

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

Company No : 302316-U

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED
30 JUNE 2019**

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Company No : 302316-U

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED
30 JUNE 2019

Contents	Page
Unaudited Statement of Financial Position	1
Unaudited Statement of Comprehensive Income	2
Unaudited Statement of Changes in Equity	3
Unaudited Statement of Cash Flows	4 - 5
Notes to the Unaudited Interim Financial Report	6 - 30

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Note	2019 June RM'000	2019 March RM'000
ASSETS			
Cash and short-term funds	11	5,096,982	5,314,486
Deposits and placements with financial institutions	12	1,323,434	952,641
Financial assets at fair value through profit or loss		50,773	-
Financial assets at fair value through other comprehensive income	13	439,222	430,995
Loans, advances and financing	14	7,451,339	7,568,611
Embedded loans measured at fair value through profit or loss	15	13,853,218	14,935,811
Purchased receivables	16	332,577	434,516
Collateral deposits placed		101,654	143,022
Derivative financial assets	19	737,685	795,338
Statutory deposits with Bank Negara Malaysia		64,118	87,648
Right-of-use assets		14,366	-
Other assets		76,422	280,530
Property, plant and equipment		17,389	18,436
Intangible assets		31,746	27,307
Current tax assets		-	24,792
TOTAL ASSETS		<u>29,590,925</u>	<u>31,014,133</u>
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	17	7,893,043	8,319,682
Deposits and placements of banks and other financial institutions	18	1,820,517	1,683,104
Collateral deposits received		15,851,583	16,941,590
Derivative financial liabilities		728,063	785,695
Lease liabilities		14,409	-
Other liabilities		96,143	127,496
Deferred tax liabilities		27,327	27,261
Provision for tax		9,750	-
TOTAL LIABILITIES		<u>26,440,835</u>	<u>27,884,828</u>
SHARE CAPITAL		200,000	200,000
RESERVES		2,950,090	2,929,305
SHAREHOLDER'S FUNDS		<u>3,150,090</u>	<u>3,129,305</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>29,590,925</u>	<u>31,014,133</u>
COMMITMENTS AND CONTINGENCIES		<u>75,089,962</u>	<u>78,669,767</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2019**

	1 st Quarter Ended		Three Months Ended	
	2019 June RM'000	2018 June RM'000	2019 June RM'000	2018 June RM'000
Operating revenue	89,140	80,152	89,140	80,153
Interest income	114,741	118,433	114,741	118,433
Interest expense	(94,098)	(59,787)	(94,098)	(59,787)
Net interest income	20,643	58,646	20,643	58,646
Net income from embedded loans measured at FVTPL	51,089	26,985	51,089	26,985
Net income from Islamic Banking operations	366	373	366	373
Other operating income	17,042	(5,851)	17,042	(5,851)
Operating income	89,140	80,153	89,140	80,153
Other operating expenses	(43,791)	(41,517)	(43,791)	(41,517)
Operating profit before allowance for impairment	45,349	38,636	45,349	38,636
Reversal of/(Allowance for) impairment on financial instruments	(2,755)	14,495	(2,755)	14,495
Profit before tax	42,594	53,131	42,594	53,131
Tax expense	(29,250)	(22,975)	(29,250)	(22,975)
Profit for the period	13,344	30,156	13,344	30,156
Other comprehensive income net of tax				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Foreign currency translation in respect of expected credit loss	2,056	-	2,056	-
<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	5,376	(503)	5,376	(503)
Change in expected credit loss reserve	9	-	9	-
Total comprehensive income for the period	20,785	29,653	20,785	29,653
Profit attributable to :				
Owner of the Bank	13,344	30,155	13,344	30,155
Total comprehensive income attributable to :				
Owner of the Bank	20,785	29,652	20,785	29,652
Basic earnings per share (sen)	6.7	15.1	6.7	15.1

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2019**

	←----- Attributable to Shareholder of the Bank ----->						Total
	←----- Non-distributable ----->					Distributable	
	Share capital	Regulatory reserve	Defined benefit reserve	ECL reserve	Fair value reserve	Retained profits	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2019 June							
At beginning of the period	200,000	93,078	(5,801)	337	23,120	2,818,571	3,129,305
Profit for the period	-	-	-	-	-	13,344	13,344
Other comprehensive income	-	-	-	9	5,376	2,056	7,441
Total comprehensive income	-	-	-	9	5,376	15,400	20,785
At end of the period	200,000	93,078	(5,801)	346	28,496	2,833,971	3,150,090
2018 June							
At beginning of the period							
- As previously stated	200,000	164,349	(5,801)	-	1,656	2,271,854	2,632,058
- Effect of change in accounting policies	-	(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	-	-	-	-	-	13,344	13,344
Other comprehensive income	-	-	-	-	(503)	-	(503)
Total comprehensive income	-	-	-	-	(503)	13,344	12,841
Transfer to retained profits	-	51,388	-	-	-	(51,388)	-
At end of the period	200,000	114,585	(5,801)	-	23,019	2,533,030	2,864,833

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2019

	2019 June RM'000	2018 June RM'000
Cash Flows From Operating Activities		
Profit before tax	42,594	53,131
Adjustments for:		
Depreciation of property, plant and equipment	1,221	1,173
Depreciation of right-of-use assets	1,092	-
Amortisation of intangible assets	2,898	2,695
Provision for retirement benefits	1,026	985
Dividend income	(111)	(111)
Loss on disposal of property, plant and equipment	76	-
Interest income from financial assets at fair value through other comprehensive income/available-for-sale	(4,143)	(4,056)
Amortisation and accretion of financial assets at fair value through other comprehensive income/available-for-sale	223	213
(Write back)/Allowance for impairment on financial instruments/ loans, advances and financing	2,755	(14,495)
Unrealised loss on changes in fair value of financial assets at fair value through profit or loss	37,519	36,033
Unrealised loss on changes in trading securities	(88)	-
Unrealised loss/(gain) on changes in fair value of derivative financial instruments	4,780	(15,581)
Operating profit before changes in working capital	<u>89,842</u>	<u>59,987</u>
(Increase)/Decrease in operating assets:		
Financial assets at fair value through profit or loss	1,047,130	(13,351,606)
Financial assets at fair value through other comprehensive income/ available-for-sale	(2,910)	(37,723)
Loans, advances and financing	114,482	8,833,557
Collateral deposits placed	41,368	200,138
Purchased receivables	101,915	(102,544)
Statutory deposits with Bank Negara Malaysia	23,530	(57,041)
Derivative financial assets	84,516	884,404
Other assets	(143,543)	(2,374,071)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	(426,639)	593,775
Deposits and placements of banks and other financial institutions	137,413	(491,342)
Collateral deposits received	(1,090,007)	6,196,320
Derivative financial liabilities	(89,275)	(909,069)
Other liabilities	(15,016)	32,385
Cash generated from/(used in) operations	<u>(127,194)</u>	<u>(522,830)</u>
Income taxes paid	(33,308)	(17,931)
Income tax refund	-	-
Payment of staff gratuities	(1,648)	-
Net cash generated from/(used in) operating activities	<u>(162,150)</u>	<u>(540,761)</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2019 (CONTD.)

	2019 June RM'000	2018 June RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(258)	(125)
Purchase of intangible assets	(7,337)	(32)
Proceeds from sale of financial assets at fair value through other comprehensive income/available-for-sale	-	-
Proceeds from disposal of property, plant and equipment	8	-
Purchase of financial assets at fair value through other comprehensive income/available-for-sale	-	-
Proceeds from disposal of trading securities	352,441	
Purchase of trading securities	(403,126)	
Payment for lease liabilities	(1,172)	
Dividend received	111	111
Interest income from financial assets at fair value through other comprehensive income/available-for-sale	3,979	3,110
Net cash generated from/(used in) investing activities	<u>(55,354)</u>	<u>3,064</u>
Net increase in cash and cash equivalents	(217,504)	(537,696)
Cash and cash equivalents at beginning of quarter	<u>5,314,486</u>	<u>5,915,504</u>
Cash and cash equivalents at end of quarter	<u>5,096,982</u>	<u>5,377,808</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

1 BASIS OF PREPARATION

The unaudited condensed interim financial report for the quarter ended 30 June 2019 have been prepared under the historical cost convention except for financial assets at fair value through other comprehensive income, 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*.

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2018**

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 26.

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019

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 30 June 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 30 June 2019, other than the estimates arising from the adoption of MFRS 9.

6 CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities during the financial period ended 30 June 2019.

7 DIVIDEND PAID

No dividend was paid during the financial period ended 30 June 2019.

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.

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019

9 REVIEW OF PERFORMANCE

The Bank's profit before taxation for the financial period ended 30 June 2019 was RM42.6 million, decrease of 19.83% or RM10.5 million compared to the corresponding period last year. Operating income increased by RM9.0 million from RM80.2 million to RM89.1 million whilst operating expenses increased by RM2.3 million mainly attributed to higher personnel expenses.

Total assets decreased from RM34.4 billion to RM29.6 billion compared to 31 March 2019. The Bank's CET 1/Tier 1 capital ratio and total capital ratio remained strong at 23.0414% and 23.8705% 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.

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

11 CASH AND SHORT-TERM FUNDS

	2019 June RM'000	2019 March RM'000
<i>At amortised cost</i>		
Cash and balances with banks and other financial institutions	77,064	53,319
Money at call and deposit placements maturing within three months	5,019,918	5,261,167
	<u>5,096,982</u>	<u>5,314,486</u>

12 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2019 June RM'000	2019 March RM'000
<i>At amortised cost</i>		
Licensed bank		
• Malaysia	1,138,236	768,391
• Other countries	185,198	184,250
	<u>1,323,434</u>	<u>952,641</u>

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

	2019 June RM'000	2019 March RM'000
Money market instruments		
• Malaysian Government Securities	201,155	201,260
• Sukuk	207,218	204,215
	<u>408,373</u>	<u>405,475</u>
Non-money market instruments:		
Unquoted bonds	27	27
Unquoted shares	30,822	25,493
	<u>30,849</u>	<u>25,520</u>
Total	<u>439,222</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 June RM'000	2019 March RM'000
12-Month ECL Stage 1		
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	9	18
Deferred tax impact	-	(4)
At 30 June / 31 March	<u>346</u>	<u>337</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

14 LOANS, ADVANCES AND FINANCING

	2019 June RM'000	2019 March RM'000
(a) By type:		
<i>At amortised cost</i>		
Overdrafts	8,231	9,109
Term loans		
• Housing loans	11,338	11,561
• Other term loans	3,854,928	3,813,578
Revolving credits	3,486,080	3,601,109
Bills receivable	84,033	132,624
Claims on customers under acceptance credits	12,149	3,234
Staff loans	8,123	7,929
	<u>7,464,882</u>	<u>7,579,144</u>
Unearned interest	(302)	(154)
Gross loans, advances and financing	<u>7,464,580</u>	<u>7,578,990</u>
Impairment allowances on loans, advances and financing		
• Stage 1 - 12 month ECL	(5,859)	(5,461)
• Stage 2 - lifetime ECL not credit impaired	(7,258)	(4,781)
• Stage 3 - lifetime ECL credit impaired	(124)	(137)
Net loans, advances and financing	<u>7,451,339</u>	<u>7,568,611</u>
(b) By maturity structure:		
Maturing within one year	3,868,562	3,985,803
More than one year to three years	913,502	463,877
More than three years to five years	1,534,526	1,999,024
More than five years	1,147,990	1,130,286
	<u>7,464,580</u>	<u>7,578,990</u>
(c) By type of customer:		
Domestic non-bank financial institutions	772,755	788,016
Domestic business enterprises		
• Small medium enterprises	1,737,807	1,916,743
• Others	3,352,127	3,271,693
Individuals	19,069	19,062
Foreign entities	1,582,822	1,583,476
	<u>7,464,580</u>	<u>7,578,990</u>
(d) By interest rate sensitivity:		
Fixed rate		
• Staff loans	5,090	5,263
Variable rates	7,459,490	7,573,727
	<u>7,464,580</u>	<u>7,578,990</u>

MUFG BANK (MALAYSIA) BERHAD**(Incorporated in Malaysia)****NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019****14 LOANS, ADVANCES AND FINANCING (CONTD.)**

	2019 June RM'000	2019 March RM'000
(e) By economic sector:		
Agricultural, hunting, forestry and fishing	645,552	670,442
Mining and quarrying	-	-
Manufacturing	1,746,602	1,759,531
Electricity, gas and water	472,048	380,390
Construction	962,476	925,920
Wholesale and retail trade and restaurants and hotels	454,662	651,694
Transport, storage and communication	2,086,309	2,082,583
Finance, insurance, real estate and business services	1,077,470	1,088,940
Households	19,461	19,490
Others	-	-
	<u>7,464,580</u>	<u>7,578,990</u>
(f) By geographical location:		
Malaysia	6,573,927	6,684,766
Other countries	890,653	894,224
	<u>7,464,580</u>	<u>7,578,990</u>
(g) Movements in impaired loans, advances and financing are as follows:		
At beginning of the period	732	4,702
Classified as impaired during the period	358	1,241
Amount recovered	(4)	(35)
Reclassified as performing	(289)	(1,350)
Amount written off	(26)	(3,826)
At end of the period	<u>771</u>	<u>732</u>
(h) Credit-impaired loans by economic sector is as follows:		
Household	771	732
Finance, insurance and business services	-	-
	<u>771</u>	<u>732</u>
(i) Credit-impaired loans by geographical location is as follows:		
Malaysia	<u>771</u>	<u>732</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

14 LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Lifetime ECL			Total RM'000
	12 month ECL Stage 1 RM'000	Not credit impaired Stage 2 RM'000	Credit impaired Stage 3 RM'000	
At 1 April 2019	5,461	4,781	137	10,379
Transfer to 12-Month ECL (Stage 1)	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(95)	902	-	807
Transfer to Lifetime ECL credit impaired (Stage 3)	(2)	-	-	(2)
New financial assets originated	1,910	6,090	-	8,000
Financial assets derecognised (other than write-off)	(1,780)	(4,536)	(13)	(6,329)
Net remeasurement due to changes in credit risk	365	21	-	386
Amount written off	-	-	-	-
At 30 June 2019	<u>5,859</u>	<u>7,258</u>	<u>124</u>	<u>13,241</u>
At 1 April 2018				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 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 2018	<u>5,461</u>	<u>4,781</u>	<u>137</u>	<u>10,379</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

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

	2019 June	2019 March
	RM'000	RM'000
<i>At fair value</i>		
Embedded loans	<u>13,853,218</u>	<u>14,935,811</u>
Embedded loans included RM13,453,317,000 (2019 March: RM14,486,293,000) of outstanding balance for loans, advances and financing, and fair value for loans and derivatives of RM399,901,000 (2019 March: RM449,518,000).		
(a) By maturity structure:		
Maturing within one year	2,951,303	5,889,367
More than one year to three years	4,363,142	5,231,756
More than three years to five years	5,030,683	1,805,690
More than five years	1,508,090	2,008,998
	<u>13,853,218</u>	<u>14,935,811</u>
(b) By type of customer:		
Domestic non-bank financial institutions	6,873,005	6,922,232
Domestic business enterprises		
• Small medium enterprises	526,620	587,372
• Others	6,453,593	7,426,207
Individuals	-	-
Foreign entities	-	-
	<u>13,853,218</u>	<u>14,935,811</u>
(c) By interest rate sensitivity:		
Variable rates	<u>13,853,218</u>	<u>14,935,811</u>
(d) By economic sector:		
Mining and quarrying	4,679	5,181
Manufacturing	959,935	933,211
Electricity, gas and water	2,236,139	2,208,030
Construction	1,105,469	1,133,790
Wholesale, retail trade, restaurants and hotels	951,457	961,117
Transport, storage and communication	344,014	1,387,690
Finance, insurance, real estate and business services	8,240,906	8,295,606
Households	-	-
Others	10,619	11,186
	<u>13,853,218</u>	<u>14,935,811</u>
(e) By geographical location:		
Malaysia	<u>13,853,218</u>	<u>14,935,811</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

16 PURCHASED RECEIVABLES

	2019 June RM'000	2019 March RM'000
<i>At amortised cost</i>		
Purchased receivables	332,649	434,564
Impairment allowances on purchased receivables		
Stage 1 - 12 month ECL	(67)	(44)
Stage 2 - lifetime ECL not credit impaired	(5)	(4)
	<u>332,577</u>	<u>434,516</u>

Purchased receivables relate to receivables acquired by the Bank under the account receivables purchasing and vendors financing product. These amounts owing from obligors have a tenure of within three months. Included in purchased receivables are non-recourse bills receivable amounting to RM309,002,000 (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 Stage 1 RM'000	Lifetime ECL Not credit Stage 2 RM'000	Credit Stage 3 RM'000	Total RM'000
At 1 April 2019	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	67	5	-	72
Financial assets derecognised (other than write-off)	(44)	(4)	-	(48)
At 30 June 2019	<u>67</u>	<u>5</u>	<u>-</u>	<u>72</u>
At 1 April 2018				185
Effects of changes in accounting policies				(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 2019	<u>44</u>	<u>4</u>	<u>-</u>	<u>48</u>

MUFG BANK (MALAYSIA) BERHAD**(Incorporated in Malaysia)****NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019****17 DEPOSITS FROM CUSTOMERS**

	2019 June RM'000	2019 March RM'000
<i>At amortised cost</i>		
Demand deposits	3,189,519	3,122,530
Money market deposits	1,636,557	1,357,623
Savings deposits	15,597	16,909
Fixed deposits	3,051,370	3,822,620
	<u>7,893,043</u>	<u>8,319,682</u>

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

Due within six months	3,007,859	3,770,781
Six months to one year	39,873	44,332
Above one year	3,638	7,507
	<u>3,051,370</u>	<u>3,822,620</u>

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

Business enterprises	7,834,083	8,252,850
Individuals	58,960	66,832
	<u>7,893,043</u>	<u>8,319,682</u>

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019 June RM'000	2019 March RM'000
<i>At amortised cost</i>		
Licensed banks	1,820,517	1,683,104
Non-bank financial institutions	-	-
	<u>1,820,517</u>	<u>1,683,104</u>

MUFU BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

19 COMMITMENTS AND CONTINGENCIES

	2019 June			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
<u>Credit-related Exposures</u>								
Direct credit substitutes	2,975		2,974	1,487	2,275		2,274	1,137
Transaction-related contingent items	962,700		480,253	412,622	1,014,310		505,980	448,340
Short-term self-liquidating trade-related contingencies	49,415		9,866	10,962	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	232,675		46,530	46,530	221,392		44,272	44,272
- exceeding one year	194		91	68	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	7,736,963		-	-	7,403,938		-	-
Securitisation exposures	15,000		3,000	2,250	15,000		3,000	2,250
	8,999,922		542,714	473,919	8,870,836		598,423	539,454
<u>Embedded loans</u>								
Foreign exchange related contracts								
- less than one year	2,922,521	59,373	113,414	87,465	1,260,365	21,671	49,782	37,134
- one year to less than five years	9,087,346	349,170	1,035,199	648,643	7,980,022	369,255	1,059,065	951,372
- five years and above	1,576,408	80,160	217,893	169,171	1,300,020	94,330	276,693	276,693
Interest rate related contracts								
- less than one year	902,200	8,074	8,261	2,000	75,000	70	145	145
- one year to less than five years	1,662,450	25,069	44,594	17,553	2,208,600	31,448	43,973	14,594
- five years and above	813,300	34,814	72,832	24,110	966,219	33,265	78,534	66,004
	16,964,025	556,660	1,492,193	948,942	13,790,226	550,039	1,508,192	1,345,942
<u>Derivative Financial Instruments:</u>								
Foreign exchange related contracts								
- less than one year	10,928,147	234,127	411,332	233,367	16,589,819	193,338	375,365	220,778
- one year to less than five years	10,649,170	273,950	1,007,380	611,219	8,776,387	388,461	1,207,140	708,720
- five years and above	2,658,602	99,426	551,102	401,224	3,567,042	161,222	659,862	466,298
Interest rate related contracts								
- less than one year	4,605,963	1,049	6,905	3,178	5,395,562	1,988	9,504	3,749
- one year to less than five years	14,548,284	18,970	251,157	123,773	15,748,884	27,357	262,554	128,260
- five years and above	4,006,894	38,841	246,742	143,200	4,137,435	15,849	235,282	132,078
Currency options								
- less than one year	74,555	651	1,750	1,750	74,269	660	1,774	1,774
Premium yielder investments	1,654,400	3,316	57,084	11,417	903,007	2,264	28,053	7,034
- less than one year	49,126,015	670,310	2,533,452	1,529,128	816,300	4,199	45,014	9,003
- one year to less than five years					56,008,705	795,338	2,824,548	1,677,694
Total	75,089,962	1,226,970	4,568,359	2,951,989	78,669,767	1,345,377	4,931,163	3,563,090

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

	1st Quarter Ended		Three Months Ended	
	2019 June RM'000	2018 June RM'000	2019 June RM'000	2018 June RM'000
20 INTEREST INCOME				
Loans, advances and financing measured at amortised cost	73,337	74,264	73,337	74,264
Money at call and deposit placements with financial institutions	37,484	40,113	37,484	40,113
Financial assets at FVOCI/Securities available-for-sale	3,920	4,056	3,920	4,056
	<u>114,741</u>	<u>118,433</u>	<u>114,741</u>	<u>118,433</u>
21 INTEREST EXPENSE				
Deposits and placements of banks and other financial institutions	51,510	15,885	51,510	15,885
Deposits from other customers	42,588	43,902	42,588	43,902
	<u>94,098</u>	<u>59,787</u>	<u>94,098</u>	<u>59,787</u>
22 NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL				
Interest income	115,741	88,396	115,741	88,396
Interest expense	(66,884)	(74,590)	(66,884)	(74,590)
Unrealised loss in fair value of embedded loans	(37,519)	(36,033)	(37,519)	(36,033)
Realised gain in fair value of embedded loans	39,751	49,212	39,751	49,212
	<u>51,089</u>	<u>26,985</u>	<u>51,089</u>	<u>26,985</u>
23 OTHER OPERATING INCOME				
Fee income				
Commission	406	473	406	473
Guarantee fees	1,067	907	1,067	907
Service charges and fees	923	740	923	740
Commitment fees	142	174	142	174
Other fee income	1,316	2,175	1,316	2,175
	<u>3,854</u>	<u>4,469</u>	<u>3,854</u>	<u>4,469</u>
Investment income				
Gross dividends	111	111	111	111
Realised (loss)/gain in fair value of derivative financial instruments	(13,351)	(30,953)	(13,351)	(30,953)
Realised gain in fair value of trading securities	2,891	-	2,891	-
Unrealised gain/(loss) in fair value of derivative financial instruments	(4,780)	15,581	(4,780)	15,581
Unrealised gain in fair value of trading securities	88	-	88	-
Foreign exchange gain/(loss)	25,972	4,696	25,972	4,696
Net premium (paid)/received for options	(45)	(14)	(45)	(14)
	<u>10,886</u>	<u>(10,579)</u>	<u>10,886</u>	<u>(10,579)</u>
Other income				
Other operating income	2,302	259	2,302	259
	<u>17,042</u>	<u>(5,851)</u>	<u>17,042</u>	<u>(5,851)</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

	1st Quarter Ended		Three Months Ended	
	2019 June RM'000	2018 June RM'000	2019 June RM'000	2018 June RM'000
24 OTHER OPERATING EXPENSES				
Personnel expenses	28,154	26,930	28,154	26,930
Establishment related expenses	5,917	5,578	5,917	5,578
Promotion and marketing related expenses	543	505	543	505
Administrative and other expenses	9,177	8,504	9,177	8,504
	<u>43,791</u>	<u>41,517</u>	<u>43,791</u>	<u>41,517</u>
Personnel expenses				
- Wages, salaries and bonus	21,741	20,580	21,741	20,580
- Defined benefit plan	1,026	986	1,026	986
- Defined contribution plan	2,441	2,047	2,441	2,047
- Other employee benefits	2,946	3,317	2,946	3,317
	<u>28,154</u>	<u>26,930</u>	<u>28,154</u>	<u>26,930</u>
Establishment related expenses				
- Depreciation of property, plant and equipment	1,221	1,173	1,221	1,173
- Amortisation of intangible assets	2,898	2,695	2,898	2,695
- Depreciation of right-of-use assets	1,092	-	1,092	-
- Hire of equipment	257	151	257	151
- Repair and maintenance	6	112	6	112
- Rental of premises	269	1,220	269	1,220
- Others	174	227	174	227
	<u>5,917</u>	<u>5,578</u>	<u>5,917</u>	<u>5,578</u>
Promotion and marketing related expenses				
- Advertising and publicity	37	51	37	51
- Others	506	454	506	454
	<u>543</u>	<u>505</u>	<u>543</u>	<u>505</u>
Administrative and other expenses				
- Cash collateral fees	4,656	3,860	4,656	3,860
- Communication expenses	112	171	112	171
- Legal and professional fees	270	191	270	191
- Others	4,139	4,282	4,139	4,282
	<u>9,177</u>	<u>8,504</u>	<u>9,177</u>	<u>8,504</u>
25 (ALLOWANCE)/WRITEBACK FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS				
Allowance for financial instruments				
- Stage 1 ECL	(382)	(875)	(382)	(875)
- Stage 2 ECL	(2,372)	11,665	(2,372)	11,665
- Stage 3 ECL	13	3,694	13	3,694
Impaired loans and advances written off	(13)	-	(13)	-
Bad debts written back	-	11	-	11
	<u>(2,755)</u>	<u>14,495</u>	<u>(2,755)</u>	<u>14,495</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

26 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 June	2019 March
Common equity Tier 1 ("CET 1") capital ratio	23.041%	21.308%
Tier 1 capital ratio	23.041%	21.308%
Total capital ratio	<u>23.870%</u>	<u>22.054%</u>

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

	2019 June 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	116,119	110,734
	<u>3,134,690</u>	<u>3,129,305</u>
<u>Less</u>		
· Deferred tax assets	-	-
· Intangible assets	(31,746)	(27,307)
· 55% of fair value reserve	(15,673)	(12,716)
· Regulatory reserve	(93,078)	(93,078)
	<u>2,994,193</u>	<u>2,996,204</u>
<u>Tier 2 capital</u>		
· Stage 1 and 2 ECL and regulatory reserve	107,739	104,903
Total Capital	<u>3,101,932</u>	<u>3,101,107</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

26 CAPITAL ADEQUACY (CONT'D)

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

2019 June

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-Balance Sheet Exposures :				
Sovereigns/Central Banks	4,084,358	4,084,358	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	3,040,413	3,040,395	670,265	53,621
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,810,864	6,364,270	6,554,449	524,356
Regulatory Retail	1,925	1,925	1,925	154
Residential Mortgages	14,731	14,731	7,216	577
Other Assets	692,980	692,980	418,296	33,464
Equity Exposures	30,849	30,849	30,849	2,468
Defaulted Exposures	2,465	2,465	2,449	196
Total On-Balance Sheet Exposures	28,678,585	14,231,973	7,685,449	614,836
Off-Balance Sheet Exposures :				
Credit-related exposures	539,714	539,714	471,669	37,734
Securitisation exposures	3,000	3,000	2,250	180
Derivatives financial instruments	4,025,645	4,025,645	2,478,070	198,246
Total Off-Balance Sheet Exposures	4,568,359	4,568,359	2,951,989	236,160
Total On and Off-Balance Sheet Exposures	33,246,944	18,800,332	10,637,438	850,996
(ii) Large Exposure Risk Requirement				
	-	-	-	-
(iii) Market Risk				
	Long Position	Short Position		
Interest Rate Risk	65,505,508	(65,184,455)	1,327,228	106,178
Foreign Exchange Risk	8,581	(63,957)	63,957	5,117
	65,514,089	(65,248,412)	1,391,185	111,296
(iv) Operational Risk				
			966,213	77,297
Total RWA and Capital Requirements	33,246,944	18,800,332	12,994,836	1,039,589

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

26 CAPITAL ADEQUACY (CONTD.)

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

2019 March

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	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 Exchange 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

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

27 THE OPERATIONS OF ISLAMIC BANKING

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

		2019 June RM'000	2019 March RM'000
ASSETS			
Cash and short-term funds	(a)	140,000	34,000
Deposits and placement with financial institutions	(b)	3,028	1,139
Other assets		34	10
TOTAL ASSETS		<u>143,062</u>	<u>35,149</u>
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	107,504	3
Other liabilities	(d)	8,833	8,617
TOTAL LIABILITIES		<u>116,337</u>	<u>8,620</u>
CAPITAL FUND		25,000	25,000
RESERVE		1,725	1,529
ISLAMIC BANKING FUNDS		<u>26,725</u>	<u>26,529</u>
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		<u>143,062</u>	<u>35,149</u>
COMMITMENTS AND CONTINGENCIES	(e)	<u>5,400</u>	<u>5,400</u>

Islamic financing based on Commodity Murabahah (Tawarruq) of RM863,452,531 (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.

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

27 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2019**

		1st quarter ended		Three months ended	
		2019 June	2018 June	2019 June	2018 June
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of Islamic Banking Capital funds	(f)	298	257	298	257
Other operating income	(g)	68	116	68	116
Total net income		366	373	366	373
Other operating expenses	(h)	(170)	(182)	(170)	(182)
Operating profit before allowance for impairment		196	191	196	191
Allowance for impairment on commitment and contingencies		-	-	-	-
Profit before tax		196	191	196	191
Tax expense		-	-	-	-
Profit for the period		196	191	196	191

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2019**

	Capital Fund	(Accumulated Losses)/ Retained Profits	Total
	RM '000	RM '000	RM '000
2019 June			
At beginning of the period	25,000	1,529	26,529
Profit for the period	-	196	196
At end of the period	25,000	1,725	26,725
2018 June			
At beginning of the period	25,000	(313)	22,916
Profit for the period	-	191	191
At end of the period	25,000	(122)	23,107

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

27 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 June RM'000	2019 March RM'000
Cash and balances with banks and other financial institution	<u>140,000</u>	<u>64,107</u>

(b) Deposits and placements with financial institutions

	2019 June RM'000	2019 March RM'000
<i>Amortised cost</i>		
Licensed bank		
• Malaysia	<u>3,028</u>	<u>1,139</u>
	<u>3,028</u>	<u>1,139</u>

(c) Deposits from customers

	2019 June RM'000	2019 March RM'000
(i) By type of deposits:		
Current accounts - Qard	<u>107,504</u>	<u>3</u>
(ii) By type of customer:		
Business enterprises	<u>107,504</u>	<u>3</u>

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

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

27 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(d) Other liabilities

	2019 June RM'000	2019 March RM'000
Impairment allowances on commitment and contingencies		
Stage 2 - lifetime ECL not credit impaired	(i) 10	10
Accruals and provisions for operational expenses	8,823	8,607
	<u>8,833</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	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2019	-	10	-	10
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	-	-	-	-
Financial assets derecognised (other than write-off)	-	-	-	-
Net remeasurement due to changes in credit risk	-	-	-	-
Amount written off	-	-	-	-
At 30 June 2019	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>
At 1 April 2018				-
Effects of adopting MFRS9	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 1 April 2018, as restated	-	-	-	-
New financial assets originated	-	10	-	10
At 31 March 2019	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

27 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
30.06.2019				
Contingent liabilities				
Transaction related contingent items	5,400		2,690	2,690
31.03.2019				
Contingent liabilities				
Transaction related contingent items	5,400		2,690	2,690

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

	1st quarter ended		Three months ended	
	2019 June RM'000	2018 June RM'000	2019 June RM'000	2018 June RM'000
Money at call and placements with financial institutions	298	257	298	257

(g) Other Operating Income

	1st quarter ended		Three months ended	
	2019 June RM'000	2018 June RM'000	2019 June RM'000	2018 June RM'000
Other fee income	68	116	68	116

(h) Other Operating Expenses

	1st quarter ended		Three months ended	
	2019 June RM'000	2018 June RM'000	2019 June RM'000	2018 June RM'000
Personnel expenses	134	161	134	161
Other expenses	36	21	36	21
	170	182	170	182

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

27 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 June	2019 March
Common equity tier 1 capital ratio	104.375%	138.179%
Tier 1 capital ratio	104.375%	138.179%
Total capital ratio	<u>104.414%</u>	<u>138.231%</u>

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

	2019 June RM'000	2019 March RM'000
<u>CET 1 and Tier 1 capital</u>		
· Paid-up share capital	25,000	25,000
· Accumulated losses	<u>1,529</u>	<u>1,529</u>
	26,529	26,529
<u>Tier 2 capital</u>	<u>10</u>	<u>10</u>
Total capital	<u>26,539</u>	<u>26,539</u>

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

	2019 June RM'000	2019 March RM'000
Credit risk	2,700	2,700
Operational risk	<u>22,717</u>	<u>16,499</u>
	<u>25,417</u>	<u>19,199</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019

28 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.

	Impact of adopting MFRS 16 as at 1 April 2019
Right-of-use assets	
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>
Lease Liabilities	
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>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2019**

28 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.

	31 March 2019 (MFRS 117) RM'000	Remeasurement RM'000	1 April 2019 (MFRS 16) RM'000
Statement of financial position			
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	-	-	-
TOTAL ASSETS	31,014,133	15,458	30,209,461
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	-	-	-
TOTAL LIABILITIES	27,884,828	15,458	26,217,182
SHARE CAPITAL	200,000	-	200,000
RESERVES	2,929,305	-	2,929,305
SHAREHOLDER'S FUNDS	3,129,305	-	3,129,305
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	31,014,133	15,458	29,346,487
	31 March 2019	Impact of MFRS 16	1 April 2019
Capital adequacy			
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)	14,061,682	15,458	14,077,140