MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Company No : 199401016638 (302316-U)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2019

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Company No : 199401016638 (302316-U)

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UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2019

	Note	2019 September RM'000	2019 March RM'000
ASSETS			
Cash and short-term funds	11	4,670,738	5,314,486
Deposits and placement with financial institutions	12	1,364,470	952,641
Financial assets held-for-trading		349,248	-
Financial assets at fair value through other comprehensive income	13	628,986	430,995
Loans, advances and financing	14	7,287,762	7,568,611
Embedded loans measured at fair value through profit or loss	15	14,839,625	14,935,811
Purchased receivables	16	469,023	434,516
Collateral deposits placed		86,902	143,022
Derivative financial assets	17	755,636	795,338
Statutory deposits with Bank Negara Malaysia		69,978	87,648
Other assets		40,215	280,530
Property, plant and equipment		22,097	18,436
Intangible assets		31,520	27,307
Rights-of-use assets		13,405	-
Current tax assets		34,895	24,792
TOTAL ASSETS		30,664,500	31,014,133
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	18	9,005,208	8,319,682
Deposits and placements of banks and other financial institutions	19	946,899	1,683,104
Collateral deposits received		16,685,851	16,941,590
Derivative financial liabilities	17	677,948	785,695
Other liabilities	20	91,264	127,496
Lease liabiliies		13,490	-
Deferred tax liabilities		27,327	27,261
TOTAL LIABILITIES		27,447,986	27,884,828
SHARE CAPITAL		200,000	200,000
RESERVES		3,016,514	2,929,305
SHAREHOLDER'S FUNDS		3,216,514	3,129,305
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		30,664,500	31,014,133
COMMITMENTS AND CONTINGENCIES	21	75,607,032	78,669,767

MUFG BANK (MALAYSIA) BERHAD
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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2019

	Note	2nd Quarter Ended		Six Months Ended	
		2019 September RM'000	2018 September RM'000	2019 September RM'000	2018 September RM'000
Operating revenue		141,436	128,132	227,996	208,168
Interest income	22	113,422	130,390	228,163	248,823
Interest expense	23	(67,491)	(77,649)	(143,105)	(139,956)
Net interest income		45,931	52,741	85,058	108,867
Net income from embedded loans measured at FVTPL	24	40,893	(7,614)	165,452	99,621
Net income from Islamic Banking operations		334	156	632	529
Other operating income	25	54,278	82,892	(23,146)	(806)
Operating income		141,436	128,175	227,996	208,211
Other operating expenses	26	(37,911)	(40,487)	(79,123)	(81,888)
Profit before allowance for impairment on financial instruments		103,525	87,688	148,873	126,323
Allowance for impairment on financial instruments	27	(10,389)	412	(13,143)	14,907
Profit before tax		93,136	88,100	135,729	141,230
Tax expense		(23,264)	(22,975)	(52,514)	(45,950)
Profit for the period		69,872	65,125	83,215	95,280
Other comprehensive income net of tax					
Items that will not be reclassified subsequently to profit or loss					
Foreign currency translation in respect of expected credit loss		-	-	2,056	-
Items that are or may be reclassified subsequently to profit or loss					
Change in fair value of financial assets at fair value through other comprehensive income		(3,442)	173	1,934	(330)
Change in expected credit loss reserve		(5)	-	4	-
Total comprehensive income for the period		66,425	65,298	87,209	94,950
Profit attributable to : Owner of the Bank		69,872	65,125	83,215	95,280
Total comprehensive income attributable to : Owner of the Bank		66,425	65,298	87,209	94,950
Basic earnings per share (sen)		34.9	32.6	41.6	47.6

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

	<-- Attributable to Shareholder of the Bank -->						
	<-- Non-distributable -->					Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Defined benefit reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
2019 September							
At beginning of the period	200,000	93,078	(5,801)	337	23,120	2,818,571	3,129,305
Profit for the period	-	-	-	-	-	83,215	83,215
Other comprehensive income	-	-	-	4	1,934	2,056	3,994
Total comprehensive income	-	-	-	4	1,934	85,271	87,209
Exchange difference	-	-	-	-	-	-	-
At end of the period	200,000	93,078	(5,801)	341	25,054	2,903,842	3,216,514
2018 September							
At beginning of the period							
- As previosuly 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	-	-	-	-	-	95,280	95,280
Other comprehensive income	-	-	-	-	(330)	-	(330)
Total comprehensive income	-	-	-	-	(330)	95,280	94,950
Transfer from retained profits	-	62,465	-	-	-	(62,465)	-
At end of the period	200,000	125,662	(5,801)	-	23,192	2,603,889	2,946,942

MUFG BANK (MALAYSIA) BERHAD
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2019

	2019 September RM'000	2018 September RM'000
Cash Flows From Operating Activities		
Profit before tax	135,729	141,230
Adjustments for:		
Loss on disposal of property, plant and equipment	193	-
Depreciation of property, plant and equipment	2,455	2,342
Depreciation of right-of-use assets	2,198	-
Amortisation of intangible assets	5,856	5,404
Provision for retirement benefits	2,052	2,126
Dividend income	(221)	(184)
Interest income from financial assets at fair value through other comprehensive income	(8,844)	(8,421)
Amortisation and accretion of financial assets at fair value through other comprehensive income	402	416
(Write back)/Allowance for impairment on financial instruments/ loans, advances and financing	13,130	14,907
Writeback of provision for diminution in value of financial assets at fair value through other comprehensive income	-	(8)
Unrealised loss on changes in trading securities	161	(1)
Unrealised loss/(gain) on changes in fair value of derivative financial instruments	107,203	82,280
Unrealised (gain)/loss on changes in fair value of financial assets at fair value through profit or loss	(93,415)	(53,287)
Operating profit before changes in working capital	166,899	186,803
(Increase)/Decrease in operating assets:		
Financial assets at fair value through profit or loss	183,117	(1,228,867)
Financial assets at fair value through other comprehensive income	7,808	(14,193)
Loans, advances and financing	268,600	(3,620,700)
Collateral deposits placed	56,120	291,036
Purchased receivables	(34,551)	(470,377)
Derivative financial assets	97,765	248,153
Financial assets held-for-trading	(1,089)	-
Statutory deposits with Bank Negara Malaysia	17,670	(68,486)
Other assets	(187,117)	(558,011)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	685,525	(28,853)
Deposits and placements of banks and other financial institutions	(736,205)	177,547
Collateral deposits received	(255,739)	4,897,817
Derivative financial liabilities	(264,475)	(777,540)
Other liabilities	(21,305)	19,405
Cash generated from/(used in) operations	(16,976)	(946,266)
Income taxes paid	(62,558)	(40,906)
Payment of staff gratuities	(1,949)	(602)
Net cash generated from/(used in) operating activities	(81,483)	(987,774)

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

	2019 September RM'000	2018 September RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(6,201)	(1,442)
Purchase of intangible assets	(10,184)	(1,617)
Proceeds from sale of financial assets at fair value through other comprehensive income/available-for-sale	30,000	-
Proceeds from disposal of property, plant and equipment	8	-
Purchase of financial assets at fair value through other comprehensive income/available-for-sale	(220,839)	(29,835)
Proceeds from disposal of trading securities	600,934	-
Purchase of trading securities	(949,254)	(50,018)
Payment for lease liabilities	(2,363)	-
Dividend received	221	184
Interest income from financial assets at fair value through other comprehensive income/available-for-sale	(4,587)	8,813
Net cash generated from/(used in) investing activities	(562,265)	(73,915)
Net increase in cash and cash equivalents	(643,748)	(1,061,689)
Cash and cash equivalents at beginning of quarter	5,314,486	5,915,504
Cash and cash equivalents at end of quarter	4,670,738	4,853,815

1 BASIS OF PREPARATION

The unaudited condensed interim financial report for the quarter ended 30 September 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*.

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 30 September 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 September 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 30 September 2019.

7 DIVIDEND PAID

No dividend was paid during the financial period ended 30 September 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 30 September 2019 was RM135.7 million, a decrease of 3.89% or RM5.5 million compared to the corresponding period last year. Operating income increased by RM19.8 million from RM208.2 million to RM228.0 million whilst operating expenses lower by RM2.7 million mainly attributed to lower collateral deposit fees during the financial period.

Total assets increased marginally from RM31.0 billion to RM30.7 billion compared to 31 March 2019. The Bank's CET 1/Tier 1 capital ratio and total capital ratio remained strong at 21.64% and 22.46% 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.

11 CASH AND SHORT-TERM FUNDS

	2019 September RM'000	2019 March RM'000
At amortised cost		
Cash and balances with banks and other financial institutions	81,111	53,319
Money at call and deposit placements maturing within three months	4,589,628	5,261,167
	4,670,738	5,314,486

12 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2019 September RM'000	2019 March RM'000
At amortised cost		
Licensed bank		
• Malaysia	1,364,470	768,391
• Other countries	-	184,250
	1,364,470	952,641

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

	2019 September RM'000	2019 March RM'000
Money market instruments		
• Malaysian Government Securities	392,215	201,260
• Sukuk	208,888	204,215
	601,103	405,475
Non-money market instruments:		
Unquoted bonds	27	27
Unquoted shares	27,856	25,493
	27,883	25,520
Total	628,986	430,995

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

	2019 September 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	11	18
Deferred tax impact	-	(4)
At 30 September/31 March	348	337

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14 LOANS, ADVANCES AND FINANCING

	2019 September RM'000	2019 March RM'000
(a) By type:		
At amortised cost		
Overdrafts	3,541	9,109
Term loans		
• Housing loans	11,343	11,561
• Other term loans	3,849,830	3,813,578
Revolving credits	3,327,190	3,601,109
Bills receivable	48,592	132,624
Claims on customers under acceptance credits	8,637	3,234
Staff loans	7,642	7,929
	7,256,775	7,579,144
Unearned interest	(92)	(154)
Gross loans, advances and financing at amortised cost	7,256,683	7,578,990
Impairment allowances on loans, advances and financing		
• Stage 1 - 12 month ECL	(13,317)	(5,461)
• Stage 2 - lifetime ECL not credit impaired	(5,489)	(4,781)
• Stage 3 - lifetime ECL credit impaired	(3,886)	(137)
Net loans, advances and financing at amortised cost	7,233,991	7,568,611
At fair value		
Other term loans	53,771	-
Total net loans, advances and financing at amortised cost	7,287,762	7,568,611
Total gross loans, advances and financing		
- *At amortised cost*	7,256,683	7,578,990
- *At fair value*	53,771	-
	7,310,454	7,578,990
(b) By maturity structure:		
Maturing within one year	3,702,826	3,985,803
More than one year to three years	940,319	463,877
More than three years to five years	1,474,425	1,999,024
More than five years	1,192,884	1,130,286
	7,310,454	7,578,990
(c) By type of customer:		
Domestic financial institutions	-	-
Domestic non-bank financial institutions	688,621	788,016
Domestic business enterprises		
• Small medium enterprises	1,758,420	1,916,743
• Others	3,231,648	3,271,693
Individuals	18,612	19,062
Foreign entities	1,613,153	1,583,476
	7,310,454	7,578,990
(d) By interest rate sensitivity:		
Fixed rate		
• Staff loans	4,625	5,263
Variable rates	7,305,829	7,573,727
	7,310,454	7,578,990

14 LOANS, ADVANCES AND FINANCING (CONTD.)

	2019 September RM'000	2019 March RM'000
(e) By economic sector:		
Agricultural, hunting, forestry and fishing	653,320	670,442
Mining and quarrying	142,034	-
Manufacturing	1,790,533	1,759,531
Electricity, gas and water	421,260	380,390
Construction	970,082	925,920
Wholesale and retail trade and restaurants and hotels	486,442	651,694
Transport, storage and communication	1,852,231	2,082,583
Finance, insurance, real estate and business services	975,568	1,088,940
Households	18,984	19,490
Others	-	-
	7,310,454	7,578,990
(f) By geographical location:		
Malaysia	5,703,958	6,684,766
Other countries	1,606,496	894,224
	7,310,454	7,578,990
(g) Movements in impaired loans, advances and financing are as follows:		
At beginning of the period	732	4,702
Impaired during the period	44,229	1,241
Amount recovered	(9)	(35)
Reclassified as non-impaired	(1,809)	(1,350)
Amount written off	(35)	(3,826)
At end of the period	43,108	732
(h) Credit-impaired loans by economic sector is as follows:		
Household	688	732
Manufacturing	42,420	-
	43,108	732
(i) Credit-impaired loans by geographical location is as follows:		
Malaysia	43,108	732

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14 LOANS, ADVANCES AND FINANCING (CONTD.)

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

	12 month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2019	5,461	4,781	137	10,379
Transfer to 12-Month ECL (Stage 1)	233	(170)	-	63
Transfer to Lifetime ECL not credit impaired (Stage 2)	(317)	1,913	-	1,596
Transfer to Lifetime ECL credit impaired (Stage 3)	(1)	-	-	(1)
New financial assets originated	7,503	3,575	3,777	14,855
Financial assets derecognised (other than write-off)	(1,950)	(4,610)	(14)	(6,574)
Net remeasurement due to changes in credit risk	2,388	-	(14)	2,374
At 30 September 2019	13,317	5,489	3,886	22,692
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 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)
At 31 March 2018	5,461	4,781	137	10,379

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

	2019 September RM'000	2019 March RM'000
At fair value		
Embedded loans	14,839,625	14,935,811

Embedded loans included RM13,481,463,000 (2019 March: RM14,486,293,000) of outstanding balance for loans, advances and financing, and fair value for loans and derivatives of RM358,162,000 (2019 March: RM449,518,000).

		2019 September RM'000	2019 March RM'000
(a)	**By maturity structure:**		
	Maturing within one year	2,818,813	5,889,367
	More than one year to three years	4,394,679	5,231,756
	More than three years to five years	6,531,452	1,805,690
	More than five years	1,094,681	2,008,998
		14,839,625	14,935,811
(b)	**By type of customer:**		
	Domestic financial institutions		
	Domestic non-bank financial institutions	7,844,493	6,922,232
	Domestic business enterprises		
	- Small medium enterprises	470,313	587,372
	- Others	6,524,819	7,426,207
	Individuals	-	-
	Foreign entities	-	-
		14,839,625	14,935,811
(c)	**By interest rate sensitivity:**		
	Variable rates	14,839,625	14,935,811
(d)	**By economic sector:**		
	Agricultural, hunting, forestry and fishing	-	-
	Mining and quarrying	4,147	5,181
	Manufacturing	988,990	933,211
	Electricity, gas and water	2,256,245	2,208,030
	Construction	1,103,880	1,133,790
	Wholesale and retail trade and restaurants and hotels	947,000	961,117
	Transport, storage and communication	340,265	1,387,690
	Finance, insurance, real estate and business services	9,189,076	8,295,606
	Households	-	-
	Others	10,022	11,186
		14,839,625	14,935,811
(e)	**By geographical location:**		
	Malaysia	14,839,625	14,935,811

16 PURCHASED RECEIVABLES

	2019 September RM'000	2019 March RM'000
At amortised cost		
Purchased receivables	469,115	434,564
Impairment allowances on purchased receivables		
Stage 1 - 12 month ECL	(58)	(44)
Stage 2 - lifetime ECL not credit impaired	(34)	(4)
	469,023	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 RM437,219,000 (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 Not credit impaired	Lifetime ECL Credit impaired	
	Stage 1 RM'000	Stage 2 RM'000	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	58	34	-	92
Financial assets derecognised (other than write-off)	(44)	(4)	-	(48)
Net remeasurement due to changes in credit risk	-	-	-	-
At 30 September 2019	58	34	-	92
At 1 April 2018				185
Effects of changes in accounting policies				(138)
At 1 April 2018, as restated	-	47	-	47
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	44	4	-	48
Financial assets derecognised (other than write-off)	-	(47)	-	(47)
Net remeasurement due to changes in credit risk	-	-	-	-
At 31 March 2019	44	4	-	48

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 September			2019 March		
	Notional	Fair Value		Notional	Fair Value	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
At fair value	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives*						
Foreign exchange related contracts						
Forwards	7,101,780	49,500	19,903	10,870,314	56,071	44,508
Swaps	17,951,942	632,710	453,015	18,062,934	686,950	590,079
Interest rate related contracts						
Swaps	24,476,424	72,425	204,080	25,281,881	45,194	144,555
Other derivatives						
Currency options	138,992	554	503	148,538	660	570
Premium yielder investments	3,349,600	447	447	3,351,907	6,463	5,983
	53,018,737	755,636	677,948	57,715,574	795,338	785,695

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM44,940,000 (2019: RM41,182,000) and RM84,035,000 (2019: RM98,798,000) respectively.

18 DEPOSITS FROM CUSTOMERS

	2019 September RM'000	2019 March RM'000
At amortised cost		
Demand deposits	3,214,302	3,122,530
Money market deposits	1,410,338	1,357,623
Savings deposits	2,677	16,909
Fixed deposits	4,377,890	3,822,620
	9,005,208	8,319,682

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

	2019 September RM'000	2019 March RM'000
Due within six months	4,332,078	3,770,781
Six months to one year	42,147	44,332
Above one year	3,665	7,507
	4,377,890	3,822,620

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

	2019 September RM'000	2019 March RM'000
Business enterprises	8,981,309	8,252,850
Individuals	23,899	66,832
	9,005,208	8,319,682

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019 September RM'000	2019 March RM'000
At amortised cost		
Licensed banks	946,899	1,683,104

20 OTHER LIABILITIES

		2019 September RM'000	2019 March RM'000
Provision for retirement benefits		29,231	29,129
Impairment allowances on commitment and contingencies	(a)		
Stage 1 - 12 month ECL		799	113
Stage 2 - lifetime ECL not credit impaired		1,032	1,081
Stage 3 - lifetime ECL credit impaired		194	-
Accrued interest payable		17,305	18,461
Bills payable		8,064	16,020
Other payables and accruals		34,639	62,692
		91,264	127,496

(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
At 1 April 2019	113	1,081	-	1,194
Transfer to 12-Month ECL (Stage 1)	125	(137)	-	(12)
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	(1)	-	(1)
Transfer to Lifetime ECL credit impaired (Stage 3)	-	(7)	32	25
New financial assets originated	531	100	162	793
Financial assets derecognised (other than write-off)	(22)	(137)	-	(159)
Net remeasurement due to changes in credit risk	52	133	-	185
At 30 September 2019	799	1,032	194	2,025
At 1 April 2018				-
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	-	-	-	-
At 31 March 2018	113	1,081	-	1,194

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21 COMMITMENTS AND CONTINGENCIES

	2019 September				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
Credit-related Exposures								
Direct credit substitutes	2,775		2,771	1,386	2,275		2,274	1,137
Transaction-related contingent items	835,727		416,189	362,886	1,014,310		505,980	448,340
Short-term self-liquidating trade-related contingencies	302,083		60,397	66,547	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	237,177		47,110	47,110	221,392		44,272	44,272
- exceeding one year	61		29	22	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	8,005,987		-	-	7,403,938		-	-
Securitisation exposures	15,000		3,000	2,250	15,000		3,000	2,250
	9,398,810		529,495	480,200	8,870,836		598,423	539,454
Embedded loans								
Foreign exchange related contracts								
- less than one year	1,877,611	36,720	81,126	65,457	1,260,365	21,671	49,782	37,134
- one year to less than five years	8,394,916	280,505	1,018,023	673,998	7,980,022	369,255	1,059,065	951,372
- five years and above	761,839	40,347	135,718	135,718	1,300,020	94,330	276,693	276,693
Interest rate related contracts								
- less than one year	912,400	14,911	15,098	3,297	75,000	70	145	145
- one year to less than five years	2,176,677	50,477	87,942	30,231	2,208,600	31,448	43,973	14,594
- five years and above	810,338	30,753	72,518	24,358	966,219	33,265	78,534	66,004
	14,933,781	453,712	1,410,425	933,058	13,790,226	550,039	1,508,192	1,345,942
Derivative Financial Instruments:								
Foreign exchange related contracts								
- less than one year	9,600,995	245,938	400,867	225,066	16,589,819	193,338	375,365	220,778
- one year to less than five years	13,030,802	320,245	1,103,680	642,887	8,776,387	388,461	1,207,140	708,720
- five years and above	2,421,925	116,027	480,950	345,291	3,567,042	161,222	659,862	466,298
Interest rate related contracts								
- less than one year	4,939,238	1,620	12,569	6,040	5,395,562	1,988	9,504	3,749
- one year to less than five years	15,381,234	21,862	252,683	123,975	15,748,884	27,357	262,554	128,260
- five years and above	4,155,953	48,943	267,539	153,285	4,137,435	15,849	235,282	132,078
Currency options								
- less than one year	69,496	554	1,596	1,596	74,269	660	1,774	1,774
- one year to less than five years	-	-	-	-	-	-	-	-
Premium yielder investments								
- less than one year	1,674,800	447	38,130	7,626	903,007	2,264	28,053	7,034
- one year to less than five years	-	-	-	-	816,300	4,199	45,014	9,003
	51,274,441	755,636	2,558,014	1,505,767	56,008,705	795,338	2,824,548	1,677,694
Total	75,607,032	1,209,348	4,497,935	2,919,025	78,669,767	1,345,377	4,931,163	3,563,090

	2nd Quarter Ended		Six Months Ended	
	2019 September RM'000	2018 September RM'000	2019 September RM'000	2018 September RM'000
22 INTEREST INCOME				
Loans, advances and financing measured at amortised cost	69,930	88,980	143,267	163,244
Loans, advances and financing measured at fair value	1,370	-	1,370	-
Money at call and deposit placements with financial institutions	37,600	37,045	75,084	77,158
Financial assets with FVOCI	4,522	4,365	8,442	8,421
	113,422	130,390	228,163	248,823
23 INTEREST EXPENSE				
Deposits and placements of banks and other financial institutions	54,022	67,862	121,027	118,033
Deposits from other customers	13,469	9,787	22,078	21,923
	67,491	77,649	143,105	139,956
24 NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL				
Interest income	107,601	99,534	223,342	187,930
Interest expense	(88,363)	(85,630)	(176,242)	(157,700)
Unrealised gain/(loss) in fair value of embedded loans	17,349	(24,884)	93,415	53,287
Realised gain in fair value of embedded loans	4,306	3,366	24,937	16,104
	40,893	(7,614)	165,452	99,621
25 OTHER OPERATING INCOME				
Fee income				
Commission	277	492	683	965
Guarantee fees	961	1,075	2,028	1,982
Service charges and fees	919	837	1,842	1,577
Commitment fees	144	194	286	368
Other fee income	4,924	3,875	6,172	5,934
	7,225	6,473	11,011	10,826
Investment income				
Gross dividends	110	73	221	184
Realised gain/(loss) in fair value of derivative financial instruments	17,786	37,353	23,555	42,873
Realised gain/(loss) in fair value of trading securities	3,782	170	6,673	170
Unrealised gain/(loss) in fair value of derivative financial instruments	11,095	16,343	(107,203)	(82,280)
Unrealised gain/(loss) in fair value of trading securities	(249)	1	(161)	1
Foreign exchange gain/(loss)	12,473	20,794	38,445	25,490
Net premium (paid)/received for options	(5)	6	(50)	(8)
	44,992	74,740	(38,520)	(13,570)
Other income				
Other operating income	2,062	1,679	4,364	1,938
	54,278	82,892	(23,146)	(806)

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	2nd Quarter Ended		Six Months Ended	
	2019 September RM'000	2018 September RM'000	2019 September RM'000	2018 September RM'000
26 OTHER OPERATING EXPENSES				
Personnel expenses	25,163	25,878	53,317	52,808
Establishment related expenses	6,061	5,602	11,978	11,180
Promotion and marketing related expenses	349	531	892	1,036
Administrative and other expenses	6,337	8,476	12,935	16,864
	37,911	40,487	79,123	81,888
Personnel expenses				
- Wages, salaries and bonus	19,738	19,241	41,479	39,821
- Defined benefit plan	1,026	1,141	2,052	2,127
- Defined contribution plan	2,123	2,122	4,564	4,169
- Other employee benefits	2,276	3,374	5,222	6,691
	25,163	25,878	53,317	52,808
Establishment related expenses				
- Depreciation of property, plant and equipment	1,234	1,169	2,455	2,342
- Amortisation of intangible assets	2,958	2,709	5,856	5,404
- Depreciation of right-of-use assets	1,107	-	2,199	-
- Hire of equipment	229	200	486	351
- Repair and maintenance	38	121	44	233
- Rental of premises	284	1,211	553	2,431
- Others	212	192	386	419
	6,061	5,602	11,978	11,180
Promotion and marketing related expenses				
- Advertising and publicity	-	45	37	96
- Others	349	486	855	940
	349	531	892	1,036
Administrative and other expenses				
- Collateral deposit fees	1,458	4,848	3,603	8,708
- Communication expenses	395	275	507	446
- Legal and professional fees	212	427	482	618
- Others	4,272	2,926	8,343	7,092
	6,337	8,476	12,935	16,864

27 (ALLOWANCE)/WRITEBACK FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS

	2nd Quarter Ended 2019 September RM'000	2nd Quarter Ended 2018 September RM'000	Six Months Ended 2019 September RM'000	Six Months Ended 2018 September RM'000
Allowance for financial instruments				
- Stage 1 ECL	(8,116)	(437)	(8,498)	(1,312)
- Stage 2 ECL	1,682	827	(690)	12,492
- Stage 3 ECL	(3,955)	(13)	(3,942)	3,681
Impaired loans, advances and financing written off	-	-	(13)	-
Bad debts written back	-	35	-	46
	(10,389)	412	(13,143)	14,907

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 September	2019 March
Common equity Tier 1 ("CET 1") capital ratio	21.638%	21.308%
Tier 1 capital ratio	21.638%	21.308%
Total capital ratio	22.464%	22.054%

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

	2019 September RM'000	2019 March RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	2,818,571	2,818,571
• Other reserves	112,672	110,734
	3,131,243	3,129,305
Less		
• Deferred tax assets	-	-
• Intangible assets	(31,520)	(27,307)
• 55% of fair value reserve	(13,780)	(12,716)
• Regulatory reserve	(93,078)	(93,078)
	2,992,865	2,996,204
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	114,155	104,903
Total Capital	3,107,020	3,101,107

28 CAPITAL ADEQUACY (CONT'D)

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

2019 September

Exposure Class	Long Position	Short Position	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			4,945,815	4,945,815	227,645	18,212
Public Sector Entities			38,659	38,659	7,732	619
Banks, Development Financial Institutions & MDBs			2,480,572	2,480,076	636,977	50,958
Insurance Cos, Securities Firms & Fund Managers			-	-	-	-
Corporates			21,705,899	4,282,343	6,670,710	533,657
Regulatory Retail			1,736	1,736	1,736	139
Residential Mortgages			14,492	14,492	7,033	563
Equity Exposures			30,849	30,849	30,849	2,468
Other Assets			542,111	542,111	344,982	27,599
Defaulted Exposures			2,423	2,423	2,423	194
Total On-Balance Sheet Exposures			29,762,556	12,338,504	7,930,087	634,407
Off-Balance Sheet Exposures :						
Credit-related exposures			526,496	526,496	477,950	38,236
Securitisation exposures			3,000	3,000	2,250	180
Derivatives financial instruments			3,968,439	3,968,439	2,438,825	195,106
Total Off-Balance Sheet Exposures			4,497,935	4,497,935	2,919,025	233,522
Total On and Off-Balance Sheet Exposures			34,260,491	16,836,439	10,849,112	867,929
(ii) Large Exposure Risk Requirement			-	-	-	-
(iii) Market Risk						
Interest Rate Risk	66,130,535	(65,492,385)			1,955,792	156,463
Foreign Exchange Risk	9,332	(52,618)			52,618	4,209
	66,139,866	(65,545,003)			2,008,410	160,674
(iv) Operational Risk					973,831	77,907
Total RWA and Capital Requirements			34,260,491	16,836,439	13,831,353	1,106,509

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28 CAPITAL ADEQUACY (CONTD.)

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

2019 March

Exposure Class	Long Position	Short Position	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						
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

29 CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2019 September RM'000	2019 March RM'000
Outstanding credit exposures with connected parties	487,095	569,484
Total credit exposures	29,944,209	28,800,365
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	1.6%	2.0%
- as a proportion of total capital	15.7%	18.4%

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

30 THE OPERATIONS OF ISLAMIC BANKING

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2019

		2019 September RM'000	2019 March RM'000
ASSETS			
Cash and short-term funds	(a)	43,000	34,000
Deposits and placement with financial institutions	(b)	2,298	1,139
Other assets		4	10
TOTAL ASSETS		45,302	35,149
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	163	3
Other liabilities	(d)	10,620	8,617
TOTAL LIABILITIES		10,784	8,620
CAPITAL FUND		25,000	25,000
RESERVE		9,517	1,529
ISLAMIC BANKING FUNDS		34,517	26,529
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		45,301	35,149
COMMITMENTS AND CONTINGENCIES	(e)	5,400	5,400

Islamic financing based on Commodity Murabahah (Tawarruq) of RM1,878,797,405 (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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30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2019

		2nd Quarter Ended		Six Months Ended	
		2019 September RM'000	2018 September RM'000	2019 September RM'000	2018 September RM'000
Income derived from investment of Islamic Banking Capital funds	(d)	335	272	633	529
Income attributable to depositors		(1)	-	(1)	-
Other operating income	(e)	7,553	215	7,621	331
Total net income		7,888	487	8,254	860
Other operating expenses	(f)	(93)	(133)	(263)	(315)
Operating profit before allowance for impairment		7,795	354	7,991	545
Allowance for impairment on commitment and contingencies		(2)	-	(2)	-
Profit before tax		7,792	354	7,988	545
Tax expense		-	-	-	-
Profit for the period		7,792	354	7,988	545

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

	Capital Fund RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Total RM'000
2019 September				
At beginning of the period	25,000	-	1,529	26,529
Transfer from retained profits	-	22	(22)	-
Profit for the period	-	-	7,988	7,988
At end of the period	25,000	22	9,495	34,517
2018 September				
At beginning of the period	25,000	-	(313)	24,687
Profit for the period	-	-	545	545
At end of the period	25,000	-	232	25,232

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

	2019 September RM'000	2018 September RM'000
Cash flows from operating activities		
Profit before tax	7,988	545
Operating profit before working capital changes	7,988	545
(Decrease)/Increase in operating assets:		
Deposits and placement with financial institutions	(1,159)	-
Other assets	6	(4)
(Decrease)/Increase in operating liabilities:		
Deposits from customers	160	74
Other liabilities	2,003	1,141
Net cash from operating activities	9,000	1,756
Net increase in cash and cash equivalents	9,000	1,756
Cash and cash equivalents at beginning of period	34,000	31,192
Cash and cash equivalents at end of period	43,000	32,948

30 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 September RM'000	2019 March RM'000
Cash and balances with banks and other financial institution	43,000	64,107

(b) Deposits from customers

	2019 September RM'000	2019 March RM'000
Current accounts	2,298	1,139

(c) Deposits from customers

	2019 September RM'000	2019 March RM'000
(i) By type of deposits:		
Current accounts (Qard)	3	3
Fixed deposits (Tawarruq)	160	-
	163	3
(ii) The maturity structure of fixed deposits are as follows:		
Six months to one year	160	-
(iii) By type of customer:		
Business enterprises	163	3

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

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.

30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(d) Other liabilities

		2019 September RM'000	2019 March RM'000
Impairment allowances on commitment and contingencies	(i)		
Stage 1 - 12-months ECL not credit impaired		12	-
Stage 2 - lifetime ECL not credit impaired		-	10
Accruals and provisions for operational expenses		10,608	8,607
		10,620	8,617

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

	12 month ECL	Lifetime ECL		
	Not credit impaired	Not credit impaired	Credit impaired	
	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)	12	(10)	-	2
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				-
At 30 September 2019	12	-	-	12
At 1 April 2018				-
Effects of adopting MFRS9				-
At 1 April 2018, as restated	-	-	-	-
New financial assets originated	-	10	-	10
At 31 March 2019	-	10	-	10

30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(e) Commitments and contingencies

	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
30.09.2019				
Contingent liabilities				
Transaction related contingent items	5,400		2,688	2,688
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

	2nd Quarter Ended		Six Months Ended	
	2019 September RM'000	2018 September RM'000	2019 September RM'000	2018 September RM'000
Money at call and placements with financial institutions	335	272	633	529

(g) Other Operating Income

	2nd Quarter Ended		Six Months Ended	
	2019 September RM'000	2018 September RM'000	2019 September RM'000	2018 September RM'000
Other fee income	7,553	215	7,621	331

(h) Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	2019 September RM'000	2018 September RM'000	2019 September RM'000	2018 September RM'000
Personnel expenses	62	96	196	257
Other expenses	31	37	67	58
	93	133	263	315

30 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 September	2019 March
Common equity tier 1 capital ratio	43.04%	138.18%
Tier 1 capital ratio	43.04%	138.18%
Total capital ratio	43.10%	138.23%

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

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

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

	2019 September RM'000	2019 March RM'000
Credit risk	2,688	2,700
Operational risk	58,947	16,499
	61,635	19,199

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

31 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	15,458
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	15,458

31 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.

Statement of financial position	31 March 2019 (MFRS 117) RM'000	Remeasurement RM'000	1 April 2019 (MFRS 16) RM'000
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

Capital adequacy	31 March 2019	Impact of MFRS 16	1 April 2019
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

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

PILLAR 3 DISCLOSURES

1. OVERVIEW

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

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

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

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

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

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

1. OVERVIEW (CONTD)

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

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

	2019 September		2019 March	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk	10,849,112	867,929	11,530,367	922,429
Market Risk	2,008,410	160,673	1,596,710	127,737
Operational Risk	973,831	77,907	934,602	74,768
	13,831,353	1,106,509	14,061,679	1,124,934

The Bank does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's CAF.

2. CAPITAL MANAGEMENT

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

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

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

2. CAPITAL MANAGEMENT (CONTD)

(a) Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

	2019 September %	2019 March %
Common equity Tier 1 ("CET 1") capital ratio	21.638	21.308
Tier 1 capital ratio	21.638	21.308
Total capital ratio	22.464	22.054

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

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

CET 1 capital ratio	7.00	%
Tier 1 capital ratio	8.50	%
Total capital ratio	10.50	%

Please refer to Note 29(i) for Islamic Banking operation capital adequacy.

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

	2019 September RM'000	2019 March RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	2,818,571	2,818,571
• Other reserves	112,672	110,734
	3,131,243	3,129,305
Less		
• Deferred tax assets	-	-
• Intangible assets	(31,520)	(27,307)
• 55% of fair value reserve	(13,780)	(12,716)
• Regulatory reserve	(93,078)	(93,078)
	2,992,865	2,996,204
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	114,155	104,903
Total capital	3,107,020	3,101,107

2. CAPITAL MANAGEMENT (CONTD)

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

2019 September

Exposure Class	Long Position	Short Position	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			4,945,815	4,945,815	227,645	18,212
Public Sector Entities			38,659	38,659	7,732	619
Banks, Development Financial Institutions & MDBs			2,480,572	2,480,076	636,977	50,958
Insurance Cos, Securities Firms & Fund Managers			-	-	-	-
Corporates			21,705,899	4,282,343	6,670,710	533,657
Regulatory Retail			1,736	1,736	1,736	139
Residential Mortgages			14,492	14,492	7,033	563
Equity Exposures			30,849	30,849	30,849	2,468
Other Assets			542,111	542,111	344,982	27,599
Defaulted Exposures			2,423	2,423	2,423	194
Total On-Balance Sheet Exposures			29,762,556	12,338,504	7,930,087	634,407
Off-Balance Sheet Exposures :						
Credit-related exposures			526,496	526,496	477,950	38,236
Securitisation exposures			3,000	3,000	2,250	180
Derivatives financial instruments			3,968,439	3,968,439	2,438,825	195,106
Total Off-Balance Sheet Exposures			4,497,935	4,497,935	2,919,025	233,522
Total On and Off-Balance Sheet Exposures			34,260,491	16,836,439	10,849,112	867,929
(ii) Large Exposure Risk Requirement			-	-	-	-
(iii) Market Risk						
Interest Rate Risk	66,130,535	(65,492,385)			1,955,792	156,463
Foreign Exchange Risk	9,332	(52,618)			52,618	4,209
	66,139,866	(65,545,003)			2,008,410	160,674
(iv) Operational Risk					973,831	77,907
Total RWA and Capital Requirements			34,260,491	16,836,439	13,831,353	1,106,509

2. CAPITAL MANAGEMENT (CONTD)

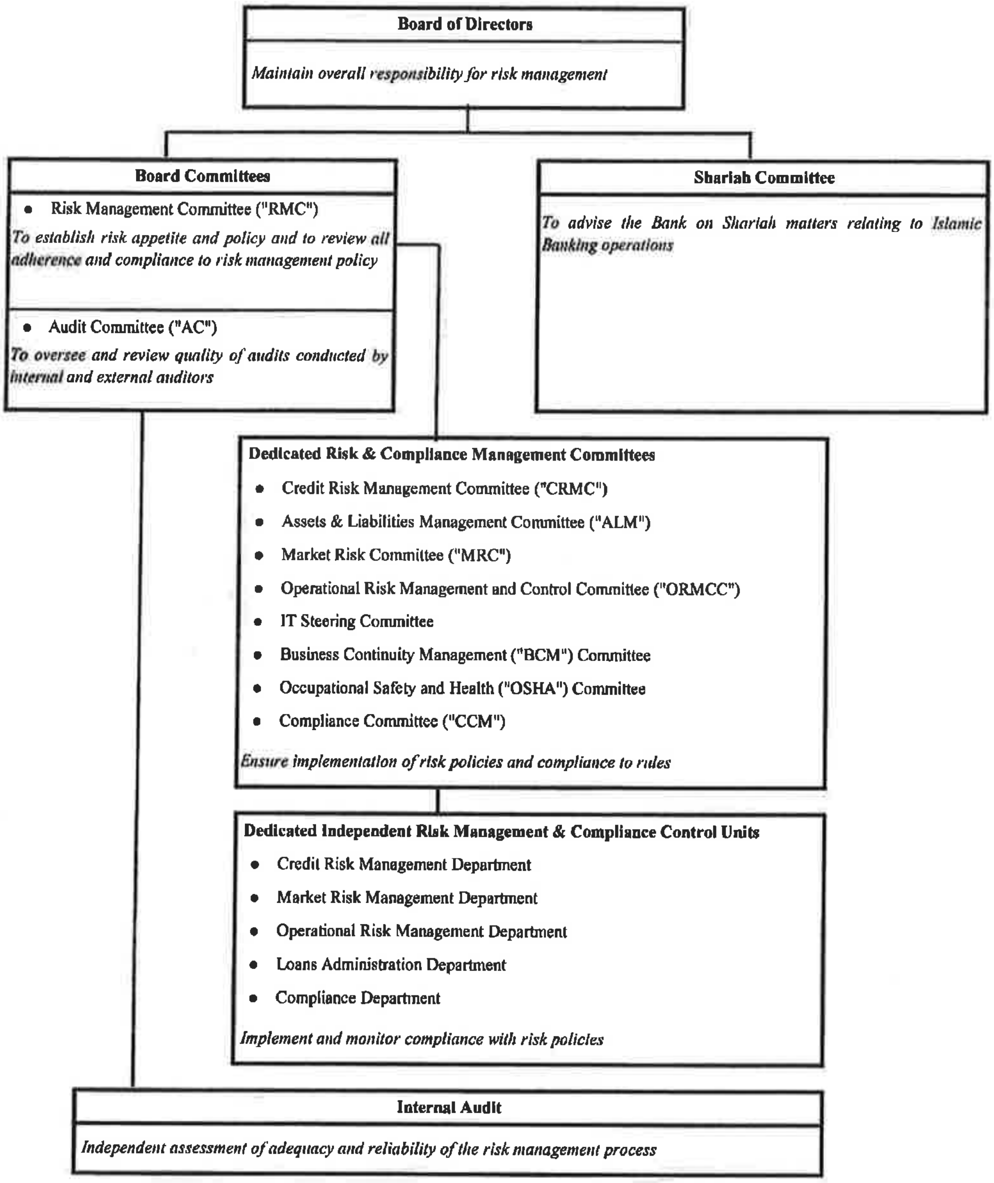
(c) The components of risk-weighted assets of the Bank are as follows: (Contd)

2019 March

Exposure Class	Long Position	Short Position	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						
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

3. RISK MANAGEMENT FRAMEWORK

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



3. RISK MANAGEMENT FRAMEWORK (CONTD)

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

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

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

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

The CRMC, the ALM, the MRC, and the ORMCC assist the RMC in managing credit, liquidity, market, compliance and operational risks respectively, whereas compliance risk is monitored and managed through Compliance Committee Meeting ("CCM"). These committees are responsible for overseeing the development and implementation of risk management policies to facilitate the managing and monitoring of risk exposures and portfolio composition. It is also to ensure that adequate infrastructure, resources and systems are put in place to support the risk management and compliance process.

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

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

The integrated risk management process follows four broad processes:

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

3. RISK MANAGEMENT FRAMEWORK (CONTD)

Internal Capital Adequacy Assessment Process ("ICAAP")

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

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

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

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

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

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

Stress Testing/Reverse Stress Testing

Stress testing framework has been integrated into the Bank's risk management structure and is used as a risk management tool for evaluation of the potential impact on the Bank or measurement of performance under plausible extreme adverse conditions. Reverse stress testing ("RST") process was added to Bank's existing stress testing framework. The objective of RST is to identify a range of adverse scenarios and trigger points that could potentially threaten the viability of the Bank's business model, including solvency concern and liquidity crunch. The assessment covers the likelihood of such events that could materialise over a time horizon that enables the Bank to identify its potential vulnerabilities and fault lines in its business model.

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

The results of the stress test are compared against internal capital trigger and target, as part of the sound capital management process under ICAAP, which are reported to RMC and the Board on a half-yearly basis. The stress test results are deliberated to consider the implications on the Bank's business profile and to consider corrective measures where necessary.

4. CREDIT RISK

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

Risk Governance

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

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

Within the risk management control units, the Credit Risk Management Department ("CRMD") has functional responsibility for credit risk management which includes formulating and reviewing credit risk related policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the other risks and ensuring the respective risk policies are implemented and complied with. The department is also involved in post-implementation validation of borrower rating model which include the assessment of accuracy and discriminatory power of rating model.

Risk Management Approach

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

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

Distribution of Credit Exposures

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

4. **CREDIT RISK (CONTD)**

Distribution of Credit Exposures (Contd)

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

2019 September	Cash and Short-Term Funds RM'000	Deposits and Placement with Financial Institutions RM'000	Financial assets Held-for Trading RM'000	Financial assets at FVOCI RM'000	Loans, Advances and Financing # RM'000	Embedded Loans at FVTPL RM'000	Purchased Receivables RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitment and Contingencies * RM'000
Agricultural	-	-	-	-	653,320	-	-	-	4,111	-	-	657,431	50,000
Manufacturing	-	-	-	-	1,790,533	5,435	-	-	18,635	-	-	1,814,603	121,914
Electricity, gas and water	-	-	-	-	421,260	967,993	31,769	-	8,660	-	-	1,429,682	3,905,849
Mining and quarrying	-	-	-	-	142,034	2,225,866	-	-	-	-	-	2,367,900	490,500
Construction	-	-	-	-	970,082	1,024,869	-	-	531	-	-	1,995,482	450,932
Wholesale and retail trade and restaurants and hotels	-	-	-	-	486,442	903,175	128	-	5,610	-	-	1,395,355	2,115,762
Transport, storage and communication	-	-	-	208,888	1,852,230	328,344	-	-	46,152	-	-	2,435,614	603,970
Finance, insurance and business services	1,701,688	187,007	-	26,104	975,568	9,016,291	437,219	86,902	671,938	-	-	13,102,717	1,655,322
Government and government agencies	2,964,000	1,177,207	349,248	392,215	-	-	-	-	-	69,978	-	4,952,648	-
Households	-	-	-	-	18,984	-	-	-	-	-	-	18,984	61
Others	-	256	-	1,779	-	9,489	-	-	-	-	-	11,524	4,500
	4,665,688	1,364,470	349,248	628,986	7,310,453	14,481,462	469,116	86,902	755,637	69,978	-	30,181,940	9,398,810
Other assets not subject to credit risk	5,050	-	-	-	-	358,162	-	-	-	-	37,749	400,961	-
	4,670,738	1,364,470	349,248	628,986	7,310,453	14,839,624	469,116	86,902	755,637	69,978	37,749	30,582,901	9,398,810

Stated at gross.

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

2019 March	Cash and Short-Term Funds RM'000	Deposits and Placement with Financial Institutions RM'000	Financial assets Held-for Trading RM'000	Financial assets at FVOCI RM'000	Loans, Advances and Financing # RM'000	Embedded Loans at FVTPL RM'000	Purchased Receivables RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitment and Contingencies * RM'000
Agricultural	-	-	-	-	670,442	-	-	-	3,674	-	-	674,116	50,000
Manufacturing	-	-	-	-	1,759,531	6,629	-	-	21,529	-	-	1,787,689	204,775
Electricity, gas and water	-	-	-	-	380,390	905,754	29,903	-	7,917	-	-	1,323,964	3,880,539
Mining and quarrying	-	-	-	-	-	2,149,849	-	-	-	-	-	2,149,849	522,700
Construction	-	-	-	-	925,920	1,032,551	-	-	625	-	-	1,959,096	414,062
Wholesale and retail trade and restaurants and hotels	-	-	-	-	651,694	903,262	333	-	7,559	-	-	1,562,848	1,930,915
Transport, storage and communication	-	-	-	204,216	2,082,583	1,358,488	-	-	70,888	-	-	3,716,175	582,615
Finance, insurance and business services	2,046,375	184,250	-	23,985	1,088,940	8,119,429	404,328	143022	683,146	-	-	12,693,475	1,280,313
Government and government agencies	3,264,700	768,135	-	201,260	-	-	-	-	-	87,648	-	4,321,743	-
Households	-	-	-	-	19,490	-	-	-	-	-	-	19,490	417
Others	-	256	-	1,534	-	10,331	-	-	-	-	-	12,121	4,500
	5,311,075	952,641	-	430,995	7,578,990	14,486,293	434,564	143,022	795,338	87,648	-	30,220,566	8,870,836
Other assets not subject to credit risk	3,411	-	-	-	-	449,518	-	-	-	-	277,155	730,084	-
	5,314,486	952,641	-	430,995	7,578,990	14,935,811	434,564	143,022	795,338	87,648	277,155	30,950,650	8,870,836

Stated at gross.

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

	2019 September		2019 March	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Cash and short-term funds	4,308,034	362,704	4,905,182	409,304
Deposits and placement with financial institutions	1,364,470	-	768,391	184,250
Financial assets held-for-trading	349,248	-	-	-
Financial assets at fair value through other comprehensive income	628,986	-	430,995	-
Loans, advances and financing	5,703,958	1,606,496	6,684,766	894,224
Embedded loans measured at FVTPL	14,839,625	-	14,935,811	-
Purchased receivables	19,839	449,277	16,019	418,545
Collateral deposits placed	86,902	-	143,022	-
Derivative financial assets	623,864	131,771	670,593	124,745
Statutory deposits with Bank Negara Malaysia	69,978	-	87,648	-
Other assets	37,749	-	277,155	-
On-Balance Sheet Exposures	28,032,653	2,550,248	28,919,582	2,031,068
Off-Balance Sheet Exposures	3,922,570	575,365	4,351,889	579,274
	31,955,223	3,125,613	33,271,471	2,610,342

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(c) The following tables present the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 44% (2019 March: 54%) of the Bank's exposures to customers is short-term, having contractual maturity of one year or less:

2019 September	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Total RM'000
Assets							
Cash and short-term funds	4,194,000	70,169	-	-	-	406,569	4,670,738
Deposits and placement with financial institutions	1,324,862	-	-	-	-	39,608	1,364,470
Financial assets held-for-trading	349,248	-	-	-	-	-	349,248
Financial assets at FVOCI	-	60,122	120,371	420,262	-	28,231	628,986
Loans, advances and financing	2,617,277	727,060	358,489	2,414,744	1,192,884	-	7,310,454
Embedded loans measured at FVTPL	277,641	241,753	2,299,418	10,926,132	1,094,681	-	14,839,625
Purchased receivables	224,516	144,203	100,397	-	-	-	469,115
Collateral deposits placed	86,902	-	-	-	-	-	86,902
Derivative financial assets	21,710	38,515	188,334	342,108	164,970	-	755,636
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	69,978	69,978
Other assets	-	-	-	-	-	37,749	37,749
	9,096,156	1,281,821	3,067,008	14,103,246	2,452,535	582,135	30,582,901

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

2019 March	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Total RM'000
Assets							
Cash and short-term funds	4,864,700	221	-	-	-	449,565	5,314,486
Deposits and placement with financial institutions	941,075	-	-	-	-	11,566	952,641
Financial assets held-for-trading	-	-	-	-	-	-	-
Financial assets at FVOCI	-	-	120,670	284,805	-	25,520	430,995
Loans, advances and financing	2,665,661	648,028	672,113	2,462,902	1,130,286	-	7,578,990
Embedded loans measured at FVTPL	176,329	312,760	5,400,278	7,037,446	2,008,998	-	14,935,811
Purchased receivables	290,955	143,609	-	-	-	-	434,564
Collateral deposits placed	143,022	-	-	-	-	-	143,022
Derivative financial assets	20,362	79,212	98,677	420,017	177,070	-	795,338
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	87,648	87,648
Other assets	-	-	-	-	-	277,155	277,155
	9,102,104	1,183,830	6,291,738	10,205,170	3,316,354	851,454	30,950,650

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(i) Off-Balance Sheet Exposures

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

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

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

(ii) Counterparty Credit Risk on Derivative Financial Instruments

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

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iii) Risk Management Approach

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

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

(iv) Credit Rating downgrade

In the event of a one-notch downgrade of rating for the Bank, based on the terms of the existing CSA of ISDA, the estimated additional collateral to be posted was RM8,374,000 for 30 September 2019 (March 2019: RM8,163,000).

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

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

	2019 September				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
Credit-related Exposures								
Direct credit subsitutes	2,775		2,771	1,386	2,275		2,274	1,137
Transaction-releted contingent items	835,727		416,189	362,886	1,014,310		505,980	448,340
Short-term self-liquidating trade-related contingencies	302,083		60,397	66,547	213,504		42,700	43,307
Other commitments, such as formal standby facilties and credit lines, with an original maturity of :								
- not exceeding one year	237,177		47,110	47,110	221,392		44,272	44,272
- exceeding one year	61		29	22	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	8,005,987		-	-	7,403,938		-	-
Securitisation exposures	15,000		3,000	2,250	15,000		3,000	2,250
	9,398,810		529,495	480,200	8,870,836		598,423	539,454
Embedded loans								
Foreign exchange related contracts								
- less than one year	1,877,611	36,720	81,126	65,457	1,260,365	21,671	49,782	37,134
- one year to less than five years	8,394,916	280,505	1,018,023	673,998	7,980,022	369,255	1,059,065	951,372
- five years and above	761,839	40,347	135,718	135,718	1,300,020	94,330	276,693	276,693
Interest rate related contracts								
- less than one year	912,400	14,911	15,098	3,297	75,000	70	145	145
- one year to less than five years	2,176,677	50,477	87,942	30,231	2,208,600	31,448	43,973	14,594
- five years and above	810,338	30,753	72,518	24,358	966,219	33,265	78,534	66,004
	14,933,781	453,712	1,410,425	933,058	13,790,226	550,039	1,508,192	1,345,942
Derivative Financial Instruments:								
Foreign exchange related contracts								
- less than one year	9,600,995	245,938	400,867	225,066	16,589,819	193,338	375,365	220,778
- one year to less than five years	13,030,802	320,245	1,103,680	642,887	8,776,387	388,461	1,207,140	708,720
- five years and above	2,421,925	116,027	480,950	345,291	3,567,042	161,222	659,862	466,298
Interest rate related contracts								
- less than one year	4,939,238	1,620	12,569	6,040	5,395,562	1,988	9,504	3,749
- one year to less than five years	15,381,234	21,862	252,683	123,975	15,748,884	27,357	262,554	128,260
- five years and above	4,155,953	48,943	267,539	153,285	4,137,435	15,849	235,282	132,078
Currency options								
- less than one year	69,496	554	1,596	1,596	74,269	660	1,774	1,774
- one year to less than five years	-	-	-	-	-	-	-	-
Premium yielder investments								
- less than one year	1,674,800	447	38,130	7,626	903,007	2,264	28,053	7,034
- one year to less than five years	-	-	-	-	816,300	4,199	45,014	9,003
	51,274,441	755,636	2,558,014	1,505,767	56,008,705	795,338	2,824,548	1,677,694
Total	75,607,032	1,209,348	4,497,935	2,919,025	78,669,767	1,345,377	4,931,163	3,563,090

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(e) Securitisation Exposures

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

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

Risk Management Approach

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

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

Regulatory Capital Requirements

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

	2019 September RM'000	2019 March RM'000
Traditional securitisation of third party exposures	15,000	15,000

The following tables present the minimum regulatory capital requirement on securitisation exposures:

	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
2019 September				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180
2019 March				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180

4. CREDIT RISK (CONTD)

Credit Risk Mitigation

The Bank's approach in granting credit facilities is based on the credit standing of the customer, source of repayment and debt servicing ability rather than placing primary reliance on Credit Risk Mitigants ("CRM"). Depending on a customer's standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

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

(a) for corporate loans - secured by corporate guarantees and charges over properties or assets being financed.

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

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

There is no material concentration of CRM held. Presently, CRM including bank guarantees and shares are governed by various monitoring limits to ensure such concentration risk is properly managed.

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and counterparty credit risk of the guarantor. Policies and procedures are in place to govern the protection of the Bank's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral.

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. For mortgage loans, the collateral in the form of residential property, is required to be insured at all times against the peril of fire and other associated risks. In addition, customers are generally insured against major risks, such as death and permanent disability.

Currently, the Bank does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Bank's credit exposures. In addition, the Bank enters into master netting arrangements with its derivative counterparties to reduce the credit risk where in the event of default, all amounts with the counterparty are settled on a net basis. Separately, the Bank has started obtaining third party cash collateral in its credit granting process.

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of corporate guarantees, properties, cash, securities from listed exchange or other marketable securities. The Bank does not have any credit exposure which is reduced through the application of other eligible collateral.

2019 September

Exposure Class	Total Exposures before CRM RM'000	Total Exposures covered by Guarantees RM'000	Total Exposures covered by Financial Collaterals RM'000	Total Exposures covered by Other Eligible Collaterals RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	4,945,815	-	-	-
Public Sector Entities	38,659	-	-	-
Banks, Development Financial Institutions & MDBs	2,480,572	276	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	21,705,899	918,734	14,300,231	-
Regulatory Retail	1,736	-	-	-
Residential Mortgages	14,492	-	-	-
Equity Exposures	30,849	-	-	-
Other Assets	542,111	-	-	-
Defaulted Exposures	2,423	-	-	-
Total On-Balance Sheet Exposures	29,762,556	919,010	14,300,231	-
Off-Balance Sheet Exposures:				
Credit-related exposures	526,496	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	3,968,439	-	-	-
Total Off-Balance Sheet Exposures	4,497,935	-	-	-
Total Credit Exposures	34,260,491	919,010	14,300,231	-

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

2019 March

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

4. CREDIT RISK (CONTD)

Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Bank makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or External Credit Assessment Institutions ("ECAI") ratings used by the Bank and are recognised by BNM in the CAF:

(a) Standard & Poor's Rating Services ("S&P")
(b) Moody's Investors Services ("Moody's")
(c) Fitch Ratings ("Fitch")
(d) RAM Rating Services Berhad ("RAM")
(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Banking institutions
(b) Corporates

Unrated and Rated Counterparties

The majority of the Bank's credit and counterparties exposures are unrated. Otherwise, in general, the rating specific to the credit exposure is used, i.e. the issuer rating. Where there is no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the CAF. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

4. CREDIT RISK (CONTD)

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

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach:

Corporates

Rating Category	S&P	Moody's	Fitch	R&I	RAM	MARC	Risk Weights
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	A1 to A3	A+ to A-	50%
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	100%
4	B+ to D	B1 to C	B+ to D	B+ to D	B1 to D	B+ to D	150%
5	Unrated	Unrated	Unrated	Unrated	Unrated	Unrated	100%

Banking Institutions

Rating Category	S&P	Moody's	Fitch	R&I	RAM	MARC	Risk Weights
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	A1 to A3	A+ to A-	50%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-	50%
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB+ to B-	BB1 to B3	BB+ to B-	100%
5	CCC+ to D	Caa1 to C	CCC+ to D	CCC+ to C	C1 to D	C+ to D	150%
6	Unrated	Unrated	Unrated	Unrated	Unrated	Unrated	50%

Sovereigns and Central Banks

Exposures to BNM denominated and funded in Ringgit Malaysia is assigned a preferential risk weight of 0% as stipulated in the CAF.

4. CREDIT RISK (CONTD)

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

2019 September

Credit Exposure	<— Ratings of Sovereign and Central Banks by Approved ECAIs					—>		
	1	2	3	4	5	6	Unrated	Total
<u>On and Off Balance Sheet Exposures</u>								
Sovereign / Central Banks	4,945,850	-	-	-	-	-	-	4,945,850

Credit Exposure	<— Ratings of Banking Institutions by Approved ECAIs					—>		
	1	2	3	4	5	6	Unrated	Total
<u>On and Off Balance Sheet Exposures</u>								
Banks, Development Financial Institutions & MDBs	2,535,997	1,771,782	-	98,022	38,321	-	-	4,444,122

Credit Exposure	<— Ratings of Corporate by Approved ECAIs			—>		
	1	2	3	4	Unrated	Total
<u>On and Off Balance Sheet Exposures</u>						
Public Sector Entities	-	-	-	-	38,659	38,659
Insurance Cos, securities firms & fund managers	-	-	-	-	174,075	174,075
Corporates	1,553,572	10,187	-	-	22,499,386	24,063,145
Regulatory retail	-	-	-	-	1,736	1,736
Residential mortgages	-	-	-	-	16,944	16,944
Other assets	-	-	-	-	542,111	542,111
Securitisation exposure	-	-	-	-	3,000	3,000
Equity exposure	-	-	-	-	30,849	30,849
	1,553,572	10,187	-	-	23,306,760	24,870,519

4. CREDIT RISK (CONTD)

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

2019 March

Credit Exposure	<— Ratings of Sovereign and Central Banks by Approved ECAIs —>							
	1	2	3	4	5	6	Unrated	Total
On and Off Balance Sheet Exposures								
Sovereign / Central Banks	4,298,143	-	-	-	-	-	-	4,298,143

Credit Exposure	<— Ratings of Banking Institutions by Approved ECAIs —>							
	1	2	3	4	5	6	Unrated	Total
On and Off Balance Sheet Exposures								
Banks, Development Financial Institutions & MDBs	3,007,177	1,886,418	-	77,641	7,551	-	-	4,978,787

Credit Exposure	<— Ratings of Corporate by Approved ECAIs —>					
	1	2	3	4	Unrated	Total
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	-	-
Insurance Cos, securities firms & fund managers	-	-	-	-	107,026	107,026
Corporates	1,170,743	10,437	-	-	23,517,573	24,698,753
Regulatory retail	-	-	-	-	2,000	2,000
Residential mortgages	-	-	-	-	17,456	17,456
Other assets	-	-	-	-	529,360	529,360
Securitisation exposure	-	-	-	-	3,000	3,000
Equity exposure	-	-	-	-	2,993	2,993
	1,170,743	10,437	-	-	24,179,408	25,360,588

4. CREDIT RISK (CONTD)

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

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Bank.

2019 September	Exposures after Netting and Credit Risk Mitigation											
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	3,807,624	-	65,962	-	14,300,231	-	-	-	-	197,129	18,370,946	-
20%	1,138,226	38,659	2,470,035	-	1,553,572	-	-	-	-	-	5,200,492	1,040,098
35%	-	-	-	-	-	-	8,157	-	-	-	8,157	2,855
50%	-	-	1,771,782	-	10,187		2,870	-	-	-	1,784,839	892,420
75%	-	-	-	-	-	-	2,914	3,000	-	-	5,914	4,435
100%	-	-	98,022	174,075	8,199,154	1,736	3,003	-	30,849	344,982	8,851,821	8,851,822
150%	-	-	38,321	-	-	-	-	-	-	-	38,321	57,481
Total Exposures	4,945,850	38,659	4,444,122	174,075	24,063,145	1,736	16,944	3,000	30,849	542,111	34,260,490	10,849,112
Risk-Weighted Assets by Exposures	227,645	7,732	1,535,401	174,075	8,514,963	1,736	9,478	2,250	30,849	344,982	10,849,112	
Average Risk Weight	5%	20%	35%	100%	35%	100%	56%	75%	100%	64%	32%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

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

2019 March	<---------- Exposures after Netting and Credit Risk Mitigation									---------->		
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	3,541,318	-	90,956	-	-	-	-	-	-	3,411	3,635,685	-
20%	756,825	-	2,916,221	-	274,100	-	-	-	-	-	3,947,146	968,758
35%	-	-	-	-	-	-	9,232	-	-	-	9,232	3,231
50%	-	-	1,886,355	-	10,437	-	2,771	-	-	-	1,899,563	949,813
75%	-	-	-	-	-	-	2,314	3,000	-	-	5,314	3,985
100%	-	-	77,641	107,026	8,874,505	2,000	3,139	-	2,993	525,949	9,593,253	9,593,254
150%	-	-	7,551	-	-	-	-	-	-	-	7,551	11,326
Total Exposures	4,298,143	-	4,978,724	107,026	9,159,042	2,000	17,456	3,000	2,993	529,360	19,097,744	11,530,367
Risk-Weighted Assets by Exposures	151,365	-	1,615,420	107,026	9,113,873	2,000	9,491	2,250	2,993	525,949	11,530,367	
Average Risk Weight	4%	#DIV/0!	32%	100%	100%	100%	54%	75%	100%	99%	60%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans, Advances and Financing

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

	30.09.2019				31.03.2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Neither past due nor impaired								
Normal grades	6,919,850	260,869	-	7,180,719	5,520,136	1,999,864	-	7,520,000
Close watch	-	29,941	-	29,941	-	55,091	-	55,091
Past due but not impaired								
Normal grades	2,915	-	-	2,915	1,133	-	-	1,133
Close watch	-	-	-	-	-	2,034	-	2,034
Impaired *	-	-	43,108	43,108	-	-	732	732
	6,922,765	290,810	43,108	7,256,683	5,521,269	2,056,989	732	7,578,990

Gross impaired loans as a percentage of gross loans, advances and financing at amortised cost	0.59%	0.01%

(a) Past due but not impaired

Past due but not impaired loans, advances and financing are loans where the customer has failed to make a principal or interest payment when contractually due and includes loans which are due one or more days after the contractual due date but less than 3 months. The past due but not impaired loans, advances and financing of the Bank as at 30 September 2019 was 0.04% (March 2019: 0.04%).

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

	2019 September RM'000	2019 March RM'000
Household	2,915	1,133

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

	2019 September		2019 March	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Past due but not impaired	2,915	-	1,133	-

(b) Impaired loans, advances and financing

The Bank assesses, at each reporting period, whether there is any objective evidence that an individually significant loan is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

4. CREDIT RISK (CONTD)

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

(b) Impaired loans, advances and financing (Contd)

All loans, advances and financing that have been individually evaluated but not considered to be individually impaired are grouped on the basis of similar credit risk characteristics for collective impairment assessment, taking into account the historical loss experience of such loans. The Model Risk Adjustment ("MRA") may be applied due to lack of loss data, when making provision by benchmarking for relevant probability of default against the holding company or peer results, if applicable.

Impaired loans, advances and financing are loans whereby payments of principal or interest or both are past due for three (3) months or more, or loans which are past due for less than three (3) months which exhibit indications of credit weaknesses, or impaired loans which have been restructured/rescheduled, but where repayments based on the revised terms have yet to fulfil the observation period required under the Bank's impairment policy.

The movements in impaired loans, advances and financing are set out in Note 14(g), the movements in impairment allowances are set out in Note 14(j) and the amount of impaired loans, advances and financing broken down by economic sector and geographical location are set out in Note 14(h) and Note 14(i) to the financial statement.

The amount of expected credit losses by economic purpose is as follows:

	2019 September		2019 March	
	Stage 3 ECL RM'000	Stage 1 and 2 ECL RM'000	Stage 3 ECL RM'000	Stage 1 and 2 ECL RM'000
Agricultural, hunting, forestry and fishing	-	6	-	3
Mining and quarrying	-	13	-	-
Manufacturing	3,776	9,433	-	5,423
Electricity, gas and water	-	1,123	-	434
Construction	-	1,804	-	757
Wholesale and retail trade and restaurants and hotels	-	1,731	-	1,004
Transport, storage and communication	-	2,665	-	1,060
Finance, insurance, real estate and business services	-	1,877	-	1,478
Households	110	154	137	83
Others	-	-	-	-
	3,886	18,806	137	10,242

The charges for allowance for stage 3 expected credit losses during the period is as follows:

	Stage 3 Lifetime ECL 2019 March RM'000	Net Charges for the Period RM'000	Stage 3 Lifetime ECL 2019 September RM'000
Household	137	(27)	110

4. CREDIT RISK (CONTD)

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

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

Impairment allowances by geographical location:

	2019 September RM'000	2019 March RM'000
Malaysia		
• Stage 1 - 12 month ECL	11,620	4,165
• Stage 2 - lifetime ECL not credit impaired	3,575	4,780
• Stage 3 - lifetime ECL credit impaired	3,886	137
	19,081	9,082
Other countries		
• Stage 1 - 12 month ECL	1,698	1,297
• Stage 2 - lifetime ECL not credit impaired	1,913	-
	3,611	1,297

Economic sector for loans written off:

	2019 September RM'000	2019 March RM'000
Finance, insurance, real estate and business services	-	3,800
Household	-	1
	-	3,801

Islamic Banking Business

	2019 September		2019 March	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit risk	2,688	215	2,690	215

5. MARKET RISK

Market risk is the risk of loss arising from movements in market variables, such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. In addition, the market risk of Islamic Banking business of the Bank includes rate of return risk and displaced commercial risk.

Regulatory Capital Requirements

The Bank has adopted the Standardised Approach for market risk. The following tables present the minimum regulatory capital requirement on market risk:

	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
2019 September				
Interest rate risk- general interest rate risk	66,130,535	(65,492,385)	1,955,792	156,463
Foreign exchange risk	9,332	(52,618)	52,618	4,209
	66,139,866	(65,545,003)	2,008,410	160,673
2019 March				
Interest rate risk- general interest rate risk	68,793,803	(68,496,307)	1,582,510	126,601
Foreign exchange risk	14,200	(4,652)	14,200	1,136
	68,808,003	(68,500,959)	1,596,710	127,737

Risk Governance

The Bank has established Trading Book and Hedging Policy as guidance for market risk management framework and policies. The ALM and MRC support the RMC in market risk management oversight, meets regularly and is the forum to discuss and aligns market risk management with business strategies and planning and recommends actions to ensure that the market risks remain within established risk tolerance level.

For effective control of market risk, triggers and limits are established after taking into account Bank's risk appetite, and approved by the Board. Trading exposures are subject to intraday limits and daily limit. This is monitored and escalated by independent unit to relevant business unit, Management and MRC on regular basis.

Risk Management Approach

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

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

The primary objective in managing the IRRBB is to manage the volatility in the Bank's earnings. This is achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets to narrow the mismatch in interest rate sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects.

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

5. MARKET RISK

Risk Management Approach (Contd)

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

The following tables also sets out the Bank's sensitivity to interest rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans or early withdrawal of deposits. As at 30 September 2019, the Bank had an overall positive interest rate gap of RM4,155,000 (2019 March: RM5,491,000), being the net difference between interest sensitive assets and liabilities.

Sensitivity of Profit

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

	2019 September	2019 March
	Increase / (Decrease)	
	RM'000	RM'000
Impact on earnings from 100 bps parallel shift		
MYR	33,063	48,134
USD	(1,674)	(9,400)
Others	(12,878)	(8,895)
Total	18,511	29,839
Impact on economic value from 100 bps parallel shift		
MYR	(14,010)	(16,262)
USD	(2,713)	(5,020)
Others	(3,382)	(4,605)
Total	(20,105)	(25,887)

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

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

5. MARKET RISK (CONTD)

Interest Rate Risk

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

2019 September	<----- Non-Trading Book					----->		
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	4,194,000	70,169	-	-	-	406,569	-	4,670,738
Deposits and placement with financial institutions	1,324,862	-	-	-	-	39,608	-	1,364,470
Financial assets held-for-trading	349,248	-	-	-	-	-	-	349,248
Financial assets at FVOCI	-	60,122	120,371	420,262	-	28,231	-	628,986
Loans, advances and financing								
- Non impaired	2,616,908	727,018	358,489	2,414,707	1,192,514	(22,561)	-	7,287,075
- Impaired *	238	43	-	37	370	-	-	688
Embedded loans measured at FVTPL	277,641	241,753	2,299,418	10,926,132	1,094,681	-	-	14,839,625
Purchased receivables	224,516	144,203	100,397	-	-	(92)	-	469,023
Collateral deposits placed	86,902	-	-	-	-	-	-	86,902
Derivative financial assets	-	-	-	-	-	-	755,636	755,636
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	69,978	-	69,978
Other assets	-	-	-	-	-	37,749	-	37,749
	9,074,315	1,243,307	2,878,674	13,761,138	2,287,565	559,482	755,636	30,560,118
Non-financial assets								
Property, plant and equipment	-	-	-	-	-	22,097	-	22,097
Intangible assets	-	-	-	-	-	31,520	-	31,520
Rights-of-use assets	-	-	-	-	-	13,405	-	13,405
Current tax assets	-	-	-	-	-	34,895	-	34,895
	-	-	-	-	-	101,917	-	101,917
Total assets	9,074,315	1,243,307	2,878,674	13,761,138	2,287,565	661,400	755,636	30,662,035

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

5. MARKET RISK (CONTD)

Interest Rate Risk (Contd)

2019 September	Non-Trading Book Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
Liabilities								
Deposits from customers	4,426,478	1,236,066	79,549	45,147	3,665	-	3,214,302	9,005,208
Deposits and placements of banks and financial institutions	737,549	209,350	-	-	-	-	-	946,899
Collateral deposits received	3,669,266	-	180,060	1,772,257	9,593,610	1,470,657	-	16,685,851
Derivative financial liabilities	-	-	-	-	-	-	677,948	677,948
Other liabilities	-	-	-	-	-	91,264	-	91,264
	8,833,293	1,445,416	259,609	1,817,404	9,597,276	1,561,921	3,892,250	27,407,169
On-balance sheet interest sensitivity gap	241,021	(202,109)	2,619,065	11,943,734	(7,309,711)	(900,521)	(3,136,614)	3,254,866
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	638,149	638,149
Total interest sensitivity gap	241,021	(202,109)	2,619,065	11,943,734	(7,309,711)	(900,521)	(2,498,465)	3,893,015

5. MARKET RISK (CONTD)

Interest Rate Risk (Contd)

2019 March	Non-Trading Book: Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	4,864,700	221	-	-	-	449,565	-	5,314,486
Deposits and placement with financial institutions	941,075	-	-	-	-	11,566		952,641
Financial assets held-for-trading	-	-	-	-	-	-	-	-
Financial assets at FVOCI	-	-	120,670	284,805	-	25,520	-	430,995
Loans, advances and financing								
- Non impaired	2,665,318	648,028	672,071	2,462,842	1,129,922	(10,165)	-	7,568,016
- Impaired *	179	-	26	46	344	-	-	595
Embedded loans measured at FVTPL	176,329	312,760	5,400,278	7,037,446	2,008,998	-	-	14,935,811
Purchased receivables	290,955	143,609	-	-	-	(48)	-	434,516
Collateral deposits placed	143,022	-	-	-	-	-	-	143,022
Derivative financial assets	-	-	-	-	-	-	795,338	795,338
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	87,648	-	87,648
Other assets	-	-	-	-	-	277,155	-	277,155
	9,081,578	1,104,618	6,193,045	9,785,139	3,139,264	841,241	795,338	30,940,223
Non-financial assets								
Property, plant and equipment	-	-	-	-	-	18,436	-	18,436
Intangible assets	-	-	-	-	-	27,307	-	27,307
Current tax assets	-	-	-	-	-	24,792	-	24,792
	-	-	-	-	-	70,535	-	70,535
Total assets	9,081,578	1,104,618	6,193,045	9,785,139	3,139,264	911,776	795,338	31,010,758

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

5. MARKET RISK (CONTD)

Interest Rate Risk (Contd)

2019 March	← Non-Trading Book					→		
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
Liabilities								
Deposits from customers	3,480,880	1,307,848	400,917	7,507	-	3,122,530	-	8,319,682
Deposits and placements of banks and financial institutions	846,395	836,709	-	-	-	-	-	1,683,104
Collateral deposits received	2,383,402	283,935	922,673	10,932,497	2,419,083	-	-	16,941,590
Derivative financial liabilities	-	-	-	-	-	-	785,695	785,695
Other liabilities	-	-	-	-	-	127,496	-	127,496
	6,710,677	2,428,492	1,323,590	10,940,004	2,419,083	3,250,026	785,695	27,857,567
On-balance sheet interest sensitivity gap	2,370,901	(1,323,874)	4,869,455	(1,154,865)	720,181	(2,338,250)	9,643	3,153,191
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	297,496	297,496
Total interest sensitivity gap	2,370,901	(1,323,874)	4,869,455	(1,154,865)	720,181	(2,338,250)	307,139	3,450,687

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(b) Foreign Exchange Risk

Foreign currency exchange risk refers to adverse movements on foreign currency positions originating from treasury money market activities whose functional currencies are not in Ringgit Malaysia. The main foreign currencies in which the Bank's businesses are transacted in are United States Dollars and Japanese Yen.

The Bank manages such risk through funding in the same functional currencies, where possible. Minimal exposure are taken to the effects of fluctuations in the prevailing foreign exchange rate on Bank's financial position and cash flows. Net Open Position ("NOP") limits are set for overall NOP as well as NOP limits for individual currencies.

As at 30 September 2019, the NOP of the Bank stood at RM43,286,094 (short position) (2019 March: RM9,547,588 (long position)).

Interest Rate and Foreign Currency Risk Stress Testing

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

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

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

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

The analysis shows that as of 31 March 2019, potential maximum loss computed for Scenario 1 to be RM127,115,000 (2019 March: RM90,981,000), Scenario 2 to be RM137,849,000 (2019 March: RM96,658,000) and Scenario 3 to be RM190,388,000 (2019 March: RM125,207,000).

Stress testing is conducted quarterly to determine the adequacy of capital in meeting the impact of extreme market rate movements on the Bank's statement of financial position. Stress testing is performed to provide early warnings of potential losses to facilitate the proactive management of interest rate risk.

The reported amount are based on the Bank's position as of reporting date. The projection also assumes that all other variables are held constant and that all positions run to maturity.

33. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

FOREIGN CURRENCY RISK

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

	2019 September Denominated in						2019 March Denominated in					
	USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	Others RM'000	USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	Others RM'000
Assets												
Cash and short-term funds	44,255	174,188	52,270	32,356	22,803	75,648	-	321,743	18,097	40,422	17,074	48,718
Deposits and placement with financial institutions	167,480	1,157,382	-	-	-	-	204,075	737,000	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at FVOCI	208,888	-	-	-	-	-	203,874	-	-			-
Loans, advances and financing	4,160,192	126,496	46,238	-	28,337	-	4,542,222	120,967	-	-	78,737	-
Embedded loans measured at FVTPL	13,176,504	-	-	-	-	-	13,618,365	-	-			-
Purchased receivables	449,277	-	-	-	-	-	418,545	-	-			-
Collateral deposits placed	7,578	-	-	-	-	-	32,570	-	-	-	-	-
	18,214,174	1,458,066	98,507	32,356	51,140	75,648	19,019,651	1,179,710	18,097	40,422	95,811	48,718
Liabilities												
Deposits from customers	1,956,605	226,519	15,177	25,983	2,777	19,383	2,597,703	230,153	12,814	36,195	-	11,758
Deposits and placements of banks and other financial institutions	900,205	-	45,789	-	-	-	1,682,024	-	-	-	-	-
Collateral deposits received	15,020,230	1,566,266	-	-	28,279	-	15,490,065	1,264,567	-	-	78,711	-
Other liabilities	40,247	9	-	-	-	216,963	44,761	9,543	-	320	-	6,158
	17,917,287	1,792,794	60,966	25,983	31,056	236,345	19,814,553	1,504,263	12,814	36,515	78,711	17,916
Net financial (liabilities)/assets exposure	296,887	(334,728)	37,542	6,374	20,084	(160,698)	(794,902)	(324,553)	5,283	3,907	17,100	30,802

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(c) Equity Risk

Equity risk refers to the adverse impact of change in equity prices on equity positions held by the Bank.

The Bank currently hold equity investments amounting to RM27,856,000 (2019 March: RM25,493,000) which are privately held for social economic purpose and is unquoted and stated at fair value through other comprehensive income and adjusted for impairment loss, if any.

Islamic Banking Business

There are no market risk exposures as at the reporting period (2019 March: Nil).

6. LIQUIDITY RISK

Liquidity risk is the risk that the Bank is unable to maintain sufficient liquid assets, to meet its financial commitments and obligations, when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Bank does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

Risk Governance

The ALM is the primary party responsible for liquidity management based on guidelines approved by the RMC. Liquidity policies and frameworks are reviewed by the ALM and approved by the Board prior to implementation.

Risk Management Approach

The liquidity risk management of the Bank, is aligned with the Liquidity Coverage Ratio ("LCR") requirements issued by BNM which became effective from 1 June 2015. In addition, the Bank maintains a liquidity compliance buffer to meet any unexpected cash outflows. The day-to-day funding management, is undertaken by treasury operations and this includes the maintenance of a portfolio of highly liquid assets, that can be easily liquidated to meet the unforeseeable demand in cash flows arising from the maturity of deposits and loans. As at 30 September 2019, the Bank holds a sizeable balance of government securities amounting to RM392,215,000 (2019 March: RM201,260,000) or 62% (2019 March: 49%) of its portfolio of securities.

The Bank's liquidity and funding position is supported by the Bank's significant deposit base. The deposit base primarily comprises of current and term deposits. Although the current account deposit is payable on demand, it has historically provided stable sources of funding. The Bank's reputation, earnings capacity, financial, capital strength and competitive deposit rates are core attributes to preserve depositors' confidence and to ensure stablility in liquidity. The Bank accesses the wholesale markets by taking of money market deposits to meet short-term obligations and to maintain its presence in the local money market space. The Bank has also obtained a Liquidity Support Letter from its Parent Bank and has given full support of fund related to any liquidity matter at any time.

6. LIQUIDITY RISK (CONTD)

The primary tools for monitoring liquidity is the maturity mismatch analysis, assessment on the concentration of funding, the availability of unencumbered assets as buffer assets, early warning indicators from the use of market-wide information to identify possible liquidity problems. It also measures funding liquidity risk by assessing the potential liquidity cost arising from the maximum likely cash outflow over the horizon period at a specified confidence level, covering the Bank's deposit denominated in major currencies. Liquidity positions are reported to the ALM on a monthly basis and in major currencies i.e. in Ringgit Malaysia and in United States Dollars.

Contingency funding plans are in place to identify early warning signals of a potential liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. To complement the contingency funding plans, a liquidity drill is conducted annually to validate the Bank's ability to raise funds/liquidity from the market. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed by the various entities under the Bank to determine the cash flow mismatches under the "Specific Institution Liquidity Problem" and "Systemic Liquidity Problem" scenarios and the possible source of funding to meet the shortfalls during a liquidity crisis.

In March 2015, BNM issued a guideline on Liquidity Coverage Ratio ("LCR"), which is a quantitative requirement which seeks to ensure that banking institutions hold sufficient high-quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-day horizon. LCR is part of the Basel III reform package which comprises measures to further strengthen the existing capital and liquidity standards for banking institutions. As of end March 2019, the Bank complies to the minimum LCR as stipulated by BNM.

Islamic Banking Business

There are no significant liquidity risk exposures as at the reporting period (2019 March: Nil).

7. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal process, people and system or from external events. The increasing need for an effective operational risk management is driven by a number of factors, among others are:

- Significant operational losses experienced at financial institutions;
- New regulatory requirements and international best practices;
- Significant and rapid changes to the economic and business environment;
- Growing need to optimise economic capital and measure performance;
- Protection and enhancement of shareholders' value; and
- Increasing number of potential threats affecting Bank's business operations especially cyber security threat.

Periodic audit review from internal, holding company as well as external audit are conducted to ensure adequacy and effectiveness of the operational risk management process.

Regulatory Capital Requirements

The following presents the minimum regulatory capital requirement on operational risk for the Bank, computed using the Basic Indicator Approach:

	2019 September		2019 March	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational risk	973,831	77,907	934,602	74,768

7. OPERATIONAL RISK (CONTD)

Risk Governance

In line with BNM's Guideline on Risk Governance, the Bank's internal processes and practices are tuned towards the same direction. The objectives are supported by a framework of principles on risk governance to guide the Board and Management in performing their risk oversight function. Risk Governance focuses on applying sound principles on the assessment and management of risks to ensure that risk taking activities are aligned with the Bank capacity to absorb losses and its long term viability. It is concerned in particular with the roles of the Board, Management and risk management control functions as well as processes by which risk information is collected, analysed and communicated to provide a sound basis for management decision. It is also concerned with the effects of incentives and organisational culture on risk taking behaviors and perceptions of risk in the Bank.

Operational Risk Management Framework

The Bank adopted sound Operational Risk Management ("ORM") practices based on industry best practices and international standards, as well as guidelines as described by the holding company's Operational Risk and Risk Management Policies.

The focus of the Framework is to provide greater clarity of roles and responsibilities in operational risk management at all levels of staff. It aims to promote stronger operational risk awareness and culture and to inculcate ORM practices in day-to-day business activities and responsibilities. This is further supported by having structured enablers for ORM using clearly defined Operational Risk language and processes, integrated approach and lifecycles, and internal control systems within the organisation. The ORM Framework sets out:

- Bank's definition and categories of Operational Risk;
- Roles and responsibilities of key staff and oversight committees;
- Overview the relationship of the integrated components to manage Operational Risk {Risk and Controls Self-Assessment ("RCSA"), Global Control Self Assessment ("GCSA"), Loss Event Data ("LED") and Key Risk Indicators ("KRI")};
- Descriptions of the RCSA/GCSA process (identify, assess, respond, monitor and report);
- Descriptions of the LED process (identify, assess, respond, monitor and report);
- Descriptions of the KRI process (identify, assess, respond, monitor and report); and
- The framework covers both Conventional and Shariah risks.

Operational Risk Management is also supported by Self Inspection process i.e. inspecting internal processes to ensure compliance with Standard Procedure Overseas ("SPO") determined by holding company as well as internal standard operating procedure. For Shariah risk, ORM framework and methodology are adopted with the assistance of a Shariah Risk Register ("SRR"). SRR was developed based on the Bank's Islamic banking business and will be subsequently mapped into RCSA, GCSA, KRI and LED processes.

Enterprise Governance Risk and Compliance ("E-GRC") Solution

The primary objective for the implementation of E-GRC system is to automate the overall Operational Risk Management environment while staying aligned to its Framework and the holding company practices.

The solution is developed based on the Operational Risk Management Framework and the key areas of the solution implementation incorporates various operational risk tools:

- Risk Management (Risk Control Self Assessment & Global Control Self Assessment);
- Loss Event Data;
- Key Risk Indicators; and
- Issue & Action Plan.

The system solution enables the Bank to systematically identify, capture, monitor and report all operational risks in a consistent manner, thus facilitating analytical risk profiling and enhance the control mechanism.

7. OPERATIONAL RISK (CONTD)

Business Continuity Management

The Bank's Business Continuity Management ("BCM") programme is in compliance with requirements of BNM, the holding company and in line with International Standards ISO22301 to ensure all critical business functions can continue in the event of a disruption. Components and activities of BCM (not limited to):

- BCM team is established to provide leadership on the subject matter. The team is converted to Crisis Management Team ("CMT") in the event of disaster;
- BCM Framework & Policy is established to sustain BCM Program and ensure business continuity plan for all organisational units in the Bank remain effective. The framework policy is supported by BCM Manual which provides standard operating procedure for BCM taking into consideration of BNM and holding company's requirements and is reviewed annually;
- Participate in the regulatory and holding company requirements on mandatory annual drills;
- Conduct BCM Program by conducting risk analysis annually to identify threats to geographical location, reviewing the changes to Business Impact Analysis ("BIA"), recovery strategy, plan developed by every department in the Bank and scheduling testing and exercising for business process component as well as staff awareness;
- l Increase level of awareness among the staff by conducting trainings during orientation as well as ad-hoc training via various platforms. Quarterly newsletter is issued to all staff on current matters of BCM to increase staff awareness; and
- l Continuously promoting organisation wide discipline for building resilience & capability for an effective response that safeguards the interest of customers, reputation, brand and value.

Efforts are put in to increase the ability to support critical business processes by enhancing our Business Recovery Site ("BRS"). The BRS capacity is increased to accommodate more resources (staff and system) and ensuring availability of power redundancies to support our critical business.

Reputational Risk Management Framework

The Bank is adopting an approach to reputation risk management that fits its risk profile and level of sophistication and that enables the risks affecting reputation to be consistently and comprehensively identified, assessed, controlled, monitored and reported. A strong reputation is a key competitive advantage for the Bank that can translate into:

- Access key markets and achieve greater confidence from customers;
- Attract capital or funding at competitive rates;
- Premium pricing; and
- Secure and maintain high quality workforce.

The objectives are aimed towards establishing a standard to manage reputation risk proactively, enabled the Bank's business to operate with reputation risk being considered and foster a culture where staff are aware of their responsibilities in managing reputation risk.

IT Risk Management Framework

The Bank endeavours to adopt sound Risk Management in Technology ("RMiT") practices based on regulatory requirement, industry best practices and international standards, as well as guidelines as described by Mitsubishi UFJ Financial Group's Risk Management Policy. It is imperative that staff at all levels understand their responsibilities and are held accountable for managing Information Technology Risks (IT Risk), that is, the risk associated with operations and use of information systems that support the missions and business functions of the Bank.

Reporting

Reporting forms an essential part of operational risk management. The Bank's risk management processes are designed to ensure that operational issues are identified, escalated and managed on a timely manner. Operational risk areas for key operation, business and control units are reported through monthly operational risk management reports, which provide analysis and action plans for each significant business operation. The operational risk areas include premises control and safety, losses due to fraud and control lapses, systems availability, disaster recovery and business continuity simulations, information security, product/service review, self-inspection, operations volume, staff attrition, Shariah non-compliance, outsourcing activities and managing legal action taken against the Bank. The operational risk management reports are tabled to the Operational Risk Management and Control Committee Meeting ("ORMCC") on monthly basis and escalated to the Risk Management Committee Meeting ("RMC") on quarterly basis.

7. OPERATIONAL RISK (CONTD)

Islamic Banking Business

	2019 September		2019 March	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational risk	58,947	4,716	16,499	1,320

8. PROFIT SHARING INVESTMENT ACCOUNTS AND SHARIAH GOVERNANCE

(a) Profit Sharing Investment Accounts

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

(b) Shariah Governance

This is disclosed in the Pillar 3 Disclosures of the Bank attached to the audited financial statements for the financial period ended 31 March 2019.