343</u>	<u>337</u>

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

	<b>2019 December RM'000</b>	<b>2019 March RM'000</b>
<b>(a) By type:</b>		
<i>At amortised cost</i>		
Overdrafts	9,317	9,109
Term loans		
• Housing loans	11,083	11,561
• Other term loans	3,736,594	3,813,578
Revolving credits	3,007,727	3,601,109
Bills receivable	83,305	132,624
Claims on customers under acceptance credits	8,693	3,234
Staff loans	7,136	7,929
	<u>6,863,855</u>	<u>7,579,144</u>
Unearned interest	(384)	(154)
Gross loans, advances and financing	<u>6,863,471</u>	<u>7,578,990</u>
Impairment allowances on loans, advances and financing		
• Stage 1 - 12 month ECL	(12,478)	(5,461)
• Stage 2 - lifetime ECL not credit impaired	(7,273)	(4,781)
• Stage 3 - lifetime ECL credit impaired	(6,485)	(137)
Net loans, advances and financing	<u>6,837,235</u>	<u>7,568,611</u>
<i>At fair value</i>		
Other term loans	72,056	-
Total net loans, advances and financing at amortised cost	<u>6,909,291</u>	<u>7,568,611</u>
Total gross loans, advances and financing		
- <i>At amortised cost</i>	6,863,471	7,578,990
- <i>At fair value</i>	72,056	-
	<u>6,935,527</u>	<u>7,578,990</u>
<b>(b) By maturity structure:</b>		
Maturing within one year	3,437,783	3,985,803
More than one year to three years	1,427,086	463,877
More than three years to five years	989,279	1,999,024
More than five years	1,081,379	1,130,286
	<u>6,935,527</u>	<u>7,578,990</u>
<b>(c) By type of customer:</b>		
Domestic financial institutions	-	-
Domestic non-bank financial institutions	611,743	788,016
Domestic business enterprises	-	-
• Small medium enterprises	425,307	1,916,743
• Others	4,289,419	3,271,693
Individuals	17,865	19,062
Foreign entities	1,591,193	1,583,476
	<u>6,935,527</u>	<u>7,578,990</u>
<b>(d) By interest rate sensitivity:</b>		
Fixed rate		
• Staff loans	4,487	5,263
Variable rates	6,931,040	7,573,727
	<u>6,935,527</u>	<u>7,578,990</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
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**14 LOANS, ADVANCES AND FINANCING (CONTD.)**

	2019 December RM'000	2019 March RM'000
<b>(e) By economic sector:</b>		
Agricultural, hunting, forestry and fishing	625,590	670,442
Mining and quarrying	158,313	-
Manufacturing	1,696,681	1,759,531
Electricity, gas and water	1,083,764	380,390
Construction	281,525	925,920
Wholesale and retail trade and restaurants and hotels	478,024	651,694
Transport, storage and communication	1,578,034	2,082,583
Finance, insurance, real estate and business services	1,015,377	1,088,940
Households	18,219	19,490
Others	-	-
	<u>6,935,527</u>	<u>7,578,990</u>
<b>(f) By geographical location:</b>		
Malaysia	5,344,687	6,684,766
Other countries	1,590,840	894,224
	<u>6,935,527</u>	<u>7,578,990</u>
<b>(g) Movements in impaired loans, advances and financing are as follows:</b>		
At beginning of the period	732	4,702
Impaired during the period	93,632	1,241
Amount recovered	(33)	(35)
Reclassified as non-impaired	(25,018)	(1,350)
Amount written off	(35)	(3,826)
At end of the period	<u>69,278</u>	<u>732</u>
<b>(h) Credit-impaired loans by economic sector is as follows:</b>		
Household	702	732
Manufacturing	59,556	-
Construction	9,020	-
	<u>69,278</u>	<u>732</u>
<b>(i) Credit-impaired loans by geographical location is as follows:</b>		
Malaysia	<u>69,278</u>	<u>732</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
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**14 LOANS, ADVANCES AND FINANCING (CONTD.)**

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

	Lifetime ECL			Total RM'000
	12 month ECL	Not credit impaired	Credit impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>At 1 April 2019</b>	5,461	4,781	137	10,379
Transfer to 12-Month ECL (Stage 1)	96	(119)	-	(23)
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(2)	-	-	(2)
New financial assets originated	6,068	7,272	6,248	19,588
Financial assets derecognised (other than write-off)	(1,951)	(4,661)	(28)	(6,640)
Net remeasurement due to changes in credit risk	2,806	-	128	2,934
<b>At 31 December 2019</b>	<u>12,478</u>	<u>7,273</u>	<u>6,485</u>	<u>26,236</u>
<b>At 1 April 2018</b>				104,286
Effects of adopting MFRS 9				(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 not credit impaired (Stage 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)
<b>At 31 March 2018</b>	<u>5,461</u>	<u>4,781</u>	<u>137</u>	<u>10,379</u>

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

	<b>2019 December RM'000</b>	<b>2019 March RM'000</b>
<i>At fair value</i>		
Embedded loans	<u>14,294,813</u>	<u>14,935,811</u>
<p>Embedded loans included RM13,811,692,000 (2019 March: RM14,486,293,000) of outstanding balance for loans, advances and financing, and fair value for loans and derivatives of RM554,493,000 (2019 March: RM449,518,000).</p>		
<b>(a) By maturity structure:</b>		
Maturing within one year	3,216,391	5,889,367
More than one year to three years	4,578,816	5,231,756
More than three years to five years	5,478,623	1,805,690
More than five years	1,020,983	2,008,998
	<u>14,294,813</u>	<u>14,935,811</u>
<b>(b) By type of customer:</b>		
Domestic financial institutions		
Domestic non-bank financial institutions	7,782,494	6,922,232
Domestic business enterprises		
- Small medium enterprises	14,571	587,372
- Others	6,497,748	7,426,207
Individuals	-	-
Foreign entities	-	-
	<u>14,294,813</u>	<u>14,935,811</u>
<b>(c) By interest rate sensitivity:</b>		
Variable rates	<u>14,294,813</u>	<u>14,935,811</u>
<b>(d) By economic sector:</b>		
Agricultural, hunting, forestry and fishing	-	-
Mining and quarrying	3,631	5,181
Manufacturing	917,265	933,211
Electricity, gas and water	2,037,244	2,208,030
Construction	899,207	1,133,790
Wholesale and retail trade and restaurants and hotels	940,129	961,117
Transport, storage and communication	334,724	1,387,690
Finance, insurance, real estate and business services	9,147,135	8,295,606
Households	-	-
Others	15,478	11,186
	<u>14,294,813</u>	<u>14,935,811</u>
<b>(e) By geographical location:</b>		
Malaysia	14,294,813	14,935,811
Oversea	-	-
	<u>14,294,813</u>	<u>14,935,811</u>

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**16 PURCHASED RECEIVABLES**

	2019 December RM'000	2019 March RM'000
<i>At amortised cost</i>		
Purchased receivables	1,005,425	434,564
Impairment allowances on purchased receivables		
Stage 1 - 12 month ECL	(417)	(44)
Stage 2 - lifetime ECL not credit impaired	(140)	(4)
	1,004,868	434,516

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 RM965,095,000 (2019 March: RM404,328,000).

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

	12 month ECL	Lifetime ECL		Total RM'000
	Stage 1 RM'000	Not credit impaired Stage 2 RM'000	Credit impaired Stage 3 RM'000	
<b>At 1 April 2019</b>	44	4	-	48
Transfer to 12-Month ECL (Stage 1)	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
New financial assets originated	417	140	-	557
Financial assets derecognised (other than write-off)	(44)	(4)	-	(48)
Net remeasurement due to changes in credit risk	-	-	-	-
<b>At 31 December 2019</b>	417	140	-	557
<b>At 1 April 2018</b>				185
Effects of changes in accounting policies At 1 April 2018, as restated	-	47	-	(138)
Transfer to 12-Month ECL (Stage 1)	-	-	-	47
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
New financial assets originated	44	4	-	48
Financial assets derecognised (other than write-off)	-	(47)	-	(47)
Net remeasurement due to changes in credit risk	-	-	-	-
<b>At 31 March 2019</b>	44	4	-	48



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**17 DERIVATIVE FINANCIAL ASSETS/LIABILITIES**

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

	2019 December			2019 March		
	Notional Amount RM'000	Fair Value		Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<i>At fair value</i>						
Trading derivatives*						
Foreign exchange related contracts						
Forwards	7,631,706	46,703	55,607	10,870,314	56,071	44,508
Swaps	17,390,279	530,287	601,549	18,062,934	686,950	590,079
Interest rate related contracts						
Swaps	24,159,040	60,422	182,500	25,281,881	45,194	144,555
Other derivatives						
Currency options	57,353	261	-	148,538	660	570
Premium yielder investments	1,694,553	789	1,406	3,351,907	6,463	5,983
	<u>50,932,931</u>	<u>638,462</u>	<u>841,062</u>	<u>57,715,574</u>	<u>795,338</u>	<u>785,695</u>

\* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM38,254,000 (2019 March: RM41,182,000) and RM76,905,000 (2019 March: RM98,798,000)

**18 DEPOSITS FROM CUSTOMERS**

	2019 December RM'000	2019 March RM'000
<i>At amortised cost</i>		
Demand deposits	3,502,413	3,122,530
Money market deposits	1,467,436	1,357,623
Savings deposits	4,365	16,909
Fixed deposits	<u>3,384,850</u>	<u>3,822,620</u>
	<u>8,359,064</u>	<u>8,319,682</u>

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

Due within six months	3,335,446	3,770,781
Six months to one year	48,034	44,332
Above one year	1,370	7,507
	<u>3,384,850</u>	<u>3,822,620</u>

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

Business enterprises	8,348,528	8,252,850
Individuals	10,536	66,832
	<u>8,359,064</u>	<u>8,319,682</u>

**19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	2019 December RM'000	2019 March RM'000
<i>At amortised cost</i>		
Licensed banks	<u>2,502,470</u>	<u>1,683,104</u>

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**20 OTHER LIABILITIES**

	2019 December RM'000	2019 March RM'000
Provision for retirement benefits	29,159	29,129
Impairment allowances on commitment and contingencies (a)		
Stage 1 - 12 month ECL	910	113
Stage 2 - lifetime ECL not credit impaired	212	1,081
Stage 3 - lifetime ECL credit impaired	122	-
Accrued interest payable	11,659	18,461
Bills payable	168,279	16,020
Other payables and accruals	38,361	62,692
	<u>248,702</u>	<u>127,496</u>

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

	12 month ECL Stage 1 RM'000	Lifetime ECL Not credit Stage 2 RM'000	Lifetime ECL Credit impaired Stage 3 RM'000	Total RM'000
<b>At 1 April 2019</b>	113	1,081	-	1,194
Transfer to 12-Month ECL (Stage 1)	174	(689)	-	(515)
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
New financial assets originated	645	83	122	850
Financial assets derecognised (other than write-off)	(33)	(166)	-	(199)
Net remeasurement due to changes in credit risk	11	(96)	-	(86)
<b>At 31 December 2019</b>	<u>910</u>	<u>212</u>	<u>122</u>	<u>1,244</u>
<b>At 1 April 2018</b>				-
Effects of adopting MFRS 9				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)
Amount written off	-	-	-	-
<b>At 31 March 2018</b>	<u>113</u>	<u>1,081</u>	<u>-</u>	<u>1,194</u>

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**21 COMMITMENTS AND CONTINGENCIES**

	2019 December			2019 March				
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
<b>Credit-related Exposures</b>								
Direct credit substitutes	2,275		2,273	1,137	2,275		2,274	1,137
Transaction-related contingent items	858,453		428,332	376,231	1,014,310		505,980	448,340
Short-term self-liquidating trade-related contingencies	238,797		47,722	40,687	213,504		42,700	43,307
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:								
- not exceeding one year	230,586		45,809	45,809	221,392		44,272	44,272
- exceeding one year	49		24	18	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	8,012,385		3,000	-	7,403,938		3,000	2,250
Securitisation exposures	15,000		527,160	466,132	15,000		598,423	539,454
	9,357,545				8,870,836			
<b>Embedded loans</b>								
Foreign exchange related contracts								
- less than one year	1,480,732	49,246	72,854	67,734	1,260,365	21,671	49,782	37,134
- one year to less than five years	8,273,627	425,807	1,097,572	734,747	7,980,022	369,255	1,059,065	951,372
- five years and above	698,498	49,737	135,593	135,593	1,300,020	94,330	276,693	276,693
Interest rate related contracts								
- less than one year	1,712,200	3,994	4,069	974	75,000	70	145	145
- one year to less than five years	1,412,634	47,381	86,287	30,972	2,208,600	31,448	43,973	14,594
- five years and above	803,735	29,216	70,688	23,009	966,219	33,265	78,534	66,004
	14,381,425	605,582	1,467,064	993,030	13,790,226	550,039	1,508,192	1,345,942
<b>Derivative Financial Instruments:</b>								
Foreign exchange related contracts								
- less than one year	14,148,348	175,311	333,376	204,652	16,589,819	193,338	375,365	220,778
- one year to less than five years	8,515,034	267,381	1,146,978	689,662	8,776,387	388,461	1,207,140	708,720
- five years and above	2,358,603	134,097	484,620	357,868	3,567,042	161,222	659,862	466,298
Interest rate related contracts								
- less than one year	5,962,564	1,718	8,357	4,085	5,395,562	1,988	9,504	3,749
- one year to less than five years	14,830,661	24,375	254,338	129,692	15,748,884	27,357	262,554	128,260
- five years and above	3,365,815	34,330	225,333	124,771	4,137,435	15,849	235,282	132,078
Currency options								
- less than one year	57,353	261	1,121	1,121	74,269	660	1,774	1,774
- one year to less than five years	-	-	-	-	-	-	-	-
Premium yielder investments	818,600	789	13,068	2,614	903,007	2,264	28,053	7,034
- less than one year	-	-	-	-	816,300	4,199	45,014	9,003
- one year to less than five years	-	-	-	-	-	-	-	-
<b>Total</b>	<b>50,056,978</b>	<b>638,462</b>	<b>2,467,212</b>	<b>1,514,464</b>	<b>56,008,705</b>	<b>795,338</b>	<b>2,824,348</b>	<b>1,677,694</b>
	<b>73,795,948</b>	<b>1,244,044</b>	<b>4,461,435</b>	<b>2,973,626</b>	<b>78,669,767</b>	<b>1,345,377</b>	<b>4,931,163</b>	<b>3,563,090</b>

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	3rd Quarter Ended		Nine Months Ended	
	2019 December RM'000	2018 December RM'000	2019 December RM'000	2018 December RM'000
<b>22 INTEREST INCOME</b>				
Loans, advances and financing measured at amortised cost	65,752	101,584	208,533	264,828
Loans, advances and financing measured at FVTPL	686	-	2,056	-
Money at call and deposit placements with financial institutions	32,180	36,028	107,264	113,186
Financial assets with FVOCI	4,840	4,483	13,282	12,904
	<u>103,458</u>	<u>142,095</u>	<u>331,135</u>	<u>390,918</u>
<b>23 INTEREST EXPENSE</b>				
Deposits and placements of banks and other financial institutions	43,859	59,551	126,829	153,118
Deposits from other customers	12,633	9,690	34,711	31,613
	<u>56,492</u>	<u>69,241</u>	<u>161,540</u>	<u>184,731</u>
<b>24 NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL</b>				
Interest income	101,734	111,450	325,562	299,380
Interest expense	(90,657)	(103,318)	(304,957)	(285,483)
Unrealised gain/(loss) in fair value of embedded loans	(33,770)	21,913	(58,568)	(17,355)
Realised gain in fair value of embedded loans	30,228	28,225	66,717	47,397
	<u>7,535</u>	<u>58,270</u>	<u>28,754</u>	<u>43,939</u>
<b>25 OTHER OPERATING INCOME</b>				
<b>Fee income</b>				
Commission	391	439	1,074	1,404
Guarantee fees	1,134	970	3,162	2,952
Service charges and fees	(243)	(221)	1,599	1,356
Commitment fees	130	168	416	536
Other fee income	5,260	2,290	11,432	8,224
	<u>6,672</u>	<u>3,646</u>	<u>17,683</u>	<u>14,472</u>
<b>Investment income</b>				
Gross dividends	1,260	37	1,481	221
Realised gain/(loss) in fair value of derivative financial instruments	(8,907)	(9,893)	3,095	29,912
Realised gain/(loss) in fair value of trading securities	3,136	851	9,809	1,021
Unrealised gain/(loss) in fair value of derivative financial instruments	(28,846)	18,081	(17,837)	28,356
Unrealised gain/(loss) in fair value of trading securities	111	(1)	(51)	-
Foreign exchange gain/(loss)	78,368	25,443	116,812	50,933
Net premium (paid)/received for options	(0)	(4)	(50)	(12)
	<u>45,122</u>	<u>34,514</u>	<u>113,260</u>	<u>110,431</u>
<b>Other income</b>				
Other operating income	1,172	20	5,536	1,958
	<u>52,965</u>	<u>38,180</u>	<u>136,479</u>	<u>126,861</u>

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	3rd Quarter Ended		Nine Months Ended	
	2019 December RM'000	2018 December RM'000	2019 December RM'000	2018 December RM'000
<b>26 OTHER OPERATING EXPENSES</b>				
Personnel expenses	24,886	24,751	78,203	77,559
Establishment related expenses	6,232	5,840	18,210	17,020
Promotion and marketing related expenses	666	528	1,559	1,564
Administrative and other expenses	5,373	15,169	18,308	32,033
	<u>37,157</u>	<u>46,288</u>	<u>116,280</u>	<u>128,176</u>
<b>Personnel expenses</b>				
- Wages, salaries and bonus	20,033	19,424	61,512	59,245
- Defined benefit plan	1,026	985	3,078	3,112
- Defined contribution plan	2,014	2,257	6,578	6,426
- Other employee benefits	1,813	2,085	7,035	8,776
	<u>24,886</u>	<u>24,751</u>	<u>78,203</u>	<u>77,559</u>
<b>Establishment related expenses</b>				
- Depreciation of property, plant and equipment	1,274	1,218	3,729	3,560
- Amortisation of intangible assets	3,084	2,761	8,940	8,165
- Depreciation of right-of-use assets	1,105	-	3,303	-
- Hire of equipment	155	262	641	613
- Repair and maintenance	64	104	108	337
- Rental of premises	279	1,249	832	3,680
- Others	271	246	657	665
	<u>6,232</u>	<u>5,840</u>	<u>18,210</u>	<u>17,020</u>
<b>Promotion and marketing related expenses</b>				
- Advertising and publicity	155	57	192	153
- Others	511	471	1,366	1,411
	<u>666</u>	<u>528</u>	<u>1,559</u>	<u>1,564</u>
<b>Administrative and other expenses</b>				
- Collateral deposit fees	961	9,999	4,564	18,707
- Communication expenses	268	328	775	774
- Legal and professional fees	439	647	921	1,265
- Others	3,705	4,195	12,048	11,287
	<u>5,373</u>	<u>15,169</u>	<u>18,308</u>	<u>32,033</u>
<b>27 (ALLOWANCE)/WRITEBACK FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS</b>				
Allowance for financial instruments				
- Stage 1 ECL	376	(48)	(8,123)	(1,360)
- Stage 2 ECL	(1,069)	-	(1,759)	12,492
- Stage 3 ECL	(2,529)	(2,558)	(6,470)	1,123
Impaired loans, advances and financing written off	(1)	-	(14)	-
Bad debts written back	-	31	-	77
	<u>(3,223)</u>	<u>(2,575)</u>	<u>(16,366)</u>	<u>12,332</u>

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**28 CAPITAL ADEQUACY**

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

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

	2019 December	2019 March
Common equity Tier 1 ("CET 1") capital ratio	21.722%	21.308%
Tier 1 capital ratio	21.722%	21.308%
Total capital ratio	<u>22.555%</u>	<u>22.054%</u>

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

	2019 December RM'000	2019 March RM'000
<u>CET 1 and Tier 1 capital</u>		
• Paid-up share capital	200,000	200,000
• Retained profits	2,818,571	2,818,571
• Other reserves	<u>113,938</u>	<u>110,734</u>
	3,132,509	3,129,305
<u>Less</u>		
• Deferred tax assets	-	-
• Intangible assets	(28,791)	(27,307)
• 55% of fair value reserve	(14,476)	(12,716)
• Regulatory reserve	<u>(93,078)</u>	<u>(93,078)</u>
	2,996,164	2,996,204
<u>Tier 2 capital</u>		
• Stage 1 and 2 ECL and regulatory reserve	114,851	104,903
Total Capital	<u>3,111,015</u>	<u>3,101,107</u>

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**28 CAPITAL ADEQUACY (CONTD)**

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

**2019 December**

<b>Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk-Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<b>(i) Credit Risk</b>				
On-Balance Sheet Exposures :				
Sovereigns/Central Banks	5,010,388	5,010,388	188,340	15,067
Public Sector Entities	6,214	6,214	1,243	99
Banks, Development Financial Institutions & MDBs	3,713,375	3,713,177	941,937	75,355
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,620,978	6,343,960	6,510,313	520,825
Regulatory Retail	1,657	1,657	1,657	133
Residential Mortgages	13,945	13,945	6,593	527
Equity Exposures	27,856	27,856	27,856	2,228
Other Assets	525,419	525,419	347,285	27,783
Defaulted Exposures	2,296	2,296	2,296	184
<b>Total On-Balance Sheet Exposures</b>	<b>29,922,128</b>	<b>15,644,912</b>	<b>8,027,520</b>	<b>642,202</b>
Off-Balance Sheet Exposures :				
Credit-related exposures	524,160	524,160	463,882	37,111
Securitisation exposures	3,000	3,000	2,250	180
Derivatives financial instruments	3,934,275	3,934,275	2,507,494	200,600
<b>Total Off-Balance Sheet Exposures</b>	<b>4,461,435</b>	<b>4,461,435</b>	<b>2,973,626</b>	<b>237,890</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>34,383,563</b>	<b>20,106,347</b>	<b>11,001,146</b>	<b>880,092</b>
<b>(ii) Large Exposure Risk Requirement</b>				
	-	-	-	-
<b>(iii) Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	64,880,991	64,161,403	1,737,099	138,968
Foreign Exchange Risk	4,837	(56,307)	56,307	4,505
	<b>64,885,828</b>	<b>64,105,096</b>	<b>1,793,406</b>	<b>143,473</b>
<b>(iv) Operational Risk</b>				
			998,496	79,880
<b>Total RWA and Capital Requirements</b>	<b>34,383,563</b>	<b>20,106,347</b>	<b>13,793,048</b>	<b>1,103,445</b>

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**28 CAPITAL ADEQUACY (CONTD.)**

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

**2019 March**

<b>Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk-Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<b>(i) Credit Risk</b>				
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
<b>Total On-Balance Sheet Exposures</b>	<b>29,706,355</b>	<b>14,166,581</b>	<b>7,967,277</b>	<b>637,382</b>
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
<b>Total Off-Balance Sheet Exposures</b>	<b>4,931,163</b>	<b>4,931,163</b>	<b>3,563,090</b>	<b>285,047</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>34,637,518</b>	<b>19,097,744</b>	<b>11,530,367</b>	<b>922,429</b>
<b>(ii) Large Exposure Risk Requirement</b>	-	-	-	-
	<b>Long Position</b>	<b>Short Position</b>		
<b>(iii) Market Risk</b>				
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
	<b>68,808,003</b>	<b>(68,500,959)</b>	<b>1,596,710</b>	<b>127,737</b>
<b>(iv) Operational Risk</b>			<b>934,602</b>	<b>74,768</b>
<b>Total RWA and Capital Requirements</b>	<b>34,637,518</b>	<b>19,097,744</b>	<b>14,061,679</b>	<b>1,124,934</b>



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**29 THE OPERATIONS OF ISLAMIC BANKING**

**UNAUDITED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019**

		<b>2019 December RM'000</b>	<b>2019 March RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	(a)	188,000	34,000
Deposits and placement with financial institutions	(b)	1,136	1,139
Other assets		15	10
<b>TOTAL ASSETS</b>		<u>189,152</u>	<u>35,149</u>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	(c)	142,478	3
Other liabilities	(d)	11,313	8,617
<b>TOTAL LIABILITIES</b>		<u>153,792</u>	<u>8,620</u>
<b>CAPITAL FUND</b>		25,000	25,000
<b>RESERVE</b>		10,360	1,529
<b>ISLAMIC BANKING FUNDS</b>		<u>35,360</u>	<u>26,529</u>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<u>189,151</u>	<u>35,149</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	(e)	<u>5,400</u>	<u>5,400</u>

Islamic financing based on Commodity Murabahah (Tawarruq) of RM1,613,063,139.67 (2019 March: RM522,068,149) was financed under an internal Wakalah scheme and is reported at the entity level.

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

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**29 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)**

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2019**

		3rd Quarter Ended		Nine Months Ended	
		2019 December RM'000	2018 December RM'000	2019 December RM'000	2018 December RM'000
Income derived from investment of Islamic Banking Capital funds	(d)	402	310	1,035	839
Income attributable to depositors		(1)	-	(2)	-
Other operating income	(e)	539	137	8,161	468
Total net income		941	447	9,194	1,307
Other operating expenses	(f)	(98)	(125)	(361)	(440)
Operating profit before allowance for impairment		842	322	8,833	867
Allowance for impairment on commitment and contingencies		(0)	-	(3)	-
Profit before tax		842	322	8,830	867
Tax expense		-	-	-	-
Profit for the period		842	322	8,830	867

**UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 2019**

	Capital Fund RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Total RM'000
<b>2019 December</b>				
At beginning of the period	25,000	-	1,529	26,529
Transfer from retained profits	-	22	(22)	-
Profit for the period	-	-	8,830	8,830
At end of the period	25,000	22	10,338	35,360
<b>2018 December</b>				
At beginning of the period	25,000	-	(313)	24,687
Profit for the period	-	-	867	867
At end of the period	25,000	-	554	25,554

**UNAUDITED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 DECEMBER 2019**

	2019 December RM'000	2018 December RM'000
Cash flows from operating activities		
Profit before tax	8,830	867
Operating profit before working capital changes	8,830	867
(Decrease)/Increase in operating assets:		
Deposits and placement with financial institutions	3	-
Other assets	(5)	(7)
(Decrease)/Increase in operating liabilities:		
Deposits from customers	142,475	101,573
Other liabilities	2,696	1,320
Net cash from operating activities	154,000	103,753
<b>Net increase in cash and cash equivalents</b>	154,000	103,753
<b>Cash and cash equivalents at beginning of period</b>	34,000	31,192
<b>Cash and cash equivalents at end of period</b>	188,000	134,945

**MUFG BANK (MALAYSIA) BERHAD**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
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**9 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 measurement**

The financial statements of the Islamic Banking business have been prepared on the basis consistent with that of the Bank as disclosed in Note 1 to the audited financial statements of the Bank for financial year ended 31 March 2019.

**(a) Cash and short-term funds**

	2019 December RM'000	2019 March RM'000
Cash and balances with banks and other financial institution	188,000	64,107

**(b) Deposits from customers**

	2019 December RM'000	2019 March RM'000
Current accounts	1,136	1,139

**(c) Deposits from customers**

	2019 December RM'000	2019 March RM'000
<b>(i) By type of deposits:</b>		
Current accounts (Qard)	142,318	3
Fixed deposits (Tawarruq)	160	-
	<u>142,478</u>	<u>3</u>

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

Up to one month	3,479	-
Six months to one year	160	-

**(iii) By type of customer:**

Business enterprises	<u>142,478</u>	<u>3</u>
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Qard is a contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No profit expense from deposits shall be paid from the transactions.

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

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**29 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)**

**(d) Other liabilities**

	2019 December RM'000	2019 March RM'000
Impairment allowances on commitment and contingencies	(i) -	
Stage 1 - 12-months ECL not credit impaired	13	-
Stage 2 - lifetime ECL not credit impaired	-	10
Accruals and provisions for operational expenses	11,300	8,607
	<u>11,313</u>	<u>8,617</u>

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

	12 month ECL		Lifetime ECL		Total RM'000
	Not credit impaired Stage 1 RM'000	Not credit impaired Stage 2 RM'000	Credit impaired Stage 3 RM'000		
<b>At 1 April 2019</b>	-	10	-	-	10
Transfer to 12-Month ECL (Stage 1)	13	(10)	-	-	3
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-
New financial assets originated	-	-	-	-	-
Financial assets derecognised (other than write-off)	-	-	-	-	-
Net remeasurement due to changes in credit risk	-	-	-	-	-
Amount written off	-	-	-	-	-
Exchange differences	-	-	-	-	-
<b>At 31 December 2019</b>	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>
<b>At 1 April 2018</b>	-	-	-	-	-
Effects of adopting MFRS9	-	-	-	-	-
At 1 April 2018, as restated	-	-	-	-	-
New financial assets originated	-	10	-	-	10
<b>At 31 March 2019</b>	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
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**29 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)**

**(e) Commitments and contingencies**

	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
<b>31.12.2019</b>				
<b>Contingent liabilities</b>				
Transaction related contingent items	5,400		2,687	2,687
<b>31.03.2019</b>				
<b>Contingent liabilities</b>				
Transaction related contingent items	5,400		2,690	2,690

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

	3rd Quarter Ended		Nine Months Ended	
	2019 December RM'000	2018 December RM'000	2019 December RM'000	2018 December RM'000
Money at call and placements with financial institutions	402	310	1,035	839

**(g) Other Operating Income**

	3rd Quarter Ended		Nine Months Ended	
	2019 December RM'000	2018 December RM'000	2019 December RM'000	2018 December RM'000
Other fee income	539	137	8,161	468

**(h) Other Operating Expenses**

	3rd Quarter Ended		Nine Months Ended	
	2019 December RM'000	2018 December RM'000	2019 December RM'000	2018 December RM'000
Personnel expenses	58	79	253	336
Other expenses	40	46	108	104
	98	125	361	440

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED 31 DECEMBER 2019 (CONTD.)**

**29 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)**

**(i) 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:

	2019 December	2019 March
Common equity tier 1 capital ratio	43.29%	138.18%
Tier 1 capital ratio	43.29%	138.18%
Total capital ratio	<u>43.34%</u>	<u>138.23%</u>

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

	2019 December RM'000	2019 March RM'000
<u>CET 1 and Tier 1 capital</u>		
• Paid-up share capital	25,000	25,000
• Retained profits	1,529	1,529
• Other reserves	22	-
	<u>26,551</u>	<u>26,529</u>
<u>Less</u>		
• Regulatory reserve	(22)	-
	<u>26,529</u>	<u>26,529</u>
<u>Tier 2 capital</u>		
• Stage 1 and 2 ECL and regulatory reserve	34	10
Total capital	<u>26,563</u>	<u>26,539</u>

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

	2019 December RM'000	2019 March RM'000
Credit risk	2,687	2,700
Operational risk	58,596	16,499
	<u>61,283</u>	<u>19,199</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE QUARTER ENDED 31 DECEMBER 2019 (CONTD.)**

**30 CHANGES IN ACCOUNTING POLICIES**

**Effects of adoption of MFRS 16 Leases**

MFRS 16 *Leases* supersedes MFRS 117 *Leases* and its related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on-balance sheet) or operating leases (off-balance sheet).

**(a) Lessee**

At the commencement date of a lease, a lessee will recognise a lease liability to make lease payments and an asset representing the "right to use" of the underlying asset during the lease term. Subsequently, the "right-of-use" asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the profit or loss.

**(b) Lessor**

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessor will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The changes in accounting policies have been applied retrospectively from 1 April 2019. In accordance with the transition requirements, comparatives are not restated.

The following table analyses the impact, net of tax, of transition to MFRS 16 on the statements of financial position of the Bank.

	<b>Impact of adopting MFRS 16 as at 1 April 2019</b>
<b>Right-of-use assets</b>	
Closing balance under MFRS 117 at 31 March 2019	-
- Recognition of right-of-use assets under MFRS 16	15,458
Opening balance under MFRS 16 at 1 April 2019	<u>15,458</u>
<b>Lease Liabilities</b>	
Closing balance under MFRS 117 at 31 March 2019	-
- Recognition of lease liabilities under MFRS 16	15,458
Opening balance under MFRS 16 at 1 April 2019	<u>15,458</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE QUARTER ENDED 31 DECEMBER 2019 (CONTD.)**

**30 CHANGES IN ACCOUNTING POLICIES (CONTD.)**

The financial effects due to the changes in accounting policies have been adjusted to the statements of financial position and capital adequacy ratios of the Bank as at 1 April 2019. There are no changes to the comparatives in the statements of profit or loss and statements of cash flows of the Bank. A reconciliation of these changes is summarised in the following tables.

	<b>31 March 2019</b> <b>(MFRS 117)</b> <b>RM'000</b>	<b>Remeasurement</b> <b>RM'000</b>	<b>1 April 2019</b> <b>(MFRS 16)</b> <b>RM'000</b>
<b>Statement of financial position</b>			
Cash and short-term funds	5,314,486	-	5,314,486
Deposits and placements with financial institutions	952,641	-	952,641
Financial assets at FVOCI	430,995	-	430,995
Loans, advances and financing	7,568,611	-	7,568,611
Embedded loans measured at fair value through profit or loss	14,935,811	-	14,935,811
Purchased receivables	434,516	-	434,516
Collateral deposits placed	143,022	-	143,022
Derivative financial assets	795,338	-	-
Statutory deposits with Bank Negara Malaysia	87,648	-	87,648
Right-of-use assets	-	15,458	15,458
Other assets	280,530	-	280,530
Property, plant and equipment	18,436	-	18,436
Intangible assets	27,307	-	27,307
Current tax assets	24,792	-	-
Deferred tax assets	-	-	-
<b>TOTAL ASSETS</b>	<b>31,014,133</b>	<b>15,458</b>	<b>30,209,461</b>
Deposits from customers	8,319,682	-	8,319,682
Deposits and placements of banks and other financial institutions	1,683,104	-	-
Collateral deposits received	16,941,590	-	16,941,590
Derivative financial liabilities	785,695	-	785,695
Lease liabilities	-	15,458	15,458
Other liabilities	127,496	-	127,496
Deferred tax liabilities	27,261	-	27,261
Provision for tax	-	-	-
<b>TOTAL LIABILITIES</b>	<b>27,884,828</b>	<b>15,458</b>	<b>26,217,182</b>
<b>SHARE CAPITAL</b>	<b>200,000</b>	<b>-</b>	<b>200,000</b>
<b>RESERVES</b>	<b>2,929,305</b>	<b>-</b>	<b>2,929,305</b>
<b>SHAREHOLDER'S FUNDS</b>	<b>3,129,305</b>	<b>-</b>	<b>3,129,305</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<b>31,014,133</b>	<b>15,458</b>	<b>29,346,487</b>
	<b>31 March 2019</b>	<b>Impact of MFRS 16</b>	<b>1 April 2019</b>
<b>Capital adequacy</b>			
CET I capital	21.308%	-0.024%	21.284%
Tier I capital	21.308%	-0.024%	21.284%
Total capital	22.054%	-0.025%	22.029%
Risk-weighted assets (RM'000)	<b>14,061,682</b>	<b>15,458</b>	<b>14,077,140</b>



**Financial Analysis for Submission to Bank Negara Malaysia**

Name of Institution : **MUFG Bank (Malaysia) Berhad**  
 Financial Quarter Ended : **31-Dec-2019**

**1. Financial Highlights for the Past Three Years**

	31/12/2019	31/12/2018	31/12/2017	△ H2-H1		△ H1-H0	
	(H2)	(H1)	(H0)	(RM mil)	%	(RM mil)	%
	(RM mil)	(RM mil)	(RM mil)				
Profit/(Loss) before tax and extraordinary item [PBT]	203,214	261,981	288,301	(58,767)	-22.43%	(26,320)	-9.13%
Taxation	68,925	64,419	61,298	4,506	7.00%	3,121	5.09%
Profit/(Loss) after tax before extraordinary item [PAT]	134,289	197,562	227,003	(63,273)	-32.03%	(29,441)	-12.97%
Extraordinary item	0	0	0	0	0.00%	0	0.00%
Profit/(Loss) after tax and extraordinary item	134,289	197,562	227,003	(63,273)	-32.03%	(29,441)	-12.97%
Interim Dividend - Amount	0	0	0	0	0.00%	0	0.00%
- Rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Transfer to Statutory reserve	0	0	0	0	0.00%	0	0.00%
<b>Total Assets</b>	<b>30,905,771</b>	<b>33,235,980</b>	<b>28,563,247</b>	<b>(2,330,209)</b>	<b>-7.01%</b>	<b>4,672,733</b>	<b>16.36%</b>
Loans, advances and financing	6,837,234	10,945,736	18,705,904	(4,108,502)	-37.54%	(7,760,167)	-41.49%
Net impaired loans	69,278	790	1,145	68,488	8670.69%	(355)	-31.01%
Financial assets at FVOCI	526,200	503,587	450,551	22,633	4.49%	53,016	0.00%
Loans measured at FVTPL	14,366,869	14,672,191	0	(305,322)	-2.08%	14,672,191	100.00%
Deposits and placement with financial institutions	1,172,737	967,642	292,039	205,095	21.20%	675,603	231.34%
Dealing securities	500,682	0	0	500,682	100.00%	0	100.00%
<b>Total Liabilities</b>	<b>27,636,915</b>	<b>30,187,356</b>	<b>25,987,120</b>	<b>(2,550,441)</b>	<b>-8.45%</b>	<b>4,200,236</b>	<b>16.16%</b>
Deposits from customers	8,359,064	8,705,388	8,751,539	(346,325)	-3.98%	(46,151)	-0.53%
Deposits and placement of banks and Fis	2,502,470	2,907	487,572	2,499,563	85984.28%	(484,665)	-99.40%
Collateral deposits	15,872,976	20,584,275	14,879,144	(4,911,299)	-23.86%	5,705,131	38.34%
Subordinated term loans	0	0	0	0	0.00%	0	0.00%
<b>Total shareholders' funds</b>	<b>3,268,855</b>	<b>3,048,624</b>	<b>2,576,127</b>	<b>220,231</b>	<b>7.22%</b>	<b>472,497</b>	<b>18.34%</b>
Share capital	200,000	200,000	200,000	0	0.00%	0	0.00%
Statutory reserve	0	0	0	0	0.00%	0	0.00%
Regulatory reserve	127,767	127,767	184,349	0	0.00%	(36,582)	-22.26%
Other reserves	2,941,088	2,720,857	2,211,778	220,231	8.09%	509,079	23.02%
<b>Commitments and Contingencies</b>	<b>73,795,948</b>	<b>74,554,061</b>	<b>68,698,668</b>	<b>(758,113)</b>	<b>-1.02%</b>	<b>5,855,393</b>	<b>8.52%</b>
Return (PBT) on average shareholder's funds	6.43%	9.32%	12.01%	-2.88%	-30.94%	-2.69%	-22.44%
Return (PAT) on average shareholder's funds	4.25%	7.02%	9.46%	-2.77%	-39.48%	-2.43%	-25.72%
Return (PBT) on average total assets	0.63%	0.85%	0.99%	-0.21%	-25.26%	-0.15%	-14.71%
Return (PAT) on average total assets	0.42%	0.64%	0.78%	-0.22%	-34.51%	-0.14%	-18.32%
Earnings per share (sen)	67.1	98.8	113.5	(31.6)	-32.03%	(14.7)	-12.97%

**Note:**

The information disclosed (where applicable) should be adjusted accordingly to the nature of business of that institution.  
 H2 refers to the current financial period, H1 refers to the preceding year corresponding financial period and H0 refers to the previous preceding year corresponding financial period.