MUFG

ANNUAL REPORT 2022

TOWARDS BEING THE WORLD'S MOST

TRUSTED FINANCIAL GROUP

MUFG Bank (Malaysia) Berhad

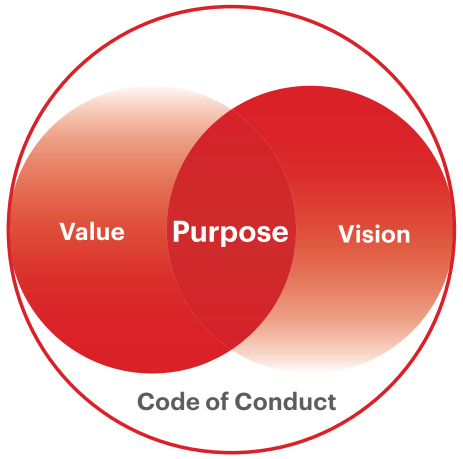
CONTENTS

MUFG WAY

THE MUFG WAY

At MUFG, our commitment to our clients, our communities, and society goes further than our vision to be the world's most trusted financial group. We are committed to empowering a brighter future, and this purpose underpins our aspiration to provide the highest quality services for clients while also building sustainable trust within the communities in which we operate and enabling progress in society more broadly.

The MUFG Way serves as the underlying policy in our day to day business, and works in tandem with our values to ensure we can protect the interests of our clients while maintaining a robust organisation that is effective, professional, and responsive to the world around us. Our employees are committed to acting with integrity and professionalism, and are focused on using their expertise to create value to share. This is supported by our financial strength and extensive global network, and helps us to adapt rapidly to changes in the global economy and environment and assess the impact that will have on the needs of our clients.



MUFG WAY

Purpose
Committed to empowering a brighter future

Values
1. Integrity and Responsibility
2. Professionalism and Teamwork
3. Challenge Ourselves and Grow

Vision
Be the world's most trusted financial group

CODE OF CONDUCT

PURPOSE

Committed to empowering a brighter future.

VALUES

1. Integrity and Responsibility

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

2. Professionalism and Teamwork

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

3. Challenge Ourselves and Grow

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

VISION

1. Work Together to Exceed the Expectations of Our Customers

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

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

2. Provide Reliable and Constant Support to Our Customers

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

Promote healthy, sustainable economic growth.

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

3. Expand and Strengthen Our Global Presence

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

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

CORPORATE INFORMATION

MANAGEMENT

Fumio Takamatsu
Chief Executive Officer / Country Head of Malaysia and Executive Director

Yoichi Aoki
Managing Director / Deputy Head

Foo See Hee
Managing Director / Deputy Head

Christopher Danker
Managing Director / Operations and Information Technology

Goh Kiat Seng
Managing Director / Global Corporates

Nik Azhar
Managing Director / Global Markets

Kenneth Ong Thai Kee
Chief Risk Officer

Ang Lek Hui
Chief Compliance Officer

Thana Balan Muthu
Chief Internal Auditor

MUFG

COMPANY SECRETARY

Wong Lai Kuan
(MAICSA 7032123)
SSM PC: 201908003903

AUDITORS

KPMG PLT
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor

REGISTERED OFFICE ADDRESS

Level 9, Menara IMC, No. 8, Jalan Sultan Ismail, 50250 Kuala Lumpur

Tel : +603 - 2034 8000
+603 - 2034 8008
Fax : +603 - 2078 8860

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

MUFG Bank (Malaysia) Berhad, celebrated its 60th Anniversary in Malaysia in 2017. The journey of the Bank in Malaysia has been long and continuously successful. The Bank of Tokyo, Ltd. set up its first representative office in the then Malaya in October 1957 and subsequently obtained its banking license in June 1959, making it the first Japanese bank to provide a full range of banking services.

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

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

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

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

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

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

MUFG Bank (Malaysia) Berhad also continuously enjoys strong support and backing of its Parent Bank and its Group with 125 years tradition of pioneership in international and domestic banking. The worldwide network of the Group with specialized knowledge and skills especially in treasury products and international trade enable the Group to serve customers well.

We sincerely believe in building good long term relationships with our valued customers. Our customers can be assured of access to the international network and services of MUFG's over 2,500 offices across more than 50 markets.

BANKING SERVICES

CORPORATE BANKING

- Bankers Acceptance
- Export Credit Refinancing
- Loans
  - Term Loans
  - Revolving Credit
  - Foreign Currency Loan
  - Overdraft Facilities
- Small & Medium Enterprise (incl. Credit Guarantee Corporate Loans)
- FI Trade Loan
- Bank Guarantee
- Supply Chain Products
  - Account Receivable Purchase Scheme
  - Payables Finance Scheme

DEBT CAPITAL MARKET

- Advising on Private Debt Securities (both Conventional and Islamic)
- Advising on Asset Securitisation

DEPOSIT

- Current Account
- Foreign Currency Account
- Savings Account
- Escrow Account Services
- Fixed Team Deposit
- Money Market Deposit
- Extendable Investment Deposit

HOUSING LOAN

- Housing Loan

STRATEGIC RESEARCH

- Strategic Research

INTERNATIONAL TRADE FINANCE AND SERVICE

- **Export**
  - Bills for Negotiation / Collection
  - Letter of Credit (L/C) Advising
  - Letter of Credit (L/C) Confirmation
  - Letter of Credit (L/C) Non-Recourse Discounting
- **Import**
  - Bills for Collection
  - Letter of Credit (L/C) and Bills Receivable
  - Shipping Guarantee
  - Trust Receipts

REMITTANCE

- Cashier's Order
- Foreign Currency Conversion / In-house Transfer
- Domestic Remittance
  - DuitNow Transfer
  - RENTAS
  - Interbank GIRO
- Foreign Remittance
- JomPay
- Standing Order Services

TREASURY

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

CASH MANAGEMENT SERVICES

- GCMS Plus (Corporate Internet Banking)
- Global Payment Hub (Host to Host)
- Cash Forecasting Service
- Cross Border Actual Pooling Service
- Domestic Actual Pooling Service
- Payment Email Notification Service for GIRO, JomPAY and DuitNow Services

ISLAMIC BANKING

Financing
- Commodity Murabahah Financing-i
  - Revolving Credit
  - Term Financing
- Ijarah Financing-i
- Invoice Financing-i
- Mudarabah Financing-i
- Murabahah Working Capital Financing-i
- Wakalah Financing-i

Deposit
- Commodity Murabahah Deposit-i
- Current Account-i
- Fixed Deposit-i
- Foreign Currency Account-i

Guarantee
- Bank Guarantee
- Standby Letter of Credit-i
- Letter of Credit-i

Treasury
- Cross Currency Swap-i
- Profit Rate Swap-i

Service
- Shariah Advisory Business

BOARD OF DIRECTORS

Y.Bhg Dato' Mohd Sallehuddin bin Othman

Chairman and Independent Director

Fumio Takamatsu

Chief Executive Officer / Country Head of Malaysia and Executive Director

Ismail bin Mahbob

Independent Director

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani

Independent Director

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Y.Bhg Dato' Mohd Sallehuddin bin Othman
Chairman and Independent Director

Fumio Takamatsu
Chief Executive Officer / Country Head of Malaysia and Executive Director

Ismail bin Mahbob
Independent Director

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
Independent Director

AUDIT COMMITTEE

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
Chairman

Y.Bhg Dato' Mohd Sallehuddin bin Othman

Ismail bin Mahbob

NOMINATION COMMITTEE

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
Chairman

Y.Bhg Dato' Mohd Sallehuddin bin Othman

Fumio Takamatsu

Ismail bin Mahbob

RISK MANAGEMENT COMMITTEE

Ismail bin Mahbob
Chairman

Y.Bhg Dato' Mohd Sallehuddin bin Othman

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani

REMUNERATION COMMITTEE

Ismail bin Mahbob
Chairman

Y.Bhg Dato' Mohd Sallehuddin bin Othman

Y.Bhg Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani

SHARIAH COMMITTEE

Assoc. Prof. Dr. Said Bouheraoua
Chairman
appointed since 3 July 2022

Prof. Dato' Dr Mohd Azmi bin Omar
Member

Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria
Member

Note:
* *Assoc. Prof. Dr. Abdul Karim bin Ali, ceased to be the Chairman of the Shariah Committee (SC) when term ended on 31 May 2022.*
* *Assoc. Prof. Dr. Syed Musa, ceased to be the member of the SC when term ended on 31 May 2022.*

CHAIRMAN'S STATEMENT

Dear Valued Stakeholders,

"The Covid-19 pandemic has become the top challenge for global banking business that has further dampen global and domestic growth paths. MUFG Bank (Malaysia) Berhad ("MUFG" or "Bank") has responded positively by focusing on our stakeholders priorities, financial needs while prioritising safety and health of staffs, customers and maintaining a stable business operations under this extremely challenging environment."

Dato' Mohd Sallehuddin bin Othman
Chairman

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present to you the financial results of MUFG Bank (Malaysia) Berhad for the year ended 31 March 2022. The Bank managed to register an operating income of RM518.8 million. The pre-tax profit ended RM346.84 million while the net profit after tax registered RM214.87 million.

The operating income was attained with the continuous effort to meet the evolving needs of our customers, continuing trust on the Bank while the offering of new products and solutions has led to increased business volume, banking transactions, coupled with new financing activities to corporates.

ECONOMIC LANDSCAPE

Against the backdrop of economic uncertainty, volatile market and lockdowns from the fluctuation in Covid-19 cases, we managed to find a silver lining to be able to create and generate business opportunities supported by the Government of Malaysia's success story in its vaccination programme which has enabled the reopening of economy, borders and transition from pandemic to endemic. The country is predicted to be on the right track and direction to gradually emerge from the worst.

The Bank foresees these proactive initiatives and prudent moves as a much-welcomed relief and an opportune timing to consider boosting business activities, driving expansion and encouraging economic activity further amid this normalisation and new way of working. This will eventually lead to improvement in labour market conditions to support a solid recovery and position Malaysia to the right path of recovery.

We expect the global recovery to aid a rebound in domestic demand and an increase in manufacturing exports, coupled with the Government's continuous efforts to pump-prime domestic economy through various initiatives and plans.

We are confident that Malaysia can achieve projected gross domestic product growth of 5.8 percent in 2022 amid challenges from global growth which has been projected to decelerate to 4.3 percent, clouded by risks from emergence of new virus variants, unanchored high inflation expectations and possible financial stress.

GOVERNANCE

During the year of assessment, the Board of Directors are fully committed to principles of good governance and have pro-actively deliberated issues ranging from sustainability, cybersecurity risks to diversity, inclusion and also focusing on corporate resilience to ensure the Bank's business remains optimal and sustainable while keeping potential risk at a minimum.

It is inevitable that the Covid-19 pandemic has provided us with good lesson learnt and experience to further strengthen our resilience, crisis response, preparedness for next pandemic and transformation as a matter of good governance.

In addition, the Board also recognises that the post-pandemic business landscape becomes more volatile, complex, ambiguous and unpredictable. Therefore, expanding our knowledge enhancement, strengthening corporate governance through regular engagement and dialogue with senior management team is proven essential time and again essential to take effective, strategic and prompt decision to navigate the Bank in the right course.

At MUFG, we are committed to empowering a brighter future which is clearly defined as the Bank's purpose. Our aim has always been to win trust and gain confidence of our customers in both good and trying times as well as to assist our customers to navigate during this unprecedented times and support their short and long term growth.

As a responsible Bank, we will continue to strive to build and embed a strong compliance & risk culture through continuous online learning and development, enhancing awareness programme with good example and best practices among all business pillars to help staff members achieve a common and better understanding to excel in their roles.

Going forward, the Bank will continue to draw inspiration from this experience to drive the business further by growing the Bank's customer base, increasing fee-based income through customer-oriented approach as well as further expansion in transaction banking business by expanding wallet share and building new business revenue stream to build a more sustainable future. The Bank will maintain its usual prudent approach in facing this uncertain time by observing sound and disciplined cost management to ensure future sustainability and profitability as well as maintaining a healthy Bank's balance sheet.

Human capital remains our greatest asset. We continue to believe in empowering our people and enhancing their working experience through building a more efficient workplace and promoting global mobility to enrich their exposure and experience. At MUFG, we will continue to provide equal opportunities for growth and personal development leveraging on our vast global network.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank my fellow Board members and Shariah Committee Members for their strong support and wise counsel and guidance.

Thank you to our regulators, Bank Negara Malaysia, Perbadanan Insurans Deposit Malaysia ("PIDM") and all relevant authorities for their continuous assistance to the Bank. I also would like to thank the CEO, Fumio Takamatsu, his management team and all staff of the Bank, who continued to perform exceptionally well within an unprecedented operating environment.

Dato' Mohd Sallehuddin bin Othman
Chairman

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Valued Stakeholders,

In a time of unprecedented global challenges attributed by the Covid-19 pandemic, geopolitical tensions, fear of global recession and uncertainty of global recovery are affecting global society. Despite these drawbacks, I see this as an opportunity presented within us to grow and develop our new business goals, one that is filled with high technological innovation and digitalization to meet changes in consumer behaviours and needs.

Fumio Takamatsu
Chief Executive Officer / Country Head of Malaysia

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The Bank successfully registered a pre-tax profit of RM346.84 million for the financial year ended 31 March 2022. Net profit after taxation was RM214.87 million. Return on equity remained satisfactory at 5.6%. The Bank remains strongly capitalised with a slight increase of the total capital ratio of 31.56%, well above the industry average. While, shareholders' funds increased to RM3.8 billion, total loans and advances maintained at RM21 billion.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

On behalf of MUFG Malaysia, I would like to start my message by expressing our sincere thanks, gratitude and appreciation to all our valued customers for their incessant support, to our Board of Directors for their leadership and to our staff for their effort and commitment throughout the years. The Bank is also grateful, as always, for the assistance and guidance from relevant authorities and Bank Negara Malaysia's strong effort in ensuring that the Malaysian economy remains competitive to support a sustainable economic growth in an ever challenging environment.

In addition, I would also like to put on record our appreciation and gratitude to the Board and Shariah members of MUFG Malaysia for their continued guidance and leadership that has strengthened our governance. In addition, we welcome Assoc. Prof. Dr Said Bourheraoua to the Shariah Committee and special appreciation and gratitude to Shariah members who has stepped down: Assoc. Prof. Dr. Abdul Karim bin Ali and Assoc. Prof. Dr. Syed Musa for their services to the Bank.

In this past one year, guided with the vision and mission as a large Global bank, the Bank has continued to innovate, continuously improve under the new way of working by timely intervention and implementation of digitisation to further drive business, strive for service excellence and improvement of operating performance across the Bank.

Banking industry has long since ceased from being a simple financial tool; now it can and must enrich society and customer future with more enhanced and sophisticated banking experience. It is only through pivoting to customer-centric model and reducing of mundane and legacy systems and processes, the Bank can continuously offer new experiences towards empowering customers to thrive under such difficult environment. This enormous task can only be achieved through setting the right focus, sharing an open yet flexible mindset and building a highly engaged team within the Bank.

The Bank has continued to enhance and transform digitally to provide an excellent customer experience. Various initiatives for enhancements are made to our internet banking platform, GCMS Plus for increased productivity and virtual management of cash flow – all with one secure global solution to enrich customer satisfaction. With the changing nature of our corporates' supply chain under new world order, the Bank is adjusting its lens to focus on the whole community, rather than single clients through our full range of trade and receivables finance solutions services leveraging on its global network in different markets globally.

As Malaysia celebrates the 40th anniversary of the Look East Policy (LEP) with Japan this year, the Bank is proud to be part of this journey and this remained as top priority in the Bank's effort to support nation and business building. The Bank will continue its utmost efforts to maintain and expand its Japanese customer's base through various initiatives to ensure this policy remains relevant to attract more Japanese companies to invest in Malaysia and further enhance the bilateral relations between both countries.

The year of 2022 also marks another momentous occasion and milestone as the Bank celebrates its 65th anniversary. The Bank remains committed and will continuously build upon its long term aspiration for many years to come and will commit to business relating to climate change and environmental protection to meet the growing needs of our valued customers during transitioning or mitigation to low-carbon technology as well as promote adoption of green finance and sustainability practices post-pandemic. This is in line with MUFG Parent Bank's aspiration at the forefront of continuous efforts to battle against the climate disaster as per MUFG Group's Carbon Neutrality Declaration of commitment to achieve a net zero status by year 2050 in terms of greenhouse gas emissions (GHG).

Whilst the pandemic has created new opportunities and has accelerated the digitalisation of financial services, increasing the usage of online platforms, the Bank is mindful and remains cautious on the potential risks of cyber-security and online scamming that could impact our customers at large and the Bank has put in place risk mitigation procedures to enhance protection of our valued customers.

Meanwhile, the Bank has continued to invest in systems and talent to enhance our Compliance function under heightened risk environment and will continuously promote a strong risk and compliance culture within the Bank in our continued quest to fight money laundering and terrorism financing. This also includes introducing three lines of defence model whereby business units of front-liners act as the first line of defence, followed by control functions and internal audit function as the second and third lines of defence.

The continuous learning and shared sense of purpose are key differentiations within MUFG to promote and achieve a high performance culture. Staffs are provided equal opportunity to make learning part of their work and personal development through developing new skills, knowledge and acquiring abilities that make them more proficient in their daily routines. Promoting and leveraging on diversity, equity and inclusivity have created meaningful staff engagements, talent development thus creating a high performance team, that shall remain as our key thrust as part of our medium-term business plan transformation journey.

Looking ahead, the Bank is well positioned and with its healthy balance sheet, the Bank is poised to emerge stronger and more resilient from the pandemic. We look forward to conquering the new financial year and making it better than the last and for years to come.

August, 2022

Pre-tax profit
RM346.8 million

Net profit after taxation
RM214.9 million

Return on equity
5.63%

Total capital ratio
31.56%

AWARDS & ACCOLADES

2021

- **IFN Best Japanese Bank Offering Islamic Banking Financial Services**

2020

- **Best Japanese Bank Offering Islamic Financial Services (MUFG Bank)**
  Country category (Japan)
- **Deal of the Year**
  Green & Sustainability Finance Category for Axiata Group's US$800 million Multicurrency Sustainability-linked Shariah Facilities

2019

- **IFN Deals of the Year 2019**
  Jambaran- Tiung Biru (Pertamina)
- **IFN Best Japanese Bank Offering Islamic Financial Service**

2018

- **IFN Best Japanese Bank Providing Islamic Banking Services**

2017

- **IFN The Best Japanese Bank Offering Islamic Services**

2016

- **Global Islamic Finance Awards (GIFA)**
  Best Islamic Project Finance House 2016
- **IFN Best Banks 2016**
  The Best Japanese Bank Offering Islamic Services
- **IFN Most Innovative Deal of the Year**
  Ziya Capital MYR900 million of MYR20 billion Wakalah bi-al Istithmar Sukuk

2015

- **IFN Best Bank Poll 2015**
  The Best Japanese Bank Offering Islamic Services
- **Islamic Finance Awards 2015**
  Best Deals Japan for US$25 million and 2.5 billion yen Sukuk

2014

- **RAM Award of Distinction 2014**
  Market Pioneer Awards World's 1st Yen Sukuk (Issuer)
- **RAM Award of Distinction 2014**
  Market Pioneer Awards World's 1st Yen Sukuk (Joint Lead Manager)
- **IFN Best Bank Poll 2014**
  The Best Japanese Bank Offering Islamic Services
- **IFN Cross Border Deal of the Year 2014**
  For Islamic Corporation for the Development of the Private Sector US$100 million Islamic Financing
- **Bank Negara Malaysia**
  Conferment of "Emas" Status to Both US Dollar and Yen-Denominated Sukuk

2013

- **IFN Best Banks Poll 2013**
  The Best Japanese Bank Offering Islamic Services
- **IFN Deal of the Year 2013**
  Wakalah Deal of the Year (PT Astra Sedaya US$50 million Wakalah Syndicated Financing)

CORPORATE SOCIAL RESPONSIBILITY ACTIVITY

In MUFG, we have a proud history of serving the communities in which we live and work. It's a key component of our overall community effort and supports our goal to serve as engaged corporate citizen. This year where the Bank celebrates 65th anniversary of presence in Malaysia, the Bank continues to support in funding cultural festivals or activities that are held to promote cultural exchanges and friendship between Malaysia and Japan by enabling a different experience of Japanese culture to the locals. Going forward, the Bank will continue to contribute and play our part as a responsible corporate citizen as we believe that sustainability is key to ensure continuous support for all of our activities.

Photo credit: The Japan Club of Kuala Lumpur

The Directors have pleasure in submitting their report and the audited financial statements of the Bank for the financial year ended 31 March 2022.

PRINCIPAL ACTIVITIES

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

HOLDING COMPANIES

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

RESULTS

	31.03.2022 RM'000
Profit after tax for the year	214,873

In the opinion of the Directors, the results of the operations of the Bank for the financial year ended 31 March 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

RESERVES AND PROVISIONS

There were no other material transfers to or from reserves and provisions during the financial year under review.

DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year ended 31 March 2022.

ISSUE OF SHARES AND DEBENTURES

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

There were no issues of debentures during the financial year.

DIRECTORS OF THE BANK

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

Y. Bhg. Dato' Mohd Sallehuddin bin Othman (Chairman)
Mr. Fumio Takamatsu
En. Ismail bin Mahbob
Y. Bhg. Datuk Seri Dr. Nik Norzul Thani bin N. Hassan Thani

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in Note 34 to the financial statements or the fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of Ordinary Shares			
	At 1 April 2021	Bought	Sold	At 31 March 2022
Interest in the Ultimate Holding Company				
Mitsubishi UFJ Financial Group, Inc.				
Mr. Fumio Takamatsu	5,649	333	-	5,982

None of the other Directors holding office at 31 March 2022 had any interest in the shares of the Bank and of its related corporations during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

BUSINESS STRATEGY AND OUTLOOK

OVERVIEW OF THE ECONOMY AND PROSPECTS FOR 2022

GLOBAL AND MALAYSIA ECONOMY

Global economy is expected to continue to recover this year, however the recovery momentum was somewhat impacted in recent months due to the Ukraine crisis and to some degree by the measures to contain a resurgence in COVID-19 cases in China. Inflation in many economies remain elevated, due to both demand and supply factors. Meanwhile, strength in trade activities is anticipated to improve further given the signs of easing in global supply disruptions and pick up in global demand recovery. In our view, risks to global growth outlook remain tilted to the downside given the ongoing geopolitical conflicts and development surrounding COVID-19.

The Bank foresees the current high volatility in the global financial markets to persist in the near term as market players continue to digest the pace of monetary tightening in the US and in the region and its impact on the underlying economy. Brent crude oil prices hit the recent high of USD139 per barrel before consolidating around USD100 per barrel currently. Further recovery in global oil demand will push the prices higher while the announcement by the US and its allies to release oil from their strategic petroleum reserves will cap the upside to the oil price performance.

DIRECTORS' REPORT

BUSINESS STRATEGY AND OUTLOOK (CONTD)

OVERVIEW OF THE ECONOMY AND PROSPECTS FOR 2022 (CONTD)

GLOBAL AND MALAYSIA ECONOMY (CONTD)

For year 2022, the Bank expects the Malaysian economy to register a positive Gross Domestic Product ("GDP") growth of between 5.3% to 6.3% year-on-year driven by an improvement in domestic demand as economic activity normalised following further easing of containment measures and the nation made another step towards endemicity including fully reopened international borders to vaccinated visitors after two years of restrictions. This will be further supported by the excess savings that were accumulated throughout the lockdown period. Malaysia's job market is also likely to improve further, however at a moderate pace (the unemployment rate stood at 4.1% in Feb 2022 compared to 4.8% in Feb 2021) and is expected to decline to 3.5% towards the end of 2022, also added to a sustained consumption recovery path. On the external front, high commodity prices will continue to benefit the economy through positive terms of trade. The Bank believes solid GDP growth this year will spur broad-based demand for loans while at the same time should have a positive impact on asset quality.

As the reopening of the economy gathering pace coupled with the elevated commodity prices, core inflation is expected to increase moderately going forward to average between 2.3% to 3.2% this year. The second round effects as businesses increasing prices due to higher input prices and persistent demand for higher wages by workers to help alleviate expected losses in their purchasing power are the main upside risks to the Bank's assumption. That said, headline inflation is projected to remain manageable.

Bank Negara Malaysia is expected to keep its current stance of accommodative monetary policy in the near term to provide support to economic activity. The Bank is looking at up to 25 basis points hike in the Overnight Policy Rate ("OPR") this year from the current historical 2.25% level; amid the prevailing global uncertainties, the timing will be determined by new data and their implications on the overall outlook for domestic inflation and growth. Meanwhile, MYR's recent performance has been mixed, torn between positives from improving terms of trade and current account fundamentals, and negatives from more restrictive global financial condition given the aggressive move by the US Federal Reserve and other major central banks hiking rates to combat inflation. The Bank anticipates MYR to move higher over the coming quarters, as risks from tighter global financial conditions fade and as Malaysia's fundamentals improve. The Bank forecasts USD/MYR to close the year lower at 4.16 from current level of above 4.23.

STRATEGIES AND DIRECTIONS

The Bank will continue to build on its strengths to further develop and sustain its business (both Conventional and Islamic) in the coming year to further enhance its market position in view of the post-pandemic recovery. This will also be in line with the growing aspiration to expand and grow business relating to climate change and environmental protection. The Bank will anchor its efforts in developing new business opportunities, financing solutions and products linked to Environmental, Social and Governance ("ESG") with sustainability-linked features to meet growing needs from customers and encourage wider adoption of green finance and sustainability practices. This will also be aligned to MUFG's management strategic goals, in line with the Bank's aspiration to achieve Net Zero Carbon emissions by 2050.

Growth of Islamic Finance assets is expected to be steady in the coming year with focus on post-Covid recovery filling finance gaps to kick-start recovery. The Bank would continue to leverage its expertise in this area and focus efforts to develop new Islamic products and solutions to create sustainable growth and support the economic recovery efforts.

In addition, the Bank will also continue to employ strategies to achieve strong balance sheet growth aimed to expand corporate lending leveraging on growth of existing clientele and on-boarding of new clientele with good track record in growth sectors. This also includes higher market and wallet share by offering competitive pricing and attractive terms as well as innovative product features.

The Bank is committed to work closely with our valued customers to respond in their needs of new ways of working to remain competitive, comprehensive and stay relevant. Additionally, the Bank will continue to grow and expand on new business channels to seek higher fee income segment through foreign exchange and transactional banking services by achieving higher wallet share.

The Bank will continue to focus on developing its operational excellence and efficiency, adopting prudent and responsible financing practices, while upholding strong corporate governance, coupled with strong ethical and strict compliance culture to ensure sound and robust risk management practices.

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

BUSINESS STRATEGY AND OUTLOOK (CONTD)

OVERVIEW OF THE ECONOMY AND PROSPECTS FOR 2022 (CONTD)

STRATEGIES AND DIRECTIONS (CONTD)

In line with post-pandemic recovery with changed landscape, the Bank continued to embark on various key internal initiatives to have disciplined cost-management and maintain prudence in spending, emphasising on digitisation and digitalisation to improve operational efficiencies in order to deliver superior financial performance and enhancing customer experience.

With the rapid advancement in technology in the banking space, the Bank will stay agile in response to the digital banking evolution and will further enhance its digitisation aspiration by investing and expanding its digital capabilities and solutions to better serve its customers' needs.

CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

The Bank's Board of Directors ("The Board") has always maintained the highest standards of corporate governance to protect and enhance the interest of all stakeholders, which include depositors and borrowers, shareholders and employees. The Board is responsible for the strategic direction of the Bank, formulation of policies and stewardship of its resources. The policies of the Bank will not only continue to exist in their present form but will continually be reviewed and enhanced. The Board ensures effective application of the principles and standards established by BNM in the Guidelines on Corporate Governance ("CG") and is reflective of good corporate governance best practices set out in the Malaysian Code on Corporate Governance 2021.

The Board consists of four (4) members, with one (1) Executive Director who is also the Chief Executive Officer ("CEO"), and three (3) Independent Directors.

The Independent Directors are (1) Y.Bhg. Dato' Mohd Sallehuddin bin Othman; (2) En. Ismail bin Mahbob; and (3) Y. Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani.

Director's Profile

Dato' Mohd Sallehuddin bin Othman

Dato' Mohd Sallehuddin bin Othman ("Dato' Sallehuddin"), was appointed as a Director of the Bank on 20 November 2013. He was appointed as the Chairman of the Board on 1 June 2019. He is also a member of the Risk Management Committee, Audit Committee, Nomination Committee and Remuneration Committee. He graduated from MARA Institute of Technology with ACCA qualification and from Luton College of Technology, UK with ICMA qualification. He holds a M. Sc in Administrative Sciences from City University of London, UK.

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

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

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

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

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

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

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Director's Profile (Contd)

Mr. Fumio Takamatsu

Mr. Fumio Takamatsu ("Mr. Takamatsu"), was appointed as Executive Director / CEO of the Bank on 14 November 2020. Mr. Takamatsu is a member of the Nomination Committee. He graduated with a Bachelor Degree in Law from Keio University.

Mr. Takamatsu started his career with MUFG Bank, Ltd as a Bank Officer in Japan. He spent 11 years in developing his skills as a Relationship Manager and two (2) years in oversea network strategy and risk management as a Planning Officer in Japan.

Prior to Mr. Takamatsu's appointment in the Bank, he was the Managing Director, Deputy Head of Hong Kong Branch of MUFG Bank, Ltd. He oversaw the operations of strategic planning, human resources, risk, information technology, legal, credit financial control, corporate communication, procedures and manuals. Prior to that, he headed the business strategies and business planning of Transaction Banking in Japan for two (2) years; and eight (8) years in the Japanese Corporate banking in the United States of America.

Mr. Takamatsu is also a Director of The Japanese Chamber of Trade & Industry Malaysia.

En. Ismail bin Mahbob

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

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

En. Ismail also served as an Independent Director ("ID") of Export-Import Bank (Malaysia) Berhad from August 2012 to August 2019 and Saudi Reinsurance Company, Saudi Arabia from December 2012 to May 2020. En. Ismail is the Independent Chairman for the Board of Directors of Syarikat Takaful Malaysia Am Berhad, a wholly owned subsidiary of public listed company, Syarikat Takaful Malaysia Keluarga Berhad.

Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani

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

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

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

Datuk Seri Dr. Nik served as a Chairman / Independent Director of Chin Hin Group Berhad from 2016 to 2020 and Independent Director of Pengurusan Aset Air Berhad from 2018 to 2020. He ended his tenure as Chairman of IIUM Holdings Sdn Bhd, a subsidiary of International Islamic University Malaysia on 28 February 2022.

Datuk Seri Dr. Nik is the Independent Chairman of the Board of Directors of T7 Global Berhad and Malaysian Rating Corporation Berhad. He also sits on the Board of Directors of Amanah Saham Nasional Berhad and Cagamas Holdings Berhad.

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities

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

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

(a) Roles and Responsibilities of the Board

- Review and approve strategies, business plans, other initiatives including but not limited to outsourcing plan and material outsourcing engagement which would singularly or cumulatively, have a material impact on the Bank's risk profile, significant policies and monitor Senior Management's performance in implementing them;
- Ensure that the Bank establishes comprehensive risk management policies, processes, infrastructure and resources, to manage the various types of risks;
- Ensure the effectiveness of Risk Management Framework by taking into consideration the changes in business environment to control the Bank's risk taking activities. Also, to provide constructive challenge on the credibility and robustness of the framework;
- Establish periodic review on quantity and quality of the Risk Management reporting;
- Oversee and approve the recovery and resolution as well as business continuity plans' maximum tolerable downtime ("MTD"), recovery time objective ("RTO") of critical business function ("CBF") for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;
- Set up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit functions, covering the financial and management audit;
- Establish a rigorous process for the appointment and removal of Directors;
- Oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank;
- Establish a written policy to address Directors' actual and potential conflict of interest;
- Establish and ensure the effective functioning of various Board committees;
- Promote Shariah compliance in accordance with expectations set out in BNM's Shariah Governance Policy Document and ensure its integration with the Bank's business and risk strategies;
- Ensure the effective management of the Bank's capital and capital adequacy levels to ensure fulfillment of regulatory and internal requirements;
- Ensure that the relevant stakeholders discharge their responsibilities for the development and effective implementation of the Bank's capital management policies and processes;
- Approve credit transactions to connected parties based on Guidelines on Credit Transactions and Exposures with Connected Parties;

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

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

- Engage with Chief Compliance Officer ("CCO") on a regular basis to provide the opportunity for the CCO to discuss issues faced by the compliance function. The Board should also consider engaging the CCO without the presence of other members of Senior Management from time to time;
- Provide the CCO with direct and unimpeded access to the Board;
- Ensure that the CCO is supported with sufficient resources, including competent officers, to perform his/her duties effectively;
- Oversee the implementation of the Bank's governance framework and internal control environment, and periodically review whether these remain appropriate in the light of material changes to the size, nature and complexity of the Bank's operations;
- Promote, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;
- Promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- Promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank;
- Undertake the Board's duties and responsibilities as well as oversight functions as stipulated in the Companies Act 2016 ("CA 2016"), FSA 2013, Islamic Financial Services Act 2013 ("IFSA 2013"), BNM Policy Documents and Guidelines and any other regulations or directives issued by BNM from time to time;
- Undertake the Board's duties and responsibilities and oversight functions as stipulated in paragraph 11.2 of the BNM's Policy Document on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions ("AML/CFT and TFS for FIs");
- Undertake and exercise the Board's duties, responsibilities and oversight functions as stipulated in paragraph 8.1 to paragraph 8.6, paragraphs 10.41 and 10.51 of the BNM's Risk Management in Technology ("RMiT") Policy Documents;
- Exercise oversight accountability over Shariah governance and compliance to ensure the processes reflect the integration of Shariah governance considerations within the business and risk strategies of the Bank as per outlined under the BNM's Shariah Governance Policy Document or any other regulations or directives issued by BNM from time to time; and
- Provide board veto clearance for large exposures based on Credit Policy of the Bank. Where such veto clearance was obtained via circulation, the loan/financing exposures to be collectively deliberated and ratified in the subsequent Board meeting.

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

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

(c) Directors' Training

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(c) Directors' Training (Contd)

During the financial year ended 31 March 2022, the Directors have attended various training programmes, conference, seminars, briefing and/or workshop on issues relevant to their duties and responsibilities to further enhance their skills and knowledge and keep abreast with the latest developments in the industry and changes in the new statutory and regulatory requirements as follows:

No.	Training Programmes	Attended by
1	FIDE FORUM's Board Effectiveness Evaluation Industry Briefing	Dato' Sallehuddin En. Ismail
2	Board of Director's Training	Dato' Sallehuddin
3	Board and Audit Committee Priorities 2021	Dato' Sallehuddin
4	Implementing Amendments in Malaysian Code On Corporate Governance	Dato' Sallehuddin En. Ismail Datuk Seri Dr. Nik
5	BNM-FIDE FORUM Dialogue: The Role of Independent Director in Embracing Present and Future Challenges	Dato' Sallehuddin En. Ismail
6	BNM-FIDE FORUM Dialogue: The Future of Malaysia's Financial Sector	Dato' Sallehuddin En. Ismail Datuk Seri Dr. Nik
7	JC3 Flagship Conference 2021: #Finance For Change: Day 1 : Sustainability as a business strategy for Financial Institutions	Dato' Sallehuddin En. Ismail Datuk Seri Dr. Nik Mr. Takamatsu
8	JC3 Flagship Conference 2021: #Finance For Change: Day 2 : JC3 outcomes and implications for Financial Institutions	Dato' Sallehuddin En. Ismail
9	JC3 Flagship Conference 2021: #Finance For Change: Day 3 : Sustainable finance for the private sector	Dato' Sallehuddin En. Ismail Datuk Seri Dr. Nik
10	Protecting Biodiversity - Insurance for a Sustainable Future	Dato' Sallehuddin
11	Advancing Innovations in Green Technology & Circular Economy in Malaysia	Dato' Sallehuddin
12	Insurtech Opportunities Report 2021	Dato' Sallehuddin
13	Capital Market Master Plan	Dato' Sallehuddin
14	Business Email Compromise; A Social Engineering Attack	Dato' Sallehuddin En. Ismail Datuk Seri Dr. Nik Mr. Takamatsu
15	Financial Crime Compliance (FCC) Awareness Session 2021 for the Board of Directors	Dato' Sallehuddin En. Ismail Datuk Seri Dr. Nik Mr. Takamatsu
16	Investor Conference	Dato' Sallehuddin
17	Motivation Talk on Readiness, Resilience, and Responsibility	Dato' Sallehuddin

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(c) Directors' Training (Contd)

No.	Training Programmes	Attended by
18	International Investment Funds Association (IIFA) Annual 2021 Conference	Dato' Sallehuddin
19	Annual Dialogue with Governor of Bank Negara Malaysia	Dato' Sallehuddin En. Ismail Datuk Seri Dr. Nik
20	JC3 SC4 Capacity Building Climate Scenario Analysis & Stress Testing	Dato' Sallehuddin
21	Implementation & Application of CCPT	Dato' Sallehuddin
22	MyFintech Week 2022: Advancing Digitalisation for Recovery, Sustainability, and Inclusion	Dato' Sallehuddin En. Ismail Mr. Takamatsu
23	IMAS-Bloomberg Investment Management 2022	Dato' Sallehuddin
24	Exploring Nature-Related Financial Risks in Malaysia	Dato' Sallehuddin
25	Ransomware: Management & Legal Considerations	Dato' Sallehuddin En. Ismail Datuk Seri Dr. Nik Mr. Takamatsu
26	BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know	En. Ismail
27	MFRS17	En. Ismail
28	BNM-FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators	En. Ismail
29	Insurance & Takaful Operators Take Note. Blockchain is not only Disrupting the Traditional Banking Model	En. Ismail
30	Climate Change assessment for Insurance Cos / Takaful Operators & "Climate Quantified" ESG Data & Ratings	En. Ismail
31	Cyber Security Awareness - by Cyber Security Malaysia	En. Ismail Datuk Seri Dr. Nik
32	BNM-World Bank Group Report Launch - "Exploring Nature-related Financial Risk in Malaysia"	En. Ismail
33	Corporate Governance & Leadership in Public Entity	Datuk Seri Dr. Nik
34	PNB Knowledge Forum 2021	Datuk Seri Dr. Nik
35	Webinar Alumni Executive Dialogue	Datuk Seri Dr. Nik
36	T7 Global / Maslow Trainers & Consultants	Datuk Seri Dr. Nik
37	PNB Knowledge Forum 2021 - Shariah Awareness: Strengthening Shariah Culture	Datuk Seri Dr. Nik
38	KPMG Management Group Conference	Datuk Seri Dr. Nik
39	MARC360: Sustainable Development Financing 2022 Virtual Conference	Datuk Seri Dr. Nik
40	ASEAN-BAC Malaysia Virtual Dialogue With Foreign Business Association & Business Councils in Malaysia 2022	Datuk Seri Dr. Nik

CORPORATE GOVERNANCE (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(c) Directors' Training (Contd)

No.	Training Programmes	Attended by
41	Islamic Finance for Board of Directors Programme	Mr. Takamatsu
42	FIDE Core Program - Module A & Module B	Mr. Takamatsu
43	Khazanah Megatrends Forum 2021	Mr. Takamatsu
44	Engagement Session with Banks on the Financial Sector Blueprint 2022-2026	Mr. Takamatsu
45	BNM Financial Stability Report	En. Ismail

d) Tenure of Independent Directors

The Board considers that fundamentally the independence of Directors are based on their capacity and capability to exercise objective independent judgement to put the best interests of the Bank and its shareholders ahead of other interests.

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

The tenure limits for Independent Director should generally not exceed nine (9) years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Bank.

(e) Frequency and Conduct of Board Meetings

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

A total of ten (10) Board meetings were held during the financial year ended 31 March 2022. The details of attendance of each member at the Board meetings held during the financial year ended 31 March 2022 are as follows:

Director	Number of Meetings	
	Held	Attended
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Independent Director*	10	10
Mr. Fumio Takamatsu *CEO/Country Head of Malaysia and Executive Director*	10	10
En. Ismail bin Mahbob *Independent Director*	10	10
Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani *Independent Director*	10	10

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES

(a) Nomination Committee ("NC")

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

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

The composition of NC is as follows:

Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (Chairman)
Mr. Fumio Takamatsu (Member)
Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Member)
En. Ismail bin Mahbob (Member)

The NC shall meet at least four (4) times a year or as and when required.

During the financial year ended 31 March 2022, the NC held seven (7) meetings.

The details of attendance of each member at the NC meetings held during the financial year ended 31 March 2022 are as follows:

NC Member	Number of Meetings	
	Held	Attended
Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani *Chairman*	7	7
Mr. Fumio Takamatsu *Member*	7	7
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Member*	7	7
En. Ismail bin Mahbob *Member*	7	7

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

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

NC is responsible for the following matters:

- to establish the minimum requirements for the Board on the required mix of skills, experience, qualifications and other core competencies of a Director and CEO. The requirements and criteria shall be approved by the full Board;
- to assess and recommend to the Board the nominees for appointment; re-appointment upon the expiry of terms of appointment as approved by BNM; or removal of Directors, Senior Management and Shariah Committee members if he/she no longer meets the minimum requirements set out in paragraphs 10.2 to 10.5 and 17.2 to 17.4 of CG respectively and paragraphs 33(c) and (d) of the IFSA 2013, or has been assessed to be ineffective, errant or otherwise unsuited to carry out his/her responsibilities;
- to assess and recommend to the Board the nominees for appointment or removal of Company Secretary if he/she is disqualified under Section 238 of the CA 2016 or no longer complied with the Fit and Proper requirements;
- to oversee the overall composition of the Board and Board Committees in terms of appropriate size, required mix of skills, experience and core competencies and adequate balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review;
- to establish the mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO as well as other Senior Management and Company Secretary. The annual assessment to be conducted shall be based on objective performance criteria as approved by the full Board;
- to ensure that all Directors receive appropriate continuous training programmes in order to keep abreast with the latest developments in the industry and changes in the new statutory and regulatory requirements;
- to support the Board oversight on the appointment, succession planning and performance evaluation of Senior Management, Shariah Committee ("SC") members and Company Secretary;
- to assess on an annual basis that the Directors/CEO, Senior Management and Shariah Commitee members are not disqualified under Section 59 of the FSA 2013 and Section 68 of IFSA 2013 and that the Directors/CEO and Shariah Committee members continue to comply with the standards for 'fit and proper' criteria as approved by the Board;
- to assess and to ensure Independent Directors comply with the definition of Independent Director as defined in the CG;
- to carry out such other responsibilities as may be specified by BNM or delegated by the Board from time to time;
- to assess and nominate the appointment or renewal of appointment of Expatriates Officers consistent with the qualifications, experience and criteria applicable in BNM's guidelines; and
- to monitor the effectiveness of transfer of skills and expertise from expatriates employed in Senior Management and specialist positions to staff of the Bank as well as the industry generally.

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

(b) Remuneration Committee ("RC")

The composition of RC is as follows:

En. Ismail bin Mahbob (Chairman)
Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Member)
Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (Member)

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

During the financial year ended 31 March 2022, the RC held three (3) meetings.

The details of attendance of each member at the RC meetings held during the financial year ended 31 March 2022 are as follows:

RC Member	Number of Meetings	
	Held	Attended
En. Ismail bin Mahbob *Chairman*	3	3
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Member*	3	3
Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani *Member*	3	3

The RC is responsible for the following matters:

- to review periodically and recommend to the Board the remuneration policy of the Bank, including material changes made to the policy to ensure that the remuneration remains appropriate to each Director, Member of SC, CEO and other members of *Senior Management and other Material Risk Taker's contribution, taking into account the level of expertise, commitment and responsibilities undertaken;

- to review annually the remuneration for each Director, CEO and other members of *Senior Management and other Material Risk Takers;

- to recommend to the Board a framework of remuneration for Directors, SC members, CEO and other members of *Senior Management covering fees, salaries, allowances, bonuses and benefits-in-kind in discharging their duties;

- to recommend to the Board the adjustments in remuneration package reflecting the SC members, Executive Directors and CEO's contributions for the year; and which are competitive and consistent with the Bank's culture, objectives and strategy;

- to ensure that the level of remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board; and

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

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

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

(c) Audit Committee ("AC")

The composition of AC is as follows:

Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (Chairman)
Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Member)
En. Ismail bin Mahbob (Member)

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

During the financial year ended 31 March 2022, nine (9) meetings were held.

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

The AC may at their discretion invite any Director, Executive Directors or any person to attend the meeting.

The details of attendance of each member at the AC meetings held during the financial year ended 31 March 2022 are as follows:

AC Member	Number of Meetings	
	Held	Attended
Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani *Chairman*	9	9
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Member*	9	9
En. Ismail bin Mahbob *Member*	9	9

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

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

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

The primary objectives of the AC are:

- to support the Board in ensuring that there is reliable and transparent financial reporting process within the Bank and provide assurance that the financial information presented by management is relevant, reliable and timely;
- to oversee the effectiveness of the internal audit function of the Bank and evaluate the quality of audits performed;
- to foster a quality audit of the Bank by exercising oversight over external auditors in accordance with the expectations set out in the policy document on external auditor;
- to act as a committee of the Board to assist in discharging the Board's responsibilities in relation to the Bank's good governance, management and internal controls, accounting policies and financial reporting;
- to provide, by way of regular meetings, a line of communication between the Board and the external auditors;
- to enhance the perceptions held by other interested parties (such as shareholders, regulators and other financial institutions) of the credibility and objectivity of financial reports; and
- to oversee the compliance with laws and regulations and observe proper code of conduct established.

The AC is authorised by the Board:

- to review any activity of the Bank within its Terms of Reference. It is authorised to seek any information or documents/resources it requires from any Director or member of Management; and all employees are directed to co-operate with any request made by the Audit Committee;
- to obtain independent legal or other independent professional advice; and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, and the cost of such advice shall be borne by the Bank; and
- be kept regularly updated on audit matters and to be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by Management or Internal Audit Department, if any.

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

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

The functions and responsibilities of the AC are:

Internal Audit

- to approve on the appointment, remuneration, performance appraisal, transfer and dismissal of the Chief Internal Auditor ("CIA");
- to review and if appropriate, approve the Internal Audit Charter and procedure manual;
- to review and approve the adequacy of the internal audit scope, procedures, plan, frequency and budgeted man-days; and to confirm that Management has placed no restrictions on the scope of audits;
- to establish a mechanism to assess the performance and effectiveness of the internal audit function;
- to ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank and to ensure coordination between the internal and external auditors;
- to review and consider reports and findings issued by regulatory authorities; and to ensure that Management has taken the necessary corrective actions in a timely manner;
- to review key audit reports and any findings raised by Internal Audit Department; and to ensure that Management has taken / is taking the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the Internal Audit and other control functions; and
- to note the significant disagreements between the CIA and the rest of the Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings.

Matrix Reporting

- to ensure internal audit department matrix reporting to Internal Audit for Asia (AIAO) is governed by the agreed scope (AIAO oversight function); and
- to ensure that the final call/decision making on the Internal Audit Department or internal audit matters will be made by the Chief Internal Auditor and/or with Audit Committee's concurrence.

External Auditors

- to review the terms of appointment, re-appointment, removal of the external auditor and their remuneration and terms of engagement; and make recommendations to the Board for approval by the Bank's shareholder;
- to monitor and assess the independence of the external auditors including by approving the provisions of non-audit services by external auditors subject to the Policy of Provision of Non-Audit Services of the Bank;
- to monitor and assess the effectiveness of the external auditors including by meeting with the external auditors without the presence of Management at least annually and discussing problems and reservations arising from interim as well as final audits;
- to review the external auditor's management letter and Management's response to the management letter, if any;
- to review the report of the external auditors including any significant matters; and to ensure Management has taken/is taking the necessary corrective actions in a timely manner to address external audit findings and recommendations; and
- to maintain regular, timely, open and honest communication with the external auditors, and requiring the external auditors to report to the AC on significant matters.

DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

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

The function and responsibilities of the AC are: (Contd)

Financial Reporting

- to review the accuracy and adequacy of the chairman's statement in the directors' report, corporate governance disclosure and interim financial reports and any preliminary announcements in relation to the preparation of financial statements;

- to review the quarterly and annual financial statements before submission to the Board, focusing particularly on:

  (i) any changes in accounting policies and practices;

  (ii) significant and unusual events and transactions;

  (iii) major judgemental areas;

  (iv) significant adjustments resulting from the audit;

  (v) the going concern assumption;

  (vi) compliance with applicable financial reporting standards;

  (vii) compliance with BNM and legal requirements; and

  (viii) adequacy of provision for contingencies and bad and doubtful debts.

Risk Management and Governance

- to review the adequacy and effectiveness of the Bank's governance processes, risk management and internal controls prior to endorsement by the Board;

- to review third-party opinions on the design and effectiveness of the Bank's internal control framework; and

- to monitor compliance with the Board's conflicts of interest policy which at a minimum must:

  (i) identify circumstances which constitute or may give rise to conflicts of interest;

  (ii) clearly define the process for directors to keep the Board informed on any change in his circumstances that may give rise to conflicts of interest;

  (iii) identify those responsible for maintaining updated records on each Director's conflicts of interest; and

  (iv) articulate how any non-compliance with the policy will be addressed.

Related Party Transactions

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

Other matters

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

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

(d) Risk Management Committee ("RMC")

The primary objectives of the RMC are to oversee the Bank's activities in managing credit, market, liquidity, operational, legal, compliance, information security as well as emerging risks such as ESG risk, climate risk, pandemic risk and cyber risk and other risks to ensure that a risk management process is in place and functioning.

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

The composition of RMC is as follows:

En. Ismail bin Mahbob (Chairman)
Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Member)
Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (Member)

The RMC shall meet at least once every quarter.

The RMC held seven (7) meetings during the financial year ended 31 March 2022.

The details of attendance of each member at the RMC meetings held during the financial year ended 31 March 2022 are as follows:

RMC Member	Number of Meetings Held	Number of Meetings Attended
En. Ismail bin Mahbob *Chairman*	7	7
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Member*	7	7
Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani *Member*	7	7

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

The RMC's responsibilities and functions are:

Risk Governance

- to review and recommend risk management strategies, policies and risk tolerance for Board's approval;

- to review and assess adequacy of risk management and compliance policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;

- to review periodic reports from respective departments which include Risk Management Units, Compliance (including compliance issues), Housing Loan, Treasury, etc;

- to ensure infrastructure, resources and systems are in place for risk management and compliance i.e. ensure that the staff responsible for implementing risk management and compliance systems and performing those duties independently of the Bank's risk taking activities;

- to oversee the formal development of policies (including Credit risk, Market risk, Liquidity risk and Operational risk policies, Compliance related policies etc.) within the Bank, encompassing all products and businesses and ensuring the development of policy manual and procedures;

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

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

The RMC's responsibilities and functions are: (Contd)

Risk Governance (Contd)

- to execute oversight role regarding implementation of the Bank's Internal Capital Adequacy Assessment Process ("ICAAP");
- to approve credit transactions with connected parties based on BNM's Guidelines on Credit Transactions and Exposures with Connected Parties (at least 2 non-executive Directors who are independent of the transaction) as delegated by the Board;
- to adhere to the BNM's RMiT Guidelines, including but not limited to the requirements under Part B on Governance under paragraphs 8.1 to 8.6 on Responsibilities of the Board of Directors, and paragraphs 10.41 and 10.51 on effective oversight on Third Party service provider and cloud services;
- to adhere to the requirements under paragraph 11.2 of BNM's Policy Document on 'Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions ("AML/CFT and TFS for FIs");
- to provide input to the design and implementation of the remuneration system to ensure that risk exposures and risk outcomes are adequately considered;
- to approve the appointment, performance review and remuneration, and dismissal of the Chief Risk Officer ("CRO");
- to provide constructive challenge to Senior Management and critically review the risk information and developments affecting the Bank;
- to propose for Board's approval the Business Continuity Management ("BCM") Framework, ensure a sound BCM practices consistent with risk tolerance, and workable Business Continuity Plan ("BCP") is in place for critical business function; and
- to propose for Board's approval the Outsourcing Management Framework for sound governance of outsourcing management and effective management of outsourcing risk.

Risk Strategy

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

Risk Management & Control

- to review management's periodic reports on risk exposures, risk portfolio composition and risk management activities, adherence to risk appetite; and the implementation of risk management and compliance policies, processes, and controls within the Bank in managing the key risks to the Bank as well as emerging risks;
- to monitor, assess and advise on the credit risk portfolio composition of the Bank;
- to evaluate risks under stress scenarios and the capacity of the Bank's capital to sustain such risks;

DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONTD)

BOARD COMMITTEES (CONTD)

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

The RMC's responsibilities and functions are: (Contd)

Risk Management & Control (Contd)

- to assess the risk-return trade-off;
- to review reports of the credit review process, asset quality and ensure that corrective action is taken;
- to review and evaluate the various credit products engaged by the Bank to ensure that it is conducted within the standards and policies set by the Board;
- to evaluate and assess risk concerning development and introduction of new products and services;
- to oversee capital quantification and seenario analysis methodologies;
- to review the Bank's Single Counterparty Exposure Limit ("SCEL");
- to review the Threshold Limits for Business Sectors;
- to oversee the risk management for Islamic banking;
- to ensure that the cyber security risk of the Bank is properly managed;
- to at least annually, evaluate the effectiveness of the Bank's overall management of compliance risk, having regard to the assessments of senior management and internal audit, as well as interactions with the CCO;
- to participate and challenge the BCM process i.e. to endorse Maximum Tolerable Downtime ("MTD") and Recovery Time Objective ("RTO") of critical business functions, and to be updated with timely information on Business Continuity Plan ("BCP") and Disaster Recovery Plan ("DRP") test results for critical business function and applications conducted; and
- to deliberate, challenge and propose for Board's approval on Outsourcing Plan and material outsourcing engagement.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

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

Overall Risk Management Policy

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

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

CORPORATE GOVERNANCE (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

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

Outline of risk management and control responsibilities:

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

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

(a) Assets & Liabilities Management and Market Risk Committee
(b) Operational Risk Management and Control Committee ("ORMCC")
(c) Credit Risk Management Committee ("CRMC")

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

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

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

- Risk Identification, Assessment and Measurement; and
- Risk Control, Mitigation and Monitoring.

(a) CREDIT & CORPORATE RISK MANAGEMENT

(i) Risk Identification, Assessment and Measurement

- A comprehensive Credit Rating system is used to grade the quality of loans/financing and track changes in credit risk profile of the loan portfolio;
- An independent assessment of loans/financing applications are performed by the holding company;
- Calculate the Expected Credit Loss ("ECL") on Bank's portfolio based on approved methodology, processes, tools and requirements under MFRS 9, *Financial Instruments*;
- Regular review of watch list borrowers and delinquent accounts are conducted to monitor progress of recovery;
- Formulate stress scenario and conduct the stress testing of Bank's portfolio to gauge the Bank's capability to absorb external shocks arising from hypothetical adverse stress scenarios;

CORPORATE GOVERNANCE (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(a) CREDIT & CORPORATE RISK MANAGEMENT (Contd)

(i) Risk Identification, Assessment and Measurement (Contd)

- Reverse stress testing is conducted annually to identify unviable scenarios and potential vulnerable areas; and
- Under ICAAP, the material risk assessment is conducted annually and perform the Bank's internal capital adequacy assessment process, under both normal and stress scenarios, over the next 3 years.

(ii) Risk Control, Mitigation and Monitoring

- Credit Policy documents the core credit processes including the process of credit risk rating and collateral policy;
- Impairment Policy documents the general requirements for classification of credit-impaired loans/financing and provisioning and the circumstances under which loans/financing can be rescheduled/restructured/written off;
- Analysis and reporting to the Board/RMC/CRMC on the loans/financing exposure, asset quality, concentration level, movement of credit-impaired loans and expected credit losses of credit portfolio;
- Review of counterparty limits of money market activities, foreign exchange activities and other business activities;
- Review of Internal Capital Adequacy Assessment Process was performed by Regional Risk Office, ("ARMO");
- SCEL Policy documents the requirements in managing and monitoring exposures to a single counterparty and persons connected to it; and
- Periodic monitoring and reporting of Risk Appetite Statements ("RAS") limits/thresholds set on key risk exposures.

(b) MARKET RISK MANAGEMENT

(i) Risk Identification, Assessment and Measurement

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

(ii) Risk Control, Mitigation and Monitoring

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

CORPORATE GOVERNANCE (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(c) LIQUIDITY RISK MANAGEMENT

(i) Risk Identification, Assessment and Measurement

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

(ii) Risk Control, Mitigation and Monitoring

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(d) OPERATIONAL RISK MANAGEMENT

(i) Risk Identification, Assessment and Measurement

- Risk identification and assessment activities scheduled periodically for in-scope operational risk subjects to identify and measure risks, among others (but not limited to) Risk Control Self Assessment ("RCSA"), Global Control Self Assessment ("GCSA"), Outsourcing Review, Shariah Review, Product Review, Self Inspection etc;
- Review of new and revision in the existing procedures/policies and processes by Operational Risk Management Control Committee ("ORMCC") prior to implementation and approval;
- Collecting Loss Event Data ("LED") with root cause analysis conducted to identify relevant and effective preventative actions to prevent from recurring risk in the future arising from fraud or operational control lapses;
- BCM Program established to identify risk associated with the business functions and set up plans to address business recovery in the event of disaster. The plan is tested periodically to ensure relevancy and workability to prepare for disaster;
- Review of new and existing products and services offered to identify and minimise risk associated with the product and service offerings;
- Implementation of System Risk Evaluation to identify and manage system risk and compliance to rules and regulations. Plan for countermeasures or action plan to rectify discrepencies noted from the exercise will be established with approval from Management;
- Identify the potential Operational Risk associated with third party dependencies via periodic review of third party engagement and deliverables; and
- Shariah Risk Register was established to assist in risk identification for Islamic business transactions.

(ii) Risk Control, Mitigation and Monitoring

- Policies, procedures, checklists and methods established to control and mitigate operational risk;
- Regular review on Key Risk Indicator (generic/specific "KRI" of Business Units and BNM's Operational Risk Integrated Online Network) to manage risks in the business functions, reporting on operational risk matters escalated via ORMCC and RMC;
- Implementation of Post Incident Reporting process to review the effectiveness of countermeasures committed to minimise risk of operational incidents and to identify weaknesses in operational processes and procedures;
- Implementation of Annual Review on Products and Services to manage and minimise risk;
- Execution of Testing and Exercising as planned in ensuring back-up procedures and contingency plans are up-to-date;
- Overall assurance on the adequacy and reliability of the operational risk management system by IAD; and
- Analyse and monitor countermeasures of Self-Inspection findings to minimise operational risk.

CORPORATE GOVERNANCE (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(e) INFORMATION SECURITY RISK MANAGEMENT

(i) Risk Identification, Assessment and Measurement

- Review of Information Security Incident reports to identify weaknesses in Information Security processes and procedures; and
- Periodic risk assessment of risk register guided by IT Risk Framework to manage IT and cybersecurity risks.

(ii) Risk Control, Mitigation and Monitoring

- Review and report on information security discussed at regular meetings of IT Steering Committee ("ITSC") and ORMCC;
- Exceptions will be reported to ORMCC and RMC regularly;
- Comprehensive and up-to-date documentation of Information Security Standards and Procedures;
- Periodic assessment against the cybersecurity maturity standards with subsequent plan established to minimise the gap; and
- Continuous and periodic training and awareness to stakeholders within the Bank including Board of Directors on information security subjects.

CORPORATE GOVERNANCE (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(f) COMPLIANCE AND LEGAL RISK MANAGEMENT

(i) Risk Identification, Assessment and Measurement

- Compliance Risk Assessment ("CRA") is performed utilising CRA tools for determining the key areas of compliance focus, allocation of compliance resources and deployment of compliance monitoring, testing and training;
- Established compliance risk assessment plan and schedule from applicable compliance risk universe;
- Determination of residual risk and risk ratings by utilising a standardised methodology (including taking into consideration the business activity) in a consistent manner; and
- Comprehensive risk assessment is performed annually with quarterly refresh.

(ii) Risk Control, Mitigation and Monitoring

- Implement Core Compliance Policies and Financial Crime Policies consistent with Group's direction and local regulation;
- Develop and maintain regulatory inventory, i.e. to keep track on changes to laws, rules and regulations ("LRR") that may result in changes to the Bank's risk profile and operation;
- Conduct periodic monitoring and testing based on key focus areas and/or triggered events;
- Inform Senior Management regarding key issues and concerns around compliance related events and development;
- Implement issue management guidelines to enable effective identification, escalation, reporting and remediation of compliance and legal issues;
- Raise compliance awareness through training and various compliance culture programs;
- Adopt the strategy of constructive engagement with regulatory authorities;
- Regulatory compliance team that provides compliance advice to the business areas as well as assisting to resolve regulatory issues; and
- Legal team that provides legal advice to the business.

CORPORATE GOVERNANCE (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

Internal Audit

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

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

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

Responsibilities

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

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

CORPORATE GOVERNANCE (CONTD)

SHARIAH COMMITTEE ("SC")

The Bank's SC was established to ensure that the Bank's Islamic banking objectives and operations, business, affairs and activities are in compliance with Shariah rules and principles. The roles and responsibilities of the Bank's SC are as prescribed in the Shariah Governance Policy Document issued by BNM and in compliance with the respective members' letter of appointment.

The key roles and responsibilities of the SC include:

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

The SC of the Bank consists of three (3) members and their profiles are as follows:

Assoc. Prof. Dr. Said Bouheraoua

Associate Professor Dr. Said Bouheraoua is a Director, Research Development & Innovation for ISRA Research Management Centre. He is currently serves as Chairman of Shariah Committee for MNRB Group. He is also a member of Higher Shariah Committee at the Central Bank of the Oman Sultanate. For foreign Islamic Financial Institution involvement, he is the Chairman of Shariah Committee of SunTrust Bank Nigeria and Trust Bank Amanah Suriname. He had won the Lamya al-Faruqi Award for Academic Excellence in 1999, organised by International of Islamic Thought and IIUM. He obtained a Bachelor in Fiqh and Usul Fiqh from the University of Algiers in 1991, Master of Quran and Sunnah in 1998 and Ph.D in Fiqh/Usul Fiqh (Shariah) from International Islamic University Malaysia (IIUM) in 2002. He has been appointed as the Chairman of SC of the Bank effective 3rd July 2022.

CORPORATE GOVERNANCE (CONTD)

SHARIAH COMMITTEE ("SC") (CONTD)

Y.Bhg. Prof. Dato' Dr. Mohd Azmi bin Omar

Professor Dato' Dr. Mohd Azmi obtained his Bachelor of Science (Finance) in 1983 and Master of Business Administration from the Northern Illinois University, United States of America in 1985 and PhD in Finance from the Bangor University, Wales, United Kingdom in 1994. At present, he is the President and Chief Executive Officer at International Centre for Education in Islamic Finance (INCEIF) - The Global University of Islamic Finance since October 2017. Prior to his current position, he served as the Director-General at Islamic Research and Training Institute ("IRTI"), Islamic Development Bank Group, Jeddah, Kingdom of Saudi Arabia. He is a member of Board of Trustees of Responsible Finance Institute (RFI Foundation and formerly a member of the External Advisory Group for the International Monetary Fund ("IMF") Interdepartmental Working Committee on Islamic Finance. He accumulated vast experiences in International Islamic University Malaysia ("IIUM"), having served in various capacities including Deputy Rector (Academic & Research), Dean of IIUM Institute of Islamic Banking and Finance ("IIiBF") and Dean of Faculty of Economics and Management Sciences. Currently, he also serves as a member of Shariah Committee to Bank Rakyat Malaysia and Etiqa Takaful Malaysia and an Islamic Finance Expert to the Autoriti Monetari Brunei Darussalam. He has been a member of the SC of the Bank since June 2020.

Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria

Associate Professor Dr. Mohamad Zaharuddin obtained his Bachelor of Shariah and Judiciary (First Class Honours) from Universiti Sains Islam Malaysia ("USIM") in 2005 and Master of Islamic Judiciary from University of Jordan in 2008 and PhD in Fiqh and Usul Fiqh from the International Islamic University Malaysia ("IIUM") in 2014. At present, he is a lecturer at the Faculty of Shariah and Law, USIM. He also serves as the Coordinator of the Centre for Awqaf and Zakat, USIM. Currently, he serves as a Chairman of SC at Bank Simpanan Nasional. He has been a member of the SC of the Bank since June 2020.

Assoc. Prof. Dr. Abdul Karim bin Ali

Associate Professor Dr. Abdul Karim obtained his Bachelor of Shariah (First Class Honours) from the University of Malaya in 1990 and Ph.D in Islamic Studies from the University of Edinburgh, Scotland in 1996. At present, he is a lecturer at the Academy of Islamic Studies, University of Malaya. Previously, he was the Deputy Director (Undergraduate) at the Academy of Islamic Studies, University of Malaya (2010-2014) and the Head of Fiqh and Usul Fiqh Department at the Academy of Islamic Studies, University of Malaya (2009-2010). He has ceased to be the Chairman of the SC when term ended on 31 May 2022.

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

Associate Professor Dr. Syed Musa obtained his Diploma in Business Studies from Ngee Ann Polytechnic, Singapore in 1984, Bachelor of Business Administration (First Class Honours) from the International Islamic University Malaysia ("IIUM") in 1989 and Doctor in Business Administration ("DBA") from University of Strathclyde, Glasgow, United Kingdom in 1994. At present he is a lecturer at the IIUM Institute of Islamic Banking and Finance ("IIiBF"). Previously, he was the Dean of the IIiBF, and Dean of Graduate School of Business, University Tun Abdul Razak. Currently, he serves as a member of Shariah Supervisory Council of Labuan Financial Services Authority since 2014. He has served as a member of SAC of SCM from 2017 until 2020. He had also served as Accounting and Auditing Standards Committee of Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and was engaged as consultant to Islamic Financial Services Board ("IFSB") Transparency and Market Discipline standard. He has ceased to be the member of the SC when term ended on 31 May 2022.

The SC shall meet at least two (2) times a year.

The SC held six (6) meetings during the financial year ended 31 March 2022.

CORPORATE GOVERNANCE (CONTD)

SHARIAH COMMITTEE ("SC") (CONTD)

The details of attendance of each member at the SC meetings held during the financial year ended 31 March 2022 are as follows:

SC Member	Number of Meetings	
	Held	Attended
Assoc. Prof. Dr. Said Bouheraoua *Chairman (Appointed as Chairman effective 3 July 2022)*	-	-
Y.Bhg. Prof. Dato' Dr. Mohd Azmi Omar *Member*	6	6
Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria *Member*	6	6
Assoc. Prof. Dr. Abdul Karim bin Ali *Chairman (Term ended on 31 May 2022)*	6	6
Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi *Member (Term ended on 31 May 2022)*	6	6

REMUNERATION STRATEGY

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

The overall purpose of the Reward Philosophy is to attract, motivate and retain high-performing individuals in a manner that supports robust governance in line with MUFG's risk appetite; is aligned with MUFG's business strategy, objectives, values and long term interests and ensure the franchise is sustainable and that the Bank's financial resources are aligned to the principles of safety and soundness.

In order to achieve this, MUFG's remuneration programs are designed around the following core principles:

- **Pay for Performance**
  There shall be a link between performance and remuneration to identify and reward top performance. Performance measurements include both the "what" and the "how".

- **Total Compensation**
  Remuneration is to be determined and evaluated on a Total Compensation basis, including Base Salary, Fixed Allowance and discretionary Variable Pay.

- **Align to MUFG's Values**
  Remuneration decisions shall be linked to and support MUFG's values.

CORPORATE GOVERNANCE (CONTD)

REMUNERATION STRATEGY (CONTD)

In order to achieve this, MUFG's remuneration programs are designed around the following core principles: (Contd)

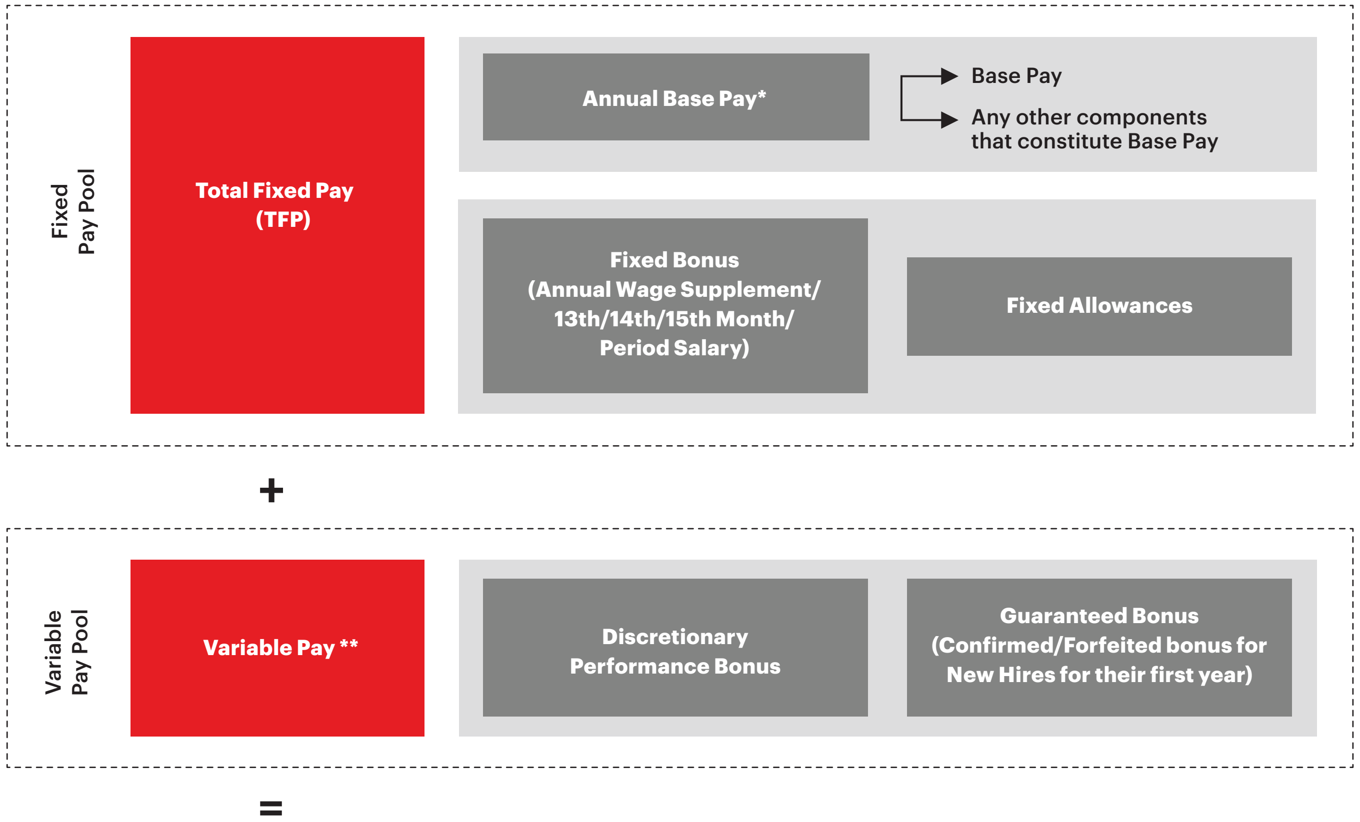
- **Support Prudent Risk Taking**
  Ensure that remuneration arrangements are designed to appropriately balance risk and financial results in a manner that does not encourage employees to expose the firm to excessive or imprudent risk.

- **Market Competitive**
  Provide awards that are competitive and attractive in the market place.

- **Fair and Transparent**
  Employees are to be treated fairly and remuneration decisions should be made free from any form of discrimination and/or inequity. The approach to remuneration shall be transparent, clearly communicated and well understood.

- **Regulatory Compliance and Governance**
  Remuneration arrangements must comply with all applicable regulatory and legal requirements.

(a) COMPONENTS OF REMUNERATION



* Total Remuneration reviewed during ARP (effective date: 1st June)

** Subject to deferral under MUFG's Deferred Compensation Scheme, if exceeding the defined threshold (currently USD 100,000)

DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONTD)

REMUNERATION STRATEGY (CONTD)

(a) COMPONENTS OF REMUNERATION (CONTD)

Remuneration is to be determined and evaluated on a Total Compensation basis, including Base Salary, Fixed Allowances and discretionary Variable Pay.

Fixed pay	Consist of Annual Base Pay, Fixed Bonus (or period salary) and Fixed Allowances	• MUFG has the ability to pay across the full Peer Group Market Range to ensure equity of treatment for employees; and • MUFG Fixed Pay strategy employs a long term approach to determine desired pay levels for each role considering the said role's Fixed Pay market position and preceding years' Performance Reviews: i. Consistent Exceptional Performers and key resources can be paid at upper level of the Market Range, and ii. Consistent Poor Performers can be paid at the lower level of the Market Range.
Variable pay	Payable annually through cash bonus	• Discretionary Variable Pay will be differentiated towards top performers to ensure Total Compensation reflects their performance for the year. Discretionary Variable Pay should be differentiated enough to reward top performers but still align to MUFG's values and does not encourage employees to expose the firm to excessive or imprudent risk; • Discretionary Variable Pay are not linked to current Fixed Pay or Base Salary levels; • Discretionary Variable Pay are differentiated at a Department and Individual Level based on performance; • Discretionary Variable Pay to be awarded during Annual Review Process exercise; • Discretionary Variable Pay are not guaranteed and subject to employees' performance and the Bank's overall financial performance; • Poor Performers at the lowest rating to receive zero variable pay; and • To safeguard the independence and authority of individuals engaged in control functions, MUFG shall ensure that the remuneration of such individuals is based principally on the achievement of control functions objectives, and determined in a manner that is independent from the business lines they oversee.

(b) MEASUREMENT OF PERFORMANCE

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

The Bank's key measures are cascaded to the business units and functions accordingly, and subsequently to the Key Performance Indicator ("KPI") scorecards of individuals.

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

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

CORPORATE GOVERNANCE (CONTD)

REMUNERATION STRATEGY (CONTD)

(c) DETERMINATION OF VARIABLE REMUNERATION

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

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

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

(d) DIRECTORS' REMUNERATION

This is disclosed in Note 34 of the financial statements.

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

Total value of remuneration awards for the financial year	31 March 2022			31 March 2021		
	Unrestricted RM'000	Deferred RM'000	Number of Officers	Unrestricted RM'000	Deferred RM'000	Number of Officers
Senior Management						
Fixed remuneration						
• Cash based	5,964	-	9	5,936	-	9
• Others	1,138	-	8	1,107	-	8
Variable remuneration						
• Cash based	3,035	-	9	2,978	376	8
• Others	138	-	1	129	-	3
Sub total	10,275	-	27	10,150	376	28
Other Material Risk Takers						
Fixed remuneration						
• Cash based	4,556	-	13	4,331	-	11
• Others	750	-	13	699	-	11
Variable remuneration						
• Cash based	2,258	15	13	1,290	-	11
Sub total	7,564	15	39	6,320	-	33
Total	17,839	15	66	16,470	376	61

There are no shares and share-linked instruments granted to Senior Management and other material risk takers during the financial year.

RELATED PARTY TRANSACTIONS

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

This is disclosed in Note 27 of the financial statements.

RATING BY EXTERNAL RATING AGENCIES

On 5 October 2021, RAM Rating Services Berhad has assigned the Bank a long-term rating of AA1 and a short-term rating of P1 with stable outlook.

COMPLIANCE WITH BNM'S EXPECTATIONS ON FINANCIAL REPORTING

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

INDEMNITY AND INSURANCE

The Directors and Officers of the Bank are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The total amount of indemnity taken by the Bank is RM7.0 million (2021: RM 7.0 million).

OTHER STATUTORY INFORMATION

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

(i) all known bad debts have been written off and adequate provision made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts of the Bank inadequate to any substantial extent; or

(ii) that would render the value attributed to current assets in the financial statements of the Bank misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate; or

(iv) not otherwise dealt with in this report or financial statements that would render any amount stated in the financial statements of the Bank misleading.

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

(i) any charge on the assets of the Bank that has arisen since the end of the financial year and which secures the liabilities of any other person; or

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

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

In the opinion of the Directors, the financial performance of the Bank for the financial year ended 31 March 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occured in the interval between the end of that financial year and the date of this report.

AUDITORS

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

The auditors' remuneration is disclosed in Note 33 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 18 August 2022.

Fumio Takamatsu
Director

Y.Bhg. Dato' Mohd Sallehuddin bin Othman
Director

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

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

We, Fumio Takamatsu and Y.Bhg. Dato' Mohd Sallehuddin bin Othman, being two of the Directors of MUFG Bank (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 57 to 155 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 March 2022 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 18 August 2022.

Fumio Takamatsu
Director

Y.Bhg. Dato' Mohd Sallehuddin bin Othman
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

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

I, Fumio Takamatsu, the Director primarily responsible for the financial management of MUFG Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 155 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Fumio Takamatsu, passport no: TZ1147314, at Kuala Lumpur in the Federal Territory on 18 August 2022.

Fumio Takamatsu
Director

Before me:

SHARIAH COMMITTEE REPORT

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

In carrying out the roles and responsibilities as the Shariah Committee of MUFG Bank (Malaysia) Berhad as prescribed in the Shariah Governance Policy Document issued by Bank Negara Malaysia ("the SGP"), the Bank's policy on Shariah governance and terms of reference of the Shariah Committee, we hereby submit our Shariah Committee Report for the financial year ended 31 March 2022.

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

For the financial year ended 31 March 2022, the Shariah Committee has held six (6) meetings to review various products, dealings, contracts, policies, procedures and related transactions which were presented by the Bank's Shariah unit who had examined the adherence of such undertakings in conformity to the Shariah requirements.

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

In discharging our duties, we had obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with the Shariah rules and principles in all transactions that has been presented to us with regard to Islamic banking operations and business activities.

Pursuant to the above, we, the Shariah Committee of Bank, in consideration of continuous improvements on several areas by the management, are of the view that:

1. the products, dealings, contracts, policies, procedures and related transactions proposed and entered into by the Bank during the financial year ended 31 March 2022 are generally in compliance with the Shariah rules and principles;
2. the allocation of profits and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. no earning has been realised from sources or by means prohibited by the Shariah principles within the financial year; and
4. the Bank's shareholding structure remains 100% wholly-owned by MUFG Bank, Ltd. Japan that comprises non-Muslim shareholders. According to the Shariah principles, zakat payments are only obligated on Muslim shareholders. Based on the current shareholding, the Bank is not obliged to pay the zakat on behalf of its shareholders.

Based on the above considerations, observations and deliberations, we, the Shariah Committee of MUFG Bank (Malaysia) Berhad, do hereby confirm that, at our level best with continuous management efforts to improve, express our view that the Islamic banking operations and business activities of the MUFG Bank (Malaysia) Berhad for the financial year ended 31 March 2022 have, in general, been conducted in conformity with the Shariah rules and principles.

As we seek Allah S.W.T. guidance and mercy, we pray for the right path and success in the Bank's endeavor.

Y.Bhg. Prof. Dato' Dr. Mohd Azmi bin Omar
Member of the Shariah Committee

Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria
Member of the Shariah Committee

Kuala Lumpur, Malaysia

Date: 18 August 2022

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUFG BANK (MALAYSIA) BERHAD (Registration No. 199401016638 (302316-U))(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MUFG Bank (Malaysia) Berhad, which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 155.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2022, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUFG BANK (MALAYSIA) BERHAD (Registration No. 199401016638 (302316-U))(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Contd)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.

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

Other Matter

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

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

Foong Mun Kong
Approval Number: 02613/12/2022 J
Chartered Accountant

Petaling Jaya, Malaysia
Date: 18 August 2022

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Note	31.03.2022 RM'000	31.03.2021 RM'000
ASSETS			
Cash and short-term funds	3	6,614,758	7,152,000
Deposits and placements with financial institutions	4	1,257,406	1,709,173
Financial assets at fair value through profit or loss	5	-	233,986
Financial investments at fair value through other comprehensive income	6	1,013,740	669,258
Loans, advances and financing	7	8,397,099	8,166,774
Embedded loans measured at fair value through profit or loss	8	12,577,088	12,881,961
Purchased receivables	9	987,946	971,744
Collateral deposits placed	10	43,125	330,340
Derivative financial assets	11	333,152	433,259
Other assets	13	79,802	51,504
Property, plant and equipment	14	22,211	26,131
Intangible assets	15	78,817	94,988
Right-of-use assets	16	3,250	6,218
Current tax assets		-	15,311
Deferred tax assets	17	6,865	7,299
TOTAL ASSETS		31,415,259	32,749,946
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	18	10,601,212	10,858,905
Deposits and placements of banks and other financial institutions	19	521,755	295,098
Collateral deposits received	10	15,792,315	16,930,535
Derivative financial liabilities	11	305,229	392,111
Other liabilities	20	104,033	113,161
Lease liabilities	21	3,330	6,283
Sukuk	22	250,000	250,000
Obligation on securities sold on repurchase agreements	23	-	303,494
Current tax liabilities		23,153	-
TOTAL LIABILITIES		27,601,027	29,149,587
SHARE CAPITAL	24	200,000	200,000
RESERVES	25	3,614,232	3,400,359
SHAREHOLDER'S FUNDS		3,814,232	3,600,359
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		31,415,259	32,749,946
COMMITMENTS AND CONTINGENCIES	26	76,616,395	70,830,913

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

	Note	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Operating revenue	28	518,808	515,168
Interest income	29	260,954	306,206
Interest expense	30	(77,043)	(100,119)
Net interest income		183,911	206,087
Net income from embedded loans measured at FVTPL	31	174,135	124,351
Net income from Islamic Banking operations	43	14,972	3,905
Other operating income	32	145,790	180,825
Operating income		518,808	515,168
Other operating expenses	33	(191,123)	(177,239)
Operating profit before allowance for impairment		327,685	337,929
Reversal of impairment on financial instruments	35	19,152	32,598
Profit before tax		346,837	370,527
Tax expense	36	(131,964)	(64,214)
Profit after tax for the year		214,873	306,313
Other comprehensive (loss)/income, net of tax			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	37	-	1,549
Items that are or may be reclassified subsequently to profit or loss			
Change in fair value reserve:			
- Debt instruments at FVOCI	37	(1,005)	795
Change in expected credit loss reserve	37	5	(3)
Other comprehensive (loss)/income for the year, net of tax		(1,000)	2,341
Total comprehensive income for the year		213,873	308,654
Profit attributable to:			
Owner of the Bank		214,873	306,313
Total comprehensive income attributable to:			
Owner of the Bank		213,873	308,654
Basic earnings per share (sen)	38	107.44	153.16

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

		<------------	Non-distributable	------------		------------>	Distributable	
	Note	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
At 1 April 2020		200,000	107,284	(5,801)	349	26,714	2,936,159	3,291,705
Remeasurement of defined benefit liability		-	-	1,549	-	-	-	1,549
Change in fair value of financial assets at fair value through other comprehensive income	37	-	-	-	-	795	-	795
Change in expected credit loss of financial assets at fair value through other comprehensive income	6	-	-	-	(3)	-	-	(3)
Total other comprehensive income/(loss) for the year		-	-	1,549	(3)	795	-	2,341
Profit for the year		-	-	-	-	-	306,313	306,313
Total comprehensive income /(loss) for the year		-	-	1,549	(3)	795	306,313	308,654
Transfer of retained profits to regulatory reserve		-	(3,553)	-	-	-	3,553	-
At 31 March 2021		200,000	103,731	(4,252)	346	27,509	3,273,025	3,600,359
At 1 April 2021		200,000	103,731	(4,252)	346	27,509	3,273,025	3,600,359
Change in fair value of financial assets at fair value through other comprehensive income	37	-	-	-	-	(1,005)	-	(1,005)
Change in expected credit loss of financial assets at fair value through other comprehensive income	6	-	-	-	5	-	-	5
Total other comprehensive income/(loss) for the year		-	-	-	5	(1,005)	-	(1,000)
Profit for the year		-	-	-	-	-	214,873	214,873
Total comprehensive income /(loss) for the year		-	-	-	5	(1,005)	214,873	213,873
Transfer of regulatory reserve to retained profits	25(b)	-	-	-	-	-	-	-
At 31 March 2022		200,000	103,731	(4,252)	351	26,504	3,487,898	3,814,232
		Note 24			Note 6			

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

	Note	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Cash Flows From Operating Activities			
Profit before tax		346,837	370,527
Adjustments for:			
Depreciation of property, plant and equipment	14	5,364	5,818
Amortisation of intangible assets	15	27,083	27,890
Gain on lease modification		(5)	-
Loss on disposal of property, plant and equipment		438	1
Loss on disposal of intangible assets		5	-
Depreciation of right-of-use assets	16	3,426	3,563
Reversal of impairment on financial instruments	35	(19,152)	(32,598)
Defined benefit plan	33	3,534	4,232
Dividend income	32	(253)	(240)
Interest income from financial investments at fair value through other comprehensive income	29	(15,667)	(16,700)
Interest income from financial assets at fair value through profit or loss	29	(6,070)	(13,325)
Finance cost on lease liabilities	33	207	307
Unrealised (gain)/loss on changes in trading securities	32	(3,598)	4,343
Unrealised gain on changes in fair value of embedded loans measured at fair value through profit or loss	31	(47,286)	(6,335)
Unrealised loss on changes in fair value of derivative financial instruments	32	18,863	24,142
Unrealised loss/(gain) on changes in fair value of loans designated at fair value	32	9,515	(8,117)
Tax surcharge offset against tax credit		1,939	-
Operating profit before working capital changes		325,180	363,508
(Increase)/Decrease in operating assets:			
Deposits and placements with financial institutions		-	36,638
Financial assets at fair value through profit or loss		16,133	(6,440)
Financial investments at fair value through other comprehensive income		(332,259)	13,051
Loans, advances and financing		(211,370)	1,860,331
Embedded loans measured at fair value through profit or loss		328,076	2,664,836
Collateral deposits placed		287,215	(170,126)
Purchased receivables		(16,295)	(198,755)
Derivative financial assets		642,046	1,033,826
Statutory deposits with Bank Negara Malaysia		-	42,397
Other assets		423,016	(37,725)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		(257,693)	1,816,132
Deposits and placements of banks and other financial institutions		226,657	(764,111)
Derivative financial liabilities		(633,116)	(1,128,519)
Collateral deposits received		(1,138,220)	(2,700,022)
Other liabilities		(7,085)	(80,052)
Obligation on securities sold on repurchase agreement		(303,494)	303,494
Cash (used in)/generated from operations		(651,209)	3,048,463
Income tax paid		(94,688)	(77,407)
Payment of staff benefits	20(i)	(5,145)	(906)
Interest paid in relation to lease liabilities		(207)	(307)
Net cash (used in)/generated from operating activities		(751,249)	2,969,843

	Note	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	14	(2,089)	(4,984)
Purchase of intangible assets	15	(10,824)	(61,923)
Proceeds from disposals of property, plant and equipment		114	9
Proceeds from sale of financial assets at fair value through profit or loss		1,787,793	2,068,799
Purchase of financial assets at fair value through profit or loss		(1,566,342)	(2,136,573)
Proceeds from sale of financial assets at fair value through other comprehensive income		90,000	200,000
Purchase of financial assets at fair value through other comprehensive income		(102,798)	(209,343)
Interest received from financial assets at fair value through other comprehensive income		15,237	15,625
Interest received from financial assets at fair value through profit or loss		6,070	13,325
Dividend received	32	253	240
Net cash generated from/(used in) investing activities		217,414	(114,825)
Cash Flows From Financing Activities			
Payment of lease liabilities		(3,407)	3,454
Net proceeds from issuance of sukuk		-	250,000
Net cash (used in)/generated from financing activities		(3,407)	246,546
Net (decrease)/increase in cash and cash equivalents		(537,242)	3,101,564
Cash and cash equivalents at beginning of year	3	7,152,000	4,050,436
Cash and cash equivalents at end of year	3	6,614,758	7,152,000
Cash outflows for leases as a lessee			
Included in net cash from operating activities:			
Payment relating to short-term leases		2,016	2,247
Payment relating to leases of low-value assets		808	787
Interest paid in relation to lease liabilities		207	307
Included in net cash from financing activities:			
Payment of lease liabilities		3,407	3,454
Total cash outflows for leases		6,438	6,795

Reconciliation of movements of liabilities to cash flows arising from financing activties

	At 1 April 2021 RM'000	Net change from financing cash flows RM'000	Acquisition RM'000	Other changes RM'000	At 31 March 2022 RM'000
Lease liabilities	6,590	(3,407)	538	123	3,844
Sukuk	250,000	-	-	-	250,000
	256,590	(3,407)	538	123	253,844

	At 1 April 2020 RM'000	Net change from financing cash flows RM'000	Acquisition RM'000	Other changes RM'000	At 31 March 2021 RM'000
Lease liabilities	8,865	(3,454)	653	526	6,590
Sukuk	-	250,000	-	-	250,000
	8,865	246,546	653	526	256,590

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

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

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

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

These financial statements were authorised for issue by the Board of Directors on 18 August 2022.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

The following are accounting standards, interpretations and amendments 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 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

1. BASIS OF PREPARATION (CONTD)

(a) Statement of compliance (Contd)

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

- 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, interpretations and amendments:

- from the annual period beginning on 1 April 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework* and amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)* which are not applicable to the Bank; and

- from the annual period beginning on 1 April 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts* and amendments to MFRS 17 *Insurance Contracts* which are not applicable to the Bank.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Bank.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

(i) Fair value estimation of loans, advances and financing and embedded loans measured at fair value through profit or loss ("FVTPL")

The fair values are estimated based on future expected cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date. Fair values for loans and embedded loans are determined based on external party valuation method (Note 41).

1. BASIS OF PREPARATION (CONTD)

(d) Use of estimates and judgements (Contd)

(i) Fair value estimation of loans, advances and financing and embedded loans measured at fair value through profit or loss ("FVTPL") (Contd)

Selection of cover deals for embedded loans measured at fair value through profit or loss ("FVTPL")

Cover deals are identified from the existing outstanding interbank deals in the main trading portfolio. The significant judgements in selecting cover deals include:

- Matching of interest rate risk, currency basis risk, tenor basis risk or other risks that are defined under Market Risk Limits;
- Segregation of tenor bucket;
- Sensitivity analysis; and
- Determination of net open position between embedded loan risk and cover deals risk within the stipulated risk limit.

(ii) Impairment allowance on financial assets

Expected credit losses ("ECLs") are outputs of complex models with a number of underlying assumptions. The significant judgements in determining ECL include:

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

In determining lifetime ECL credit impairment for financial assets which are credit-impaired, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Recognition of Interest and Financing Income and Expense

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

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

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

- interest and financing on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest and financing on financial assets at fair value through other comprehensive income calculated on an effective interest basis.

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

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

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

(b) Recognition of Fees and Other Income

Loan/Financing processing and arrangement, management and participation fees, commissions, referral and service charges/ fees are recognised as income when the related services are performed and conditions precedent are fulfilled.

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

(c) Investment Income

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

(d) Dividend Income

Dividend income is recognised in profit or loss on the date that the Bank's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments

(i) Recognition and initial measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Bank categorises and measures financial instruments as follows:

Financial assets

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

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

Financial assets at amortised cost

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

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

Debt investments at FVOCI

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

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

Equity investments at FVOCI

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Financial assets (Contd)

Financial assets at FVTPL

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

Business model assessment

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Financial assets (Contd)

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

- **Contractually linked instruments**

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

  - the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
  - the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
  - the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

- **Financial assets at FVTPL**

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

- **Financial assets at amortised cost**

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

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

- **Debt investments at FVOCI**

  Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Financial assets (Contd)

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

- **Equity investments at FVOCI**

  This category comprises investment in equity that is not held for trading, and the Bank irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

Reclassifications

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

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

Financial liabilities

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

- **Fair value through profit or loss**

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Financial liabilities (Contd)

- **Fair value through profit or loss (Contd)**

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

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

- **Amortised cost**

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

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

(iii) Financial guarantee contracts

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

(iv) Regular way purchase or sale of financial assets

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

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

Trade date accounting refers to:

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

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

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Bank, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Bank.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Bank applies trade date accounting unless otherwise stated for the specific class of asset.

(v) Offsetting of financial instruments

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

(vi) Derecognition

Financial assets

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

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

Financial liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(g) Impairment

(i) Financial assets

- **Financial Instruments**

The Bank recognises loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at FVOCI, financial guarantee contracts issued and loan commitment issued. Expected credit losses ("ECL") are a probability-weighted estimate of credit losses.

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

(a) debt securities that are determined to have low credit risk at the reporting date; and

(b) other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

12-month ECLs are the portion of ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(g) Impairment (Contd)

(i) Financial assets (Contd)

- **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

(a) financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

(b) financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows less any collateral withheld by the Bank;

(c) undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

(d) financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

- **Credit-impaired financial assets**

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

(a) significant financial difficulty of the borrower or issuer;

(b) a breach of contract such as a default or being more than 90 days past due;

(c) the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for a security because of financial difficulties.

A loan/financing that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

- **Presentation of allowance for ECL in the statement of financial position**

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

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

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

- **Write-off**

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(g) Impairment (Contd)

(ii) Other assets

At the end of each reporting date, the Bank reviews the carrying amounts of its other assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Property, Plant and Equipment

(i) Recognition and measurement

Freehold land and capital work in progress are stated at cost. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Subsequent costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(h) Property, Plant and Equipment (Contd)

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Capital Work-in-Progress are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

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

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

(i) Leases

(i) Definition of lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Bank is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(i) Leases (Contd)

(ii) Recognition and initial measurement

As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Bank is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The Bank excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(j) Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

(k) Income Tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(l) Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

The Bank's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(l) Employee Benefits (Contd)

(iii) Defined benefit plans

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

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

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

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

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

(m) Cash and Short-Term Funds

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

Cash and short-term funds are carried at amortised cost in the statement of financial position in accordance with Note 2(f)(ii).

(n) Sukuk

Sukuk is a debt security issued by the Bank and classified as a financial liability in accordance with the substance of the contractual terms of the instrument. Such financing transaction is reflected as a liability on the statement of financial position.

Sukuk is carried at amortised cost in the statement of financial position in accordance with Note 2(f)(ii).

(o) Obligations on Securities Sold under Repurchase Agreements

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

Obligations on securities sold under repurchase agreements are carried at amortised cost in the statement of financial position in accordance with Note 2(f)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(p) Provisions

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

(q) Intangible Assets

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

Amortisation is based on cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods for the computer software are 5 years. Capital Work-in-Progress are not amortised until the assets are ready for their intended use.

(r) Contingencies

(i) Contingent assets

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

(ii) Contingent liabilities

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

(s) Earnings Per Ordinary Share

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(t) Fair Value Measurements

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

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability

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

3. CASH AND SHORT-TERM FUNDS

	31.03.2022 RM'000	31.03.2021 RM'000
Amortised cost		
Cash and balances with banks and other financial institutions	343,127	21,377
Money at call and deposit placements maturing within three months	6,271,631	7,130,623
	6,614,758	7,152,000

4. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31.03.2022 RM'000	31.03.2021 RM'000
Amortised cost		
Licensed banks		
• Malaysia	877,796	1,409,165
• Other countries	379,610	300,008
	1,257,406	1,709,173

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	31.03.2022 RM'000	31.03.2021 RM'000
Money market instruments:		
Malaysian Government Securities	-	59,343
Government Investment Issues	-	174,643
	-	233,986

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

	31.03.2022 RM'000	31.03.2021 RM'000
Money market instruments:		
Malaysian Government Securities	406,160	411,711
Government Investment Issues	20,639	20,990
Japan Government Bonds	345,815	-
Sukuk	210,456	207,330
	983,070	640,031
Non-money market instruments:		
Unquoted shares	30,670	29,227
	30,670	29,227
Total	1,013,740	669,258

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

	31.03.2022 RM'000	31.03.2021 RM'000
12-Month ECL Stage 1		
At 1 April	346	349
Allowance made due to changes in credit risk	5	(3)
At 31 March	351	346

7 . LOANS, ADVANCES AND FINANCING

(a) **By type:**

	31.03.2022 RM'000	31.03.2021 RM'000
At amortised cost		
Term loans		
• Housing loans	9,863	10,475
• Other term loans	3,075,050	4,224,348
Revolving credits	4,734,000	3,633,878
Overdrafts	10,337	7,778
Bills receivable	128,100	130,691
Claims on customers under acceptance credits	231,125	-
Staff loans	6,111	7,043
	8,194,586	8,014,213
Unearned interest	(2,942)	(193)
Gross loans, advances and financing at amortised cost	8,191,644	8,014,020
Impairment allowances on loans, advances and financing		
• Stage 1 - 12-month ECL	(4,660)	(5,392)
• Stage 2 - lifetime ECL not credit-impaired	(18,713)	(37,062)
• Stage 3 - lifetime ECL credit-impaired	(240)	(230)
Net loans, advances and financing at amortised cost	8,168,031	7,971,336
At fair value		
Other term loans	229,068	195,438
Net loans, advances and financing	8,397,099	8,166,774
Gross loans, advances and financing		
At amortised cost	8,191,644	8,014,020
At fair value	229,068	195,438
	8,420,712	8,209,458

7 . LOANS, ADVANCES AND FINANCING (CONTD)

(b) **By maturity structure:**

	31.03.2022 RM'000	31.03.2021 RM'000
Maturing within one year	6,100,506	4,425,059
More than one year to three years	1,094,878	1,967,247
More than three years to five years	564,024	605,591
More than five years	661,304	1,211,561
	8,420,712	8,209,458

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

	31.03.2022 RM'000	31.03.2021 RM'000
Domestic non-bank financial institutions	1,347,072	655,413
Domestic business enterprises		
• Small medium enterprises	260,988	425,530
• Others	4,403,885	4,454,575
Individuals	15,751	17,245
Foreign entities	2,393,016	2,656,695
	8,420,712	8,209,458

(d) **By interest/profit rate sensitivity:**

	31.03.2022 RM'000	31.03.2021 RM'000
Variable rates	8,417,482	8,205,480
Fixed rate		
• Staff loans	3,230	3,978
	8,420,712	8,209,458

7. LOANS, ADVANCES AND FINANCING (CONTD)

(e) By economic sector:

	31.03.2022 RM'000	31.03.2021 RM'000
Agricultural, hunting, forestry and fishing	466,906	483,194
Mining and quarrying	229,067	195,438
Manufacturing	1,305,157	1,375,244
Electricity, gas and water	813,332	1,251,630
Construction	422,841	220,455
Wholesale, retail trade, restaurants and hotels	661,352	485,972
Transport, storage and communication	1,508,766	1,871,084
Finance, insurance, real estate and business services	2,599,860	1,894,658
Households	15,974	17,517
Others	397,457	414,266
	8,420,712	8,209,458

(f) By geographical location:

	31.03.2022 RM'000	31.03.2021 RM'000
Malaysia	7,079,819	6,591,878
Other countries	1,340,893	1,617,580
	8,420,712	8,209,458

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

	31.03.2022 RM'000	31.03.2021 RM'000
Household	701	664

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

	31.03.2022 RM'000	31.03.2021 RM'000
Malaysia	701	664

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING (CONTD)

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

	31.03.2022 RM'000	31.03.2021 RM'000
At 1 April	664	425,620
Classified as credit-impaired during the year	410	267,235
Amount recovered	(94)	(199,937)
Reclassified as performing	(247)	(492,254)
Amount written off	(32)	-
At 31 March	701	664

(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 2021	5,392	37,062	230	42,684
Transfer to 12-Month ECL (Stage 1)	296	(7,040)	-	(6,744)
Transfer to lifetime ECL not credit-impaired (Stage 2)	(62)	37	-	(25)
Transfer to lifetime ECL credit-impaired (Stage 3)	(4)	-	-	(4)
New financial assets originated	3,128	10,427	-	13,555
Financial assets derecognised (other than write-off)	(4,227)	(18,106)	(11)	(22,344)
Net remeasurement due to changes in credit risk	137	(3,667)	29	(3,501)
Amount written off	-	-	(8)	(8)
At 31 March 2022	4,660	18,713	240	23,613
At 1 April 2020	13,619	13,381	50,777	77,777
Transfer to 12-Month ECL (Stage 1)	2	-	-	2
Transfer to lifetime ECL not credit-impaired (Stage 2)	(1,644)	18,547	(32,930)	(16,027)
Transfer to lifetime ECL credit-impaired (Stage 3)	(2)	-	11	9
New financial assets originated	3,610	18,514	-	22,124
Financial assets derecognised (other than write-off)	(6,316)	(13,380)	(17,649)	(37,345)
Net remeasurement due to changes in credit risk	(3,877)	-	21	(3,856)
At 31 March 2021	5,392	37,062	230	42,684

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

	31.03.2022 RM'000	31.03.2021 RM'000
At fair value		
Embedded loans with term loans nature	12,524,596	12,502,735
Embedded loans with revolving credits nature	52,492	379,226
	12,577,088	12,881,961

Loans measured at FVTPL included RM12,191,294,000 (2021: RM12,552,576,000) of outstanding balance for loans, advances and financing, and fair value for derivative financial assets and liabilities of RM199,478,000 (2021: RM174,265,000).

Included in embedded loans are fair value from derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM681,000 (2021: RM2,278,000) and RM736,000 (2021: RM38,000) respectively.

(a) By maturity structure:

	31.03.2022 RM'000	31.03.2021 RM'000
Maturing within one year	3,276,401	4,130,246
More than one year to three years	4,951,546	3,924,620
More than three years to five years	3,335,917	2,923,260
More than five years	1,013,224	1,903,835
	12,577,088	12,881,961

(b) By type of customer:

	31.03.2022 RM'000	31.03.2021 RM'000
Domestic non-bank financial institutions	8,715,273	8,192,776
Domestic business enterprises		
• Small medium enterprises	12,263	13,629
• Others	3,791,933	4,928,676
	12,519,469	13,135,081
Domestic financial institutions *	57,674	(255,360)
Foreign entities *	(55)	2,240
	12,577,088	12,881,961

* The credit balances are exposure after netting off with the identified cover deals (see Note 1 (d)(i)).

(c) By interest rate sensitivity:

	31.03.2022 RM'000	31.03.2021 RM'000
Variable rates	12,577,088	12,881,961

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

(d) By economic sector:

	31.03.2022 RM'000	31.03.2021 RM'000
Mining and quarrying	52,492	1,030
Manufacturing	562,972	875,398
Electricity, gas and water	1,013,355	1,389,610
Construction	424,188	662,638
Wholesale, retail trade, restaurants and hotels	766,871	825,516
Transport, storage and communication	261,868	297,538
Finance, insurance, real estate and business services	9,481,140	8,823,119
Others	14,202	7,112
	12,577,088	12,881,961

(e) By geographical location:

	31.03.2022 RM'000	31.03.2021 RM'000
Malaysia	12,522,920	12,824,901
Other countries *	54,168	57,060
	12,577,088	12,881,961

* The credit balances are exposure after netting off with the identified cover deals (see Note 1 (d)(i)).

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

(f) By notional amount of derivative financial assets and liabilities:

	31.03.2022			31.03.2021		
	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000
At fair value						
Embedded loans with term loans nature:						
Foreign currency swaps	10,242,460	188,772	101,162	10,232,082	372,622	60,775
Interest rate swaps	2,632,645	57,613	3,164	2,736,612	115,183	190
	12,875,105	246,385	104,326	12,968,694	487,805	60,965
Embedded loans with revolving credits nature:						
Foreign currency swaps	52,250	-	200	378,437	558	-
	52,250	-	200	378,437	558	-
Cover deals:						
Foreign currency swaps	9,038,317	156,030	81,129	9,364,938	120,788	195,435
Interest rate swaps	12,204,669	74,076	91,358	13,064,466	28,587	207,073
	21,242,986	230,106	172,487	22,429,404	149,375	402,508
	34,170,341	476,491	277,013	35,776,535	637,738	463,473
Set off		(277,013)	(277,013)		(463,473)	(463,473)
Net assets		199,478	-		174,265	-

9. PURCHASED RECEIVABLES

	31.03.2022 RM'000	31.03.2021 RM'000
At amortised cost		
Purchased receivables	988,369	972,074
Impairment allowances on purchased receivables		
• Stage 1 - 12-month ECL	(85)	(330)
• Stage 2 - lifetime ECL not credit-impaired	(338)	-
	987,946	971,744

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 receivables amounting to RM943,947,000 (2021: RM939,569,000).

9. PURCHASED RECEIVABLES (CONTD)

(a) Movements in impairment allowances on purchased receivables which reflect the ECL model on impairment during the financial year 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 2021	330	-	-	330
New financial assets originated	30	338	-	368
Financial assets derecognised (other than write-off)	(271)	-	-	(271)
Net remeasurement due to changes in credit risk	(4)	-	-	(4)
At 31 March 2022	85	338	-	423
At 1 April 2020	258	59	10	327
New financial assets originated	282	-	-	282
Financial assets derecognised (other than write-off)	(82)	(59)	(10)	(151)
Net remeasurement due to changes in credit risk	(128)	-	-	(128)
At 31 March 2021	330	-	-	330

10. COLLATERAL DEPOSITS

	31.03.2022 RM'000	31.03.2021 RM'000
At amortised cost		
Cash collaterals placed	43,125	330,340

The cash collaterals placed are recognised at amortised cost. These deposits are placed in respect of derivative balances pursuant to agreements in accordance with International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") entered into with respective counterparties and related companies.

At amortised cost		
Cash collaterals received	15,792,315	16,930,535

The cash collaterals received are recognised at amortised cost. These are received in respect of derivative balances pursuant to agreements in accordance with ISDA and CSA entered into with respective counterparties and related companies, and Cash Collateral Scheme entered into with a branch of the holding company and related companies amounting to RM15,539,988,000 (2021: RM16,904,624,000). Included in CSA balance are RM42,000 (2021: RM872,000) transacted with a related company. The remaining balances are placed with licensed banks.

11. DERIVATIVE FINANCIAL ASSETS / LIABILITIES

The table below shows the Bank's derivative financial instruments measured at their fair value together with their corresponding contract/notional amounts as at the reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract values on which changes in the fair value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the financial year but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for managing these risks are set out in Note 40 to the financial statements.

	31.03.2022			31.03.2021		
	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000
At Fair Value						
Trading Derivatives *						
Foreign exchange related contracts						
• Forwards	16,601,640	71,408	51,558	10,682,373	86,495	75,131
• Swaps	6,559,363	228,528	156,229	7,184,321	231,808	202,707
Interest rate related contracts						
• Swaps	9,681,311	32,149	96,418	8,507,330	113,918	113,933
Other derivatives						
• Currency options	264,410	1,067	1,024	168,317	1,038	340
	33,106,724	333,152	305,229	26,542,341	433,259	392,111

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM40,765,000 (2021: RM76,590,000) and RM120,965,000 (2021: RM116,871,000) respectively.

12. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

Effective from 20 March 2020 until 31 December 2022, holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") may be recognised as part of the SRR compliance, per BNM's Statutory Reserve Requirement ("SRR") policy document. As at 31 March 2022, RM80 million (2021: RM80 million) of MGS has been recognised as part of SRR compliance.

13. OTHER ASSETS

	31.03.2022 RM'000	31.03.2021 RM'000
Accrued interest receivable	5,926	5,634
Other receivables, deposits and prepayments	73,916	45,910
	79,842	51,544
Impairment allowances on other assets		
• Stage 3 - lifetime ECL credit-impaired	(40)	(40)
	79,802	51,504

13. OTHER ASSETS (CONTD)

Movements in impairment allowances on other assets which reflect the ECL model on impairment are as follows:

	31.03.2022 RM'000	31.03.2021 RM'000
Lifetime Credit-impaired ECL Stage 3		
At 1 April/31 March	40	40

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM'000	Leasehold Improvements RM'000	Computer Equipment RM'000	Furniture, Fixtures and Equipment RM'000	Motor Vehicles RM'000	Capital Work-in-Progress RM'000	Total RM'000
31.03.2022							
Cost							
At 1 April 2021	2,963	17,265	39,385	8,394	1,839	3,186	73,032
Additions	-	-	288	106	-	1,695	2,089
Disposals	-	(1,574)	(4,611)	(780)	(307)	-	(7,272)
Reclassification	-	-	3,093	-	-	(3,186)	(93)
At 31 March 2022	2,963	15,691	38,155	7,720	1,532	1,695	67,756
Accumulated Depreciation							
At 1 April 2021	-	9,061	28,780	7,588	1,472	-	46,901
Charge for the year	-	922	3,965	312	165	-	5,364
Disposals	-	(1,271)	(4,377)	(765)	(307)	-	(6,720)
At 31 March 2022	-	8,712	28,368	7,135	1,330	-	45,545
Carrying Amount	2,963	6,979	9,787	585	202	1,695	22,211
31.03.2021							
Cost							
At 1 April 2020	2,963	17,275	37,679	8,312	1,839	-	68,068
Additions	-	-	1,716	82	-	3,186	4,984
Disposals	-	(10)	(10)	-	-	-	(20)
At 31 March 2021	2,963	17,265	39,385	8,394	1,839	3,186	73,032
Accumulated Depreciation							
At 1 April 2020	-	8,140	24,456	7,241	1,256	-	41,093
Charge for the year	-	931	4,324	347	216	-	5,818
Disposals	-	(10)	-	-	-	-	(10)
At 31 March 2021	-	9,061	28,780	7,588	1,472	-	46,901
Carrying Amount	2,963	8,204	10,605	806	367	3,186	26,131

15. INTANGIBLE ASSETS

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

	Computer Software RM'000	Capital Work-in-Progress RM'000	Total RM'000
31.03.2022			
Cost			
At 1 April 2021	182,177	3,879	186,056
Additions	3,583	7,241	10,824
Disposals	(18)	-	(18)
Reclassification	2,549	(2,456)	93
At 31 March 2022	188,291	8,664	196,955
Accumulated Depreciation			
At 1 April 2021	91,068	-	91,068
Charge for the year	27,083	-	27,083
Disposals	(13)	-	(13)
At 31 March 2022	118,138	-	118,138
Carrying Amount	70,153	8,664	78,817
31.03.2021			
Cost			
At 1 April 2020	124,133	-	124,133
Additions	58,044	3,879	61,923
At 31 March 2021	182,177	3,879	186,056
Accumulated Depreciation			
At 1 April 2020	63,178	-	63,178
Charge for the year	27,890	-	27,890
At 31 March 2021	91,068	-	91,068
Carrying Amount	91,109	3,879	94,988

NOTES TO THE FINANCIAL STATEMENTS

16. RIGHT-OF-USE ASSETS

	31.03.2022 RM'000	31.03.2021 RM'000
Buildings and leasehold improvements		
At 1 April	6,218	8,907
Addition	538	653
Modification	62	317
Depreciation	(3,426)	(3,563)
Derecognition	(142)	(96)
At 31 March	3,250	6,218

The right-of-use assets of the Bank comprised solely of lease on office buildings and other dwellings.

Extension options

Some leases of office buildings and dwellings contain extension options exercisable by the Bank up to one year before the end of the non-cancellable contract period. Where applicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Significant judgements and assumptions in relation to leases

The Bank assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Bank considers all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

The Bank also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Bank first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

17. DEFERRED TAX ASSETS/(LIABILITIES)

	31.03.2022 RM'000	31.03.2021 RM'000
At 1 April	7,299	9,078
Recognised in profit or loss (Note 36)	(751)	(1,037)
Recognised in other comprehensive income (Note 37)	317	(742)
At 31 March	6,865	7,299

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same fiscal tax authority on the same taxable entity.

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

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net tax assets/(liabilities)	
	31.03.2022 RM'000	31.03.2021 RM'000	31.03.2022 RM'000	31.03.2021 RM'000	31.03.2022 RM'000	31.03.2021 RM'000
Fair value reserve	-	-	(6,701)	(7,018)	(6,701)	(7,018)
Defined benefit reserve	904	903	-	-	904	903
ECL reserve	86	85	-	-	86	85
Property, plant & equipment	-	-	(8,304)	(8,826)	(8,304)	(8,826)
Right-of-use assets	-	-	(780)	(1,492)	(780)	(1,492)
Lease liabilities	798	1,508	-	-	798	1,508
Other temporary differences	20,862	22,139	-	-	20,862	22,139
Tax assets/(liabilities)	22,650	24,635	(15,785)	(17,336)	6,865	7,299
Set off of tax	(15,785)	(17,336)	15,785	17,336	-	-
Net tax assets	6,865	7,299	-	-	6,865	7,299

Movement in temporary differences during the year:

	At 01.04.2020 RM'000	Recognised in profit or loss (Note 36) RM'000	Recognised in other comprehensive income (Note 37/ Note 6) RM'000	At 31.03.2021 RM'000	Recognised in profit or loss (Note 36) RM'000	Recognised in other comprehensive income (Note 37/ Note 6) RM'000	At 31.03.2022 RM'000
Fair value reserve	(6,765)	-	(253)	(7,018)	-	317	(6,701)
Defined benefit reserve	1,392	-	(489)	903	1	-	904
ECL reserve	86	(1)	-	85	1	-	86
Property, plant & equipment	(7,456)	(1,370)	-	(8,826)	522	-	(8,304)
Right-of-use assets	(2,138)	646	-	(1,492)	712	-	(780)
Lease liabilities	2,127	(619)	-	1,508	(710)	-	798
Other temporary differences	21,832	307	-	22,139	(1,277)	-	20,862
Total	9,078	(1,037)	(742)	7,299	(751)	317	6,865

18. DEPOSITS FROM CUSTOMERS

	31.03.2022 RM'000	31.03.2021 RM'000
At amortised cost		
Demand deposits	4,345,758	3,783,145
Money market deposits	1,957,579	1,944,289
Savings deposits	104	102
Fixed deposits	4,297,771	5,131,369
	10,601,212	10,858,905

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

	31.03.2022 RM'000	31.03.2021 RM'000
Due within six months	4,260,924	5,091,010
More than six months to one year	36,847	37,229
More than one year to two years	-	3,130
	4,297,771	5,131,369

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

	31.03.2022 RM'000	31.03.2021 RM'000
Government and statutory bodies	-	332,445
Domestic non-bank financial institutions	228,047	287,033
Business enterprises	10,117,498	9,949,524
Individuals	1,458	1,625
Foreign entities/individuals	181,341	211,529
Others	72,868	76,749
	10,601,212	10,858,905

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.03.2022 RM'000	31.03.2021 RM'000
At amortised cost		
Licensed banks	521,755	295,098

20. OTHER LIABILITIES

		31.03.2022 RM'000	31.03.2021 RM'000
Provision for retirement benefits	(i)	29,656	31,267
Impairment allowances on commitments and contingencies	(ii)		
• Stage 1 - 12-month ECL		617	390
• Stage 2 - lifetime ECL not credit-impaired		1,735	2,258
Accrued interest payable		6,004	8,158
Bills payable		4,937	3,885
Other payables and accruals		61,084	67,203
		104,033	113,161

(i) **Provision for retirement benefits**

The Bank operates an unfunded defined benefit plan which ended with effect from financial year ended 2018. Actuarial valuation of the plan was performed in April 2018 and is revalued once in three years starting from financial year beginning 1 April 2018. An actuarial valuation was performed for the financial year ended 31 March 2021.

The obligation under defined benefit plan is determined by a professionally qualified independent actuary based on actuarial assumptions using Projected Unit Credit Method. Such determination is made based on the present value of expected cash flows of benefits to be paid in the future taking into account the acturial assumptions, including salaries, turnover rate, mortality rate, years of service and other factors.

Movements in provision for retirement benefits are as follows:

	31.03.2022 RM'000	31.03.2021 RM'000
At 1 April	31,267	30,135
Included in profit or loss (Note 33)		
Current service cost	2,387	2,697
Interest cost	1,147	1,535
	3,534	4,232
Included in other comprehensive income (Note 37)		
Remeasurement loss		
- Actuarial loss arising from:		
• Experience adjustments	-	(2,038)
	-	(2,038)
Others		
Benefits paid	(5,145)	(906)
Provision written back	-	(156)
	(5,145)	(1,062)
At 31 March	29,656	31,267

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

	31.03.2022 %	31.03.2021 %
Discount rate	3.8	3.8
Expected rate of salary increment	5.0	5.0

At 31 March 2022, the duration of the defined benefit obligation was 7.8 years (2021: 7.8 years).

20. OTHER LIABILITIES (CONTD)

(i) **Provision for retirement benefits (Contd)**

Sensitivity analysis

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

	Defined Benefit Obligation	
	Increase RM'000	Decrease RM'000
31.03.2022		
Discount rate (1% movement)	(2,296)	2,611
Rate of salary (1% movement)	2,327	(2,089)
31.03.2021		
Discount rate (1% movement)	(2,198)	2,500
Rate of salary (1% movement)	2,493	(2,238)

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

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

		Lifetime ECL		
	12-month ECL	Not credit-impaired	Credit-impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2021	390	2,258	-	2,648
Transfer to 12-month ECL (Stage 1)	34	(1,013)	-	(979)
New financial assets originated	568	1,733	-	2,301
Financial assets derecognised (other than write-off)	(364)	(1,243)	-	(1,607)
Net remeasurement due to changes in credit risk	(11)	-	-	(11)
At 31 March 2022	617	1,735	-	2,352
At 1 April 2020	1,303	241	717	2,261
Transfer to 12-month ECL (Stage 1)	2	(61)	(61)	(120)
Transfer to lifetime ECL not credit-impaired (Stage 2)	(171)	1,015	-	844
New financial assets originated	373	1,239	-	1,612
Financial assets derecognised (other than write-off)	(801)	(152)	(656)	(1,609)
Net remeasurement due to changes in credit risk	(316)	(24)	-	(340)
At 31 March 2021	390	2,258	-	2,648

NOTES TO THE FINANCIAL STATEMENTS

21. LEASE LIABILITIES

Lease liabilities are payable as follows:

	Future minimum lease payment RM'000	Interest RM'000	Present value of minimum lease payment RM'000
31.03.2022			
Less than 1 year	3,047	(98)	2,949
1 - 2 years	391	(10)	381
	3,438	(108)	3,330
31.03.2021			
Less than 1 year	3,489	(200)	3,289
1 - 2 years	2,820	(95)	2,725
2 - 5 years	278	(9)	269
	6,587	(304)	6,283

22. SUKUK

	31.03.2022 RM'000	31.03.2021 RM'000
At amortised cost		
Sukuk	250,000	250,000

The sukuk was issued on 26 March 2021 under a USD500.0 million nominal value multi-currency program with a profit rate of 2.88% under the Islamic Shariah principle of Wakalah Bi Al-Istithmar and is guaranteed by the holding company. The sukuk will mature on 24 March 2023.

23. OBLIGATION ON SECURITIES SOLD ON REPURCHASE AGREEMENTS

	31.03.2022 RM'000	31.03.2021 RM'000
Obligation on securities sold on repurchase agreements	-	303,494

This relates to cross currency repurchase agreement for off-balance sheet items.

24. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	31.03.2022 '000	31.03.2021 '000	31.03.2022 RM'000	31.03.2021 RM'000
Issued and fully paid-up ordinary shares	200,000	200,000	200,000	200,000

Ordinary shares
The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank.

25. RESERVES

		31.03.2022 RM'000	31.03.2021 RM'000
Non-distributable			
Fair value reserve		26,504	27,509
Expected credit loss reserve		351	346
Defined benefit reserve	(a)	(4,252)	(4,252)
Regulatory reserve	(b)	103,731	103,731
Distributable			
Retained profits		3,487,898	3,273,025
		3,614,232	3,400,359

(a) The defined benefit reserve is in respect of actuarial gains and losses arising from remeasurement of the Bank's defined benefit plan as disclosed in Note 20(i) of the financial statements.

(b) The regulatory reserve in Malaysia is in compliance with BNM's Revised Policy Documents on Financial Reporting with effect from 1 January 2018, whereby the Bank must maintain, in aggregate, impairment allowance for non credit-impaired exposures (Stage 1 and Stage 2 ECL) and regulatory reserve of no less than 1% of total credit exposures, net of impairment allowance exposures.

26. COMMITMENTS AND CONTINGENCIES

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

31.03.2022	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Contingent Liabilities				
Direct credit substitutes	197,085		197,075	145,090
Transaction related contingent items	697,498		348,565	312,544
Short-term self liquidating trade-related contingencies	282,005		56,387	61,146
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	116,926		23,369	23,369
• exceeding one year	437		218	164
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	8,162,584		(2,128)	(2,128)
Securitisation exposures	15,000		3,000	2,250
	9,471,535		626,486	542,435
Embedded Loans				
Foreign exchange related contracts				
• one year or less	5,319,812	71,468	206,800	108,596
• over one year to five years	11,511,516	220,162	1,026,917	545,507
• over five years	2,501,699	53,172	319,649	163,951
Interest rate related contracts				
• one year or less	2,857,681	1,207	(7,452)	(4,000)
• over one year to five years	11,206,633	110,242	270,720	115,554
• over five years	773,000	20,240	62,370	31,185
	34,170,341	476,491	1,879,004	960,793
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	17,725,302	89,073	313,264	221,610
• over one year to five years	4,773,218	190,000	358,210	309,529
• over five years	662,483	20,863	138,808	101,914
Interest rate related contracts				
• one year or less	4,297,130	7,562	7,225	3,583
• over one year to five years	4,025,627	9,565	68,439	33,958
• over five years	1,358,554	15,022	92,140	58,884
Currency options *				
• one year or less	132,205	1,067	3,050	3,050
	32,974,519	333,152	981,136	732,528
	76,616,395	809,643	3,486,626	2,235,756

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

26. COMMITMENTS AND CONTINGENCIES (CONTD)

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

31.03.2021	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Contingent Liabilities				
Direct credit substitutes	138,206		138,182	122,924
Transaction related contingent items	599,062		298,377	257,804
Short-term self liquidating trade-related contingencies	307,507		61,498	62,904
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	215,759		43,137	43,137
• exceeding one year	42		21	16
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,320,619		(1,452)	(1,452)
Securitisation exposures	15,000		3,000	2,250
	8,596,195		542,763	487,583
Embedded Loans				
Foreign exchange related contracts				
• one year or less	6,827,290	106,956	258,337	154,355
• over one year to five years	10,627,071	326,033	1,081,359	587,107
• over five years	2,521,097	60,979	365,802	191,745
Interest rate related contracts				
• one year or less	4,416,340	2,535	4,081	2,526
• over one year to five years	9,852,554	101,282	228,838	101,426
• over five years	1,532,183	39,953	100,397	40,351
	35,776,535	637,738	2,038,814	1,077,510
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	11,235,040	101,591	223,082	169,305
• over one year to five years	5,023,301	139,085	495,681	410,493
• over five years	1,608,353	77,627	285,434	183,261
Interest rate related contracts				
• one year or less	1,992,658	3,120	4,603	2,574
• over one year to five years	4,863,059	80,113	113,288	66,277
• over five years	1,651,613	30,685	135,225	91,041
Currency options *				
• one year or less	84,159	1,038	2,301	2,301
	26,458,183	433,259	1,259,614	925,252
	70,830,913	1,070,997	3,841,191	2,490,345

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

27. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party and relationships

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

(b) Related party transactions and balances

The related party transactions during the financial year are as follows:

	31.03.2022			31.03.2021		
	Holding Company RM'000	Related Companies RM'000	Total RM'000	Holding Company RM'000	Related Companies RM'000	Total RM'000
Income						
Interest on advances	3	-	3	4	-	4
Other operating income	80,248	1,079	81,327	118,049	1,269	119,318
	80,251	1,079	81,330	118,053	1,269	119,322
Expenditure						
Interest on advances	81,521	-	81,521	143,722	-	143,722
Other fee expenses	2,203	126	2,329	1,657	140	1,797
Other operating expenses	54,389	612	55,001	109,753	864	110,617
	138,113	738	138,851	255,132	1,004	256,136
Amount due from						
Advances	379,610	-	379,610	437,513	-	437,513
Current accounts	327,798	15,329	343,127	456,195	49,449	505,644
Money at call and deposit placements maturing within 1 - 3 months	168	-	168	178	-	178
Derivative assets	40,595	170	40,765	76,019	571	76,590
Embedded loans	681	-	681	2,278	-	2,278
	748,852	15,499	764,351	972,183	50,020	1,022,203
Amount due to						
Advances	236,370	-	236,370	292,532	-	292,532
Current accounts	283,342	536	283,878	690	1,925	2,615
Accrued interest payable	1,497	-	1,497	2,848	-	2,848
	521,209	536	521,745	296,070	1,925	297,995
Cash collaterals	15,539,988	42	15,540,030	16,904,624	872	16,905,496
Derivative liabilities	120,940	25	120,965	116,855	16	116,871
Embedded loans	736	-	736	38	-	38
	16,182,873	603	16,183,476	17,317,587	2,813	17,320,400
Capital expenditures	178	-	178	53,486	-	53,486

27. RELATED PARTY TRANSACTIONS AND BALANCES (CONTD)

(b) Related party transactions and balances (Contd)

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

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

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

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

Company	Type of Services	Country	31.03.2022 RM'000	31.03.2021 RM'000
MUFG Bank, Ltd	Professional fees	Japan	-	1,131
	Website maintenance service	Japan	1	947
	Information technology services	Japan	5,291	4,185
MUFG Bank, Ltd,	Information technology services	USA	3	3
USA Branch	Website maintenance service	USA	6	-
MUFG Bank, Ltd, Hong Kong Branch	Information technology services	Hong Kong	495	-
MUFG Bank, Ltd,	Professional fees	Singapore	152	-
Singapore Branch	Information technology services	Singapore	40	-
			5,988	6,266
Other operating expenses also included realised interest arising from derivatives transactions of:			49,013	104,351

(c) Credit transactions and exposures with connected parties

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

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

	31.03.2022 RM'000	31.03.2021 RM'000
Outstanding credit exposures with connected parties	410,764	375,564
Total credit exposures	34,734,976	36,429,388
Percentage of outstanding credit exposures to connected parties		
• as a proportion of total credit exposures	1.2%	1.0%
• as a proportion of total capital	11.0%	10.8%

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

27. RELATED PARTY TRANSACTIONS AND BALANCES (CONTD)

(d) Key management personnel

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

28. OPERATING REVENUE

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

29. INTEREST INCOME

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Loans, advances and financing measured at amortised cost	142,835	183,893
Loans, advances and financing designated at fair value	7,416	6,559
Money at call and deposit placements with financial institutions	88,966	85,729
Financial assets at FVTPL	6,070	13,325
Financial investments at FVOCI	15,667	16,700
	260,954	306,206

30. INTEREST EXPENSE

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Deposits and placements of banks and other financial institutions	50,327	73,419
Deposits from customers	26,716	26,700
	77,043	100,119

31. NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Interest income	157,387	189,426
Interest expense	(98,979)	(147,880)
Unrealised gain in fair value of embedded loans	47,286	6,335
Realised gain in fair value of embedded loans	68,441	76,470
	174,135	124,351

32. OTHER OPERATING INCOME

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Fee income		
Commission	2,505	2,019
Guarantee fees	3,110	3,144
Service charges and fees	2,109	1,994
Commitment fees	2,732	1,374
Other fee income	8,621	15,637
	19,077	24,168
Net investment income		
Gross dividends	253	240
Realised gain/(loss) in fair value of derivative financial instruments	32,522	(2,206)
Realised (loss)/gain in fair value of financial assets at FVTPL	(11,545)	4,528
Unrealised loss in fair value of derivative financial instruments	(18,863)	(24,142)
Unrealised gain/(loss) in fair value of financial assets at FVTPL	3,598	(4,343)
Unrealised (loss)/gain in fair value of loans designated at fair value	(9,515)	8,117
Foreign exchange gain	99,946	145,924
Net premium paid for options	(80)	(1,071)
	96,316	127,047
Other income		
Other operating income	30,397	29,610
	145,790	180,825

33. OTHER OPERATING EXPENSES

		Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Personnel expenses	(i)	102,110	106,513
Establishment related expenses	(ii)	40,031	42,153
Promotion and marketing related expenses	(iii)	889	1,320
Administrative and other expenses	(iv)	48,093	27,253
		191,123	177,239

		2022 RM'000	2021 RM'000
(i)	**Personnel expenses**		
	Wages, salaries and bonuses	77,782	82,851
	Defined benefit plan (Note 20(i))	3,534	4,232
	Defined contribution plan	9,256	10,221
	Other employee benefits	11,538	9,209
		102,110	106,513
(ii)	**Establishment related expenses**		
	Depreciation of property, plant and equipment	5,364	5,818
	Amortisation of intangible assets	27,083	27,890
	Depreciation of right-of-use assets	3,426	3,563
	Repair and maintenance	352	678
	Expenses relating to short-term leases and leases of low-value assets	2,824	3,034
	Interest expenses on lease liabilities	207	307
	Others	775	863
		40,031	42,153
(iii)	**Promotion and marketing related expenses**		
	Advertising and publicity	188	154
	Others	701	1,166
		889	1,320
(iv)	**Administrative and other expenses**		
	Cash collateral fees on CSA	86	445
	Communication expenses	992	1,317
	Legal and professional fees	1,373	1,650
	Auditors' remuneration		
	• Statutory audit	410	390
	• Non audit related services		
	- KPMG PLT	-	65
	- Local affiliates of KPMG PLT	57	57
	Others	45,175	23,329
		48,093	27,253

NOTES TO THE FINANCIAL STATEMENTS

34. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Year ended 31.03.2022						Year ended 31.03.2021					
	Salary RM'000	Fee RM'000	Bonus RM'000	Benefits-in-Kind RM'000	Other Remuneration RM'000	Total RM'000	Salary RM'000	Fee RM'000	Bonus RM'000	Benefits-in-Kind RM'000	Other Remuneration RM'000	Total RM'000
Executive Directors / CEO												
Mr. Fumio Takamatsu (Appointed on 14 November 2020)	659	-	289	360	-	1,308	516	-	124	71	-	711
Mr. Takuma Matsuyama (Resigned on 13 November 2020)	-	-	-	-	-	-	405	-	131	115	-	651
	659	-	289	360	-	1,308	921	-	255	186	-	1,362
Non-Executive Directors												
Y.Bhg. Dato' Mohd Sallehuddin bin Othman (Chairman)	-	90	-	-	165	255	-	90	-	-	145	235
En. Ismail Bin Mahbob	-	90	-	-	117	207	-	90	-	-	97	187
Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	-	90	-	-	118	208	-	90	-	-	100	190
	-	270	-	-	400	670	-	270	-	-	342	612
Senior Management	5,964	-	3,035	138	1,138	10,275	5,936	-	2,978	129	1,107	10,150
Other Material Risk Takers	4,556	-	2,258	-	750	7,564	4,331	-	1,290	-	699	6,320
	11,179	270	5,582	498	2,288	19,817	11,188	270	4,523	315	2,148	18,444

The remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind, during the financial year amounted to RM1,308,000 (2021: RM1,362,000).

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

NOTES TO THE FINANCIAL STATEMENTS

35. REVERSAL OF IMPAIRMENT ON FINANCIAL INSTRUMENTS

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
(a) Reversal of impairment on loans, advances and financing		
Stage 1 and 2 expected credit losses made during the year	14,025	40,673
Stage 1 and 2 expected credit losses written back	(33,106)	(25,219)
Stage 3 expected credit losses made during the year	29	32
Stage 3 expected credit losses written back	(11)	(50,579)
Impaired loans, advances and financing written off	(8)	-
Other movements	240	2,103
Bad debts written (back)/off	(123)	5
	(18,954)	(32,985)
(b) Allowance for impairment on purchased receivables		
Stage 1 and 2 expected credit losses made during the year	368	282
Stage 1 and 2 expected credit losses written back	(275)	(269)
Stage 3 expected credit losses written back	-	(10)
	93	3
(c) (Reversal of)/Allowance for impairment on off-balance sheet exposures		
Stage 1 and 2 expected credit losses made during the year	2,335	2,629
Stage 1 and 2 expected credit losses written back	(2,631)	(1,525)
Stage 3 expected credit losses written back	-	(717)
	(296)	387
(d) Allowance for/(Reversal of) impairment on financial investments at FVOCI		
Stage 1 and 2 expected credit losses made during the year	5	-
Stage 1 and 2 expected credit losses written back	-	(3)
	5	(3)
	(19,152)	(32,598)

36. TAX EXPENSE

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Current tax		
• Malaysian income tax in respect of current financial year	113,628	99,740
• Under/(Over)-provision in prior years	17,585	(36,563)
Total current tax recognised in profit or loss	131,213	63,177
Deferred tax (Note 17)		
• Relating to origination and reversal of temporary differences	1,918	1,505
• Overprovision in prior years	(1,167)	(468)
Total deferred tax recognised in profit or loss	751	1,037
Total tax expense	131,964	64,214

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

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Profit before tax	346,837	370,527
Taxation at Malaysian statutory tax rate of 24%	83,241	88,927
Effect of changes in tax rate (prosperity tax)	24,444	-
Income not subject to tax	(60)	(58)
Expenses not deductible for tax purposes	7,921	12,376
Overprovision of deferred tax in prior years	(1,167)	(468)
Under/(Over)-provision of current tax expense in prior years	17,585	(36,563)
Tax expense for the year	131,964	64,214

Income tax is calculated at the Malaysian statutory rate of 24% of the estimated chargeable profit for the financial year. Included in current tax is prosperity tax (or also known as "Cukai Makmur") as announced in the Budget 2022, a one-off tax measure whereby companies with chargeable income above RM100 million will be taxed at a rate of 33% and the income below and equal RM100 million will be taxed at the current statutory tax rate of 24% for year of assessment ("YA") 2022.

37. OTHER COMPREHENSIVE INCOME

	31.03.2022			31.03.2021		
	Before Tax RM'000	Deferred Tax Expense (Note 17/ Note 6) RM'000	Net of Tax RM'000	Before Tax RM'000	Deferred Tax Expense (Note 17/ Note 6) RM'000	Net of Tax RM'000
Change in fair value of financial investments at FVOCI	(1,322)	317	(1,005)	1,048	(253)	795
Change in ECL reserve of financial investments at FVOCI	5	-	5	(3)	-	(3)
Remeasurement of defined benefit liability	-	-	-	2,038	(489)	1,549
	(1,317)	317	(1,000)	3,083	(742)	2,341

38. EARNINGS PER SHARE

The earnings per ordinary share of the Bank have been calculated based on the profit for the year of RM214,873,000 (2021: RM306,313,000) and the number of ordinary shares in issue during the year of 200,000,000 (2021: 200,000,000).

39. CAPITAL ADEQUACY

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

	31.03.2022 %	31.03.2021 %
Common equity Tier 1 ("CET 1") capital ratio	30.535	28.628
Tier 1 capital ratio	30.535	28.628
Total capital ratio	31.555	29.635

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

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

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

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

		31.03.2022 RM'000	31.03.2021 RM'000
CET 1 and Tier 1 capital			
• Paid-up ordinary share capital		200,000	200,000
• Retained profits		3,487,898	3,273,025
• Other reserves		126,334	127,334
		3,814,232	3,600,359
Less:	Deferred tax assets	(6,865)	(7,299)
	Intangible assets	(78,817)	(94,988)
	55% of fair value reserve	(14,577)	(15,130)
	Unrealised gain in fair value of loans designated at fair value	-	(8,117)
	Regulatory reserve	(103,731)	(103,731)
		3,610,242	3,371,094
Tier 2 capital			
• Stage 1 and 2 ECL and regulatory reserve		120,677	118,637
Total Capital		3,730,919	3,489,731

39. CAPITAL ADEQUACY (CONTD)

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

Capital Management

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

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

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

	31.03.2022 RM'000	31.03.2021 RM'000
Credit risk	9,654,121	9,490,988
Market risk	1,336,617	1,419,545
Operational risk	832,703	865,055
	11,823,441	11,775,588

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

40. FINANCIAL RISK MANAGEMENT

(a) INTRODUCTION

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

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

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

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

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

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

40. FINANCIAL RISK MANAGEMENT (CONTD)

(a) INTRODUCTION (CONTD)

Financial Instruments by Categories

The table below provides an analysis of financial instruments categorised as follows:

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

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

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

31.03.2022	Amortised cost RM'000	Mandatorily at FVTPL RM'000	FVOCI - DI RM'000	FVOCI - EIDUIR RM'000
Financial Assets				
Cash and short-term funds	6,614,758	-	-	-
Deposits and placement with financial institutions	1,257,406	-	-	-
Financial investments at FVOCI	-	-	983,070	30,670
Loans, advances and financing	8,168,031	229,068	-	-
Embedded loans measured at FVTPL	-	12,577,088	-	-
Purchased receivables	987,946	-	-	-
Collateral deposits placed	43,125	-	-	-
Derivative financial assets	-	333,152	-	-
Other assets*	75,603	-	-	-
	17,146,869	13,139,308	983,070	30,670
Financial Liabilities				
Deposits from customers	10,601,212	-	-	-
Deposits and placements of banks and other financial institutions	521,755	-	-	-
Collateral deposits received	15,792,315	-	-	-
Derivative financial liabilities	-	305,229	-	-
Other liabilities	104,033	-	-	-
Sukuk	250,000	-	-	-
	27,269,315	305,229	-	-

40. FINANCIAL RISK MANAGEMENT (CONTD)

(a) INTRODUCTION (CONTD)

Financial Instruments by Categories (Contd)

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

31.03.2021	Amortised cost RM'000	Mandatorily at FVTPL RM'000	FVOCI - DI RM'000	FVOCI - EIDUIR RM'000
Financial Assets				
Cash and short-term funds	7,152,000	-	-	-
Deposits and placement with financial institutions	1,709,173	-	-	-
Financial assets at FVTPL	-	233,986	-	-
Financial investments at FVOCI	-	-	640,031	29,227
Loans, advances and financing	7,971,336	195,438	-	-
Embedded loans measured at FVTPL	-	12,881,961	-	-
Purchased receivables	971,744	-	-	-
Collateral deposits placed	330,340	-	-	-
Derivative financial assets	-	433,259	-	-
Other assets*	48,744	-	-	-
	18,183,337	13,744,644	640,031	29,227
Financial Liabilities				
Deposits from customers	10,858,905	-	-	-
Deposits and placements of banks and other financial institutions	295,098	-	-	-
Collateral deposits received	16,930,535	-	-	-
Derivative financial liabilities	-	392,111	-	-
Other liabilities	113,161	-	-	-
Sukuk	250,000	-	-	-
Obligation on securities sold on repurchase agreements	303,494	-	-	-
	28,751,193	392,111	-	-

* Other assets exclude prepayments of RM4,199,000 (2021: RM2,760,000).

Risk Management Process

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

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

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

40. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored periodically to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees.

Loans, Advances and Financing, Embedded Loans Measured at FVTPL and Purchased Receivables

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

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

The maximum exposure to credit risk for the Bank amounts to RM21,962,133,000 (2021: RM22,020,479,000) for on-balance sheet exposures and RM9,471,535,000 (2021: RM8,596,195,000) for off-balance sheet exposures.

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

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

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

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

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

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

40. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Counterparty Credit Risk on Derivative Financial Instruments

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

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

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

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

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

40. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

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

31.03.2022	Cash and Short-Term Funds RM'000	Deposits and Placements with Financial Institutions RM'000	Financial Investments at FVOCI RM'000	Loans, Advances and Financing # RM'000	Embedded Loans Measured at FVTPL ^ RM'000	Purchased Receivables # RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitments and Contingencies * RM'000
Agricultural, hunting, forestry and fishing	-	-	-	466,906	-	-	-	1,002	-	467,908	15,000
Mining and quarrying	-	-	-	229,067	52,492	-	-	987	-	282,546	52,200
Manufacturing	-	-	-	1,305,157	562,972	44,422		29,452	-	1,942,003	3,774,010
Electricity, gas and water	-	-	-	813,332	1,013,355	-	-	4,916	-	1,831,603	704,570
Construction	-	-	-	422,841	424,188	-	-	929	-	847,958	533,970
Wholesale, retail trade, restaurants and hotels	-	-	-	661,352	766,871	-	-	13,757	-	1,441,980	2,325,441
Transport, storage and communication	-	-	210,456	1,508,766	261,868	-	-	44,797	-	2,025,887	544,620
Finance, insurance, real estate and business services	500,558	379,666	28,078	2,599,860	9,481,140	943,947	43,125	237,312	-	14,213,686	1,520,787
Government and government agencies	6,114,200	877,740	772,614	-	-	-	-	-	-	7,764,554	-
Households	-	-	-	15,974	-	-	-	-	-	15,974	437
Others	-	-	2,592	397,457	14,202	-	-	-	-	414,251	500
	6,614,758	1,257,406	1,013,740	8,420,712	12,577,088	988,369	43,125	333,152	-	31,248,350	9,471,535
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	75,603	75,603	-
	6,614,758	1,257,406	1,013,740	8,420,712	12,577,088	988,369	43,125	333,152	75,603	31,323,953	9,471,535

Stated at gross.
* Commitments and contingencies excluding all derivatives.
^ Net mark-to-market for derivative embedded with the loans are reported herein.

40. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

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

31.03.2021	Cash and Short-Term Funds RM'000	Deposits and Placements with Financial Institutions RM'000	Financial Assets at FVTPL RM'000	Financial Investments at FVOCI RM'000	Loans, Advances and Financing # RM'000	Embedded Loans Measured at FVTPL ^ RM'000	Purchased Receivables # RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitments and Contingencies* RM'000
Agricultural, hunting, forestry and fishing	-	-	-	-	483,194	-	-	-	6,939	-	490,133	50,000
Mining and quarrying	-	-	-	-	195,438	1,030	-	-	279	-	196,747	700
Manufacturing	-	-	-	-	1,375,244	875,398	32,381	-	25,031	-	2,308,054	3,621,127
Electricity, gas and water	-	-	-	-	1,251,630	1,389,610	-	-	10,042	-	2,651,282	746,500
Construction	-	-	-	-	220,455	662,638	-	-	245	-	883,338	551,198
Wholesale, retail trade, restaurants and hotels	-	-	-	-	485,972	825,516	123	-	15,922	-	1,327,533	1,975,645
Transport, storage and communication	-	-	-	207,330	1,871,084	297,538	-	-	57,541	-	2,433,493	333,850
Finance, insurance, real estate and business services	1,183,888	437,516	-	26,825	1,894,658	8,823,119	939,570	330,340	317,260	-	13,953,176	1,312,633
Government and government agencies	5,964,800	1,271,657	233,986	432,701	-	-	-	-	-	-	7,903,144	-
Households	-	-	-	-	17,517	-	-	-	-	-	17,517	42
Others	-	-	-	2,402	414,266	7,112	-	-	-	-	423,780	4,500
	7,148,688	1,709,173	233,986	669,258	8,209,458	12,881,961	972,074	330,340	433,259	-	32,588,197	8,596,195
Other assets not subject to credit risk	3,312 @	-	-	-	-	-	-	-	-	48,744	52,056	-
	7,152,000	1,709,173	233,986	669,258	8,209,458	12,881,961	972,074	330,340	433,259	48,744	32,640,253	8,596,195

Stated at gross.
* Commitments and contingencies excluding all derivatives.
^ Net mark-to-market for derivative embedded with the loans are reported herein.
@ Cash and short-term funds excluding cash in hand.

40. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

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

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

Credit Quality of Gross Loans, Advances and Financing

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

	31.03.2022				31.03.2021			
	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 credit-impaired								
Normal grades	5,258,397	2,682,866	-	7,941,263	7,170,893	376,877	-	7,547,770
Close watch	-	247,550	-	247,550	-	463,023	-	463,023
Past due but not credit-impaired								
Normal grades	2,104	26	-	2,130	2,563	-	-	2,563
Credit-impaired								
Past due	-	-	685	685	-	-	643	643
Not past due	-	-	16	16	-	-	21	21
	5,260,501	2,930,442	701	8,191,644	7,173,456	839,900	664	8,014,020

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

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Loans, Advances and Financing Past Due

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

	Carrying Amount	
	31.03.2022 RM'000	31.03.2021 RM'000
Borrower's Ageing		
Past due 1 to 30 days	693	1,164
Past due 31 to 60 days	580	614
Past due 61 to 90 days	857	785
	2,130	2,563
Credit-impaired		
Past due more than 90 days	685	643

Overlays and adjustments for expected credit loss amid COVID-19 environment

The current MFRS 9 methodology, macro models and processes are expected to reliably compute the expected credit losses ("ECL") attributable to conservatism being embedded into existing ECL parameters to ensure the credit loss is prudently calculated. It includes prudent Loss Given Default ("LGD"), Probability of Default ("PD") mapping, scaling factors etc. which are deemed sufficient to compute the ECL reliably. As such, no overlays and post-model adjustments have been applied to determine the overall level of ECLs for the financial year ended 31 March 2022.

	On-balance sheet (net of impairment)	
	31.03.2022 RM'000	31.03.2021 RM'000
Loans, advances and financing		
Retail and wholesale/trading, accommodation, travel agencies/tourism, airline/aviation, food and beverage services/restaurants	675,692	501,605

Similar industry sectors are presented for 31 March 2021 for comparative purposes.

40. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

COVID-19 customer relief and support measures

During the year, a range of relief measures have been introduced to assist customers/borrowers hardest hit by the pandemic.

The granting of moratorium has not caused significant loss to the Bank as its major business segment focuses on corporates loans. Retail and SMEs loans are insignificant which accounted for only 3.29% (2021: 5.39%) of total gross loans, advances and financing, as of 31 March 2022.

Corporate borrowers/customers who opted for moratorium relief or support measures, has no balance outstanding with the Bank as at 31 March 2022.

Summary of relief and support measures for retail and non-retail customers as at 31 March 2022:

	Retail customers as at 31 March 2022			
	Housing loan RM'000	Car loan RM'000	Personal financing RM'000	Total RM'000
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted				
Resumed repayments	1,147	75	59	1,281
As a percentage of total:				
Resumed repayments	100%	100%	100%	100%

	Retail customers as at 31 March 2021			
	Housing loan RM'000	Car loan RM'000	Personal financing RM'000	Total RM'000
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted				
Resumed repayments	8,843	504	27	9,374
Extended and repaying as per revised schedules	648	8	6	662
Missed payments	2,256	-	-	2,256
	11,747	512	33	12,292
As a percentage of total:				
Resumed repayments	75%	98%	82%	76%
Extended and repaying as per revised schedules	6%	2%	18%	6%
Missed payments	19%	0%	0%	18%
	100%	100%	100%	100%

40. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Financial Investments

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

The maximum exposure to credit risk for the Bank amounts to RM1,346,892,000 (2021: RM1,336,503,000) for on-balance sheet exposures.

In view of the high credit rating of counterparties, the Bank does not expect any counterparty to fail to meet its obligations.

Other Financial Assets

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

The maximum exposure to credit risk for the Bank amounts to RM7,990,892,000 (2021: RM9,240,257,000).

Risk Management Approach

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

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

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

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

Credit Risk Mitigation

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

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

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

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

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

40. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans, advances and financing for the Bank as at 31 March 2022 are at 67.47% (2021: 70.83%) and 3.37% (2021: 3.53%) for collateral and other credit enhancements respectively.

A loan is defined as past due if the loan principal or interest is due and not paid. Where a loan or financing is past due for a period of 90 days or more, the loan or financing will automatically be tagged as 'credit-impaired'. This principle applies to both the corporate and retail portfolio. Retail portfolio or loans to individuals are subject to portfolio provisions.

(c) MARKET RISK

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

Market Risk Management Oversight and Organisation

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

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

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

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

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

Market Risk Management and Control

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

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

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

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

40. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk

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

31.03.2022	<------------	------------	Non-Trading Book	------------	------------	------------>			
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000	Effective Interest Rate %
Financial assets									
Cash and short-term funds	6,244,368	-	-	-	-	370,390	-	6,614,758	1.33
Deposits and placements with financial institutions	1,242,360	-	-	-	-	15,046	-	1,257,406	-
Financial investments at FVOCI	69,027	69,154	80,485	764,404	-	30,670	-	1,013,740	2.07
Loans, advances and financing									
- Non-impaired	3,705,530	771,173	1,623,571	1,658,853	660,640	244	-	8,420,011	1.97
- Impaired *	28	-	-	13	420	-	-	461	
- 12-month ECL and Lifetime ECL not credit-impaired	-	-	-	-	-	(23,373)	-	(23,373)	
Embedded loans measured at FVTPL	101,272	91,411	3,083,718	8,287,463	1,013,224	-	-	12,577,088	1.66
Purchased receivables	442,025	343,940	169,491	32,913	-	(423)	-	987,946	1.37
Collateral deposits placed	43,125	-	-	-	-	-	-	43,125	1.75
Derivative financial assets	-	-	-	-	-	-	333,152	333,152	
Other assets	-	-	-	-	-	75,603	-	75,603	
	11,847,735	1,275,678	4,957,265	10,743,646	1,674,284	468,157	333,152	31,299,917	
Non-financial assets									
Property, plant and equipment	-	-	-	-	-	22,211	-	22,211	
Intangible assets	-	-	-	-	-	78,817	-	78,817	
Right-of-use assets	-	-	-	-	-	3,250	-	3,250	
Prepayments	-	-	-	-	-	4,199	-	4,199	
Deferred tax assets	-	-	-	-	-	6,865	-	6,865	
	-	-	-	-	-	115,342	-	115,342	
Total assets	11,847,735	1,275,678	4,957,265	10,743,646	1,674,284	583,499	333,152	31,415,259	

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

40. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

	<------ Non-Trading Book					------>			
31.03.2022	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000	Effective Interest Rate %
Liabilities									
Deposits from customers	4,677,752	1,490,341	87,361	-	-	4,345,758	-	10,601,212	1.23
Deposits and placements of banks and other financial institutions	282,517	107,922	128,448	-	-	2,868	-	521,755	1.50
Collateral deposits received	7,267,384	299,555	1,930,963	5,249,240	1,045,173	-	-	15,792,315	0.60
Derivative financial liabilities	-	-	-	-	-	-	305,229	305,229	
Other liabilities	-	-	-	-	-	104,033	-	104,033	
Sukuk	-	-	250,000	-	-	-	-	250,000	2.88
	12,227,653	1,897,818	2,396,772	5,249,240	1,045,173	4,452,659	305,229	27,574,544	
On-balance sheet interest sensitivity gap	(379,918)	(622,140)	2,560,493	5,494,406	629,111	(3,869,160)	27,923	3,840,715	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	175,671	175,671	
Total interest sensitivity gap	(379,918)	(622,140)	2,560,493	5,494,406	629,111	(3,869,160)	203,594	4,016,386	

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

	<------ Non-Trading Book					------>			
31.03.2021	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000	Effective Interest Rate %
Financial assets									
Cash and short-term funds	6,624,978	-	-	-	-	527,022	-	7,152,000	1.09
Deposits and placements with financial institutions	1,665,712	-	-	-	-	43,461	-	1,709,173	0.01
Financial assets at FVTPL	-	-	-	-	-	-	233,986	233,986	3.54
Financial investments at FVOCI	-	-	30,546	609,485	-	29,227	-	669,258	3.17
Loans, advances and financing									
- Non-impaired	3,279,853	845,967	299,015	2,572,750	1,201,340	9,869	-	8,208,794	1.65
- Impaired *	77	-	14	65	306	(28)	-	434	
- 12-month ECL and Lifetime ECL not credit-impaired	-	-	-	-	-	(42,454)	-	(42,454)	
Embedded loans measured at FVTPL	129,432	665,404	3,335,410	6,847,880	1,903,834	1	-	12,881,961	1.19
Purchased receivables	203,276	514,181	200,314	54,303	-	(330)	-	971,744	1.31
Collateral deposits placed	330,340	-	-	-	-	-	-	330,340	1.00
Derivative financial assets	-	-	-	-	-	-	433,259	433,259	
Other assets	-	-	-	-	-	48,744	-	48,744	
	12,233,668	2,025,552	3,865,299	10,084,483	3,105,480	615,512	667,245	32,597,239	
Non-financial assets									
Property, plant and equipment	-	-	-	-	-	26,131	-	26,131	
Intangible assets	-	-	-	-	-	94,988	-	94,988	
Right-of-use assets	-	-	-	-	-	6,218	-	6,218	
Prepayments	-	-	-	-	-	2,760	-	2,760	
Current tax assets	-	-	-	-	-	15,311	-	15,311	
Deferred tax assets	-	-	-	-	-	7,299	-	7,299	
	-	-	-	-	-	152,707	-	152,707	
Total assets	12,233,668	2,025,552	3,865,299	10,084,483	3,105,480	768,219	667,245	32,749,946	

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

40. FINANCIAL RISK MANAGEMENT (CONTD)

(c) **MARKET RISK (CONTD)**

Interest Rate Risk (Contd)

31.03.2021	<---- Non-Trading Book ---- Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000 ---->	Trading Book RM'000	Total RM'000	Effective Interest Rate %
Liabilities									
Deposits from customers	5,603,494	1,373,715	95,421	3,130	-	3,783,145	-	10,858,905	1.16
Deposits and placements of banks and other financial institutions	3,161	124,923	164,449	-	-	2,565	-	295,098	3.04
Collateral deposits received	5,682,394	764,117	1,990,375	6,119,751	2,373,898	-	-	16,930,535	0.20
Derivative financial liabilities	-	-	-	-	-	-	392,111	392,111	
Other liabilities	-	-	-	-	-	113,161	-	113,161	
Sukuk	-	-	-	250,000	-	-	-	250,000	2.88
Obligation on securities sold on repurchase agreements	-	303,494	-	-	-	-	-	303,494	1.74
	11,289,049	2,566,249	2,250,245	6,372,881	2,373,898	3,898,871	392,111	29,143,304	
On-balance sheet interest sensitivity gap	944,619	(540,697)	1,615,054	3,711,602	731,582	(3,130,652)	275,134	3,606,642	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	401,460	401,460	
Total interest sensitivity gap	944,619	(540,697)	1,615,054	3,711,602	731,582	(3,130,652)	676,594	4,008,102	

40. FINANCIAL RISK MANAGEMENT (CONTD)

(c) **MARKET RISK (CONTD)**

Foreign Currency Risk

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

31.03.2022	Denominated in USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	CNY RM'000	Others RM'000
Assets							
Cash and short-term funds	-	172,260	31,054	37,159	30,323	54,887	44,348
Deposits and placements with financial institutions	-	1,242,360	-	-	-	-	-
Financial investments at FVOCI	210,456	345,815	-	-	-	-	-
Loans, advances and financing	5,196,736	30,421	-	-	-	49,866	-
Embedded loans measured at FVTPL	9,943,516	-	-	-	-	-	-
Purchased receivables	702,739	-	-	-	-	197,653	-
	16,053,447	1,790,856	31,054	37,159	30,323	302,406	44,348
Liabilities							
Deposits from customers	3,512,003	291,879	29,956	32,822	1,230	50,958	4,220
Deposits and placements of banks and other financial institutions	282,518	-	-	-	-	236,370	-
Collateral deposits received	14,379,975	1,392,550	-	-	-	-	-
Other liabilities	4,032	3,167	-	142	-	1,502	1,743
	18,178,528	1,687,596	29,956	32,964	1,230	288,830	5,963
Net financial (liabilities)/ assets exposure	(2,125,081)	103,260	1,098	4,195	29,093	13,576	38,385

40. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Foreign Currency Risk (Contd)

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

	Denominated in						
31.03.2021	**USD RM'000**	**JPY RM'000**	**EUR RM'000**	**SGD RM'000**	**AUD RM'000**	**CNY RM'000**	**Others RM'000**
Assets							
Cash and short-term funds	128,540	218,491	31,149	39,243	19,116	47,641	39,529
Deposits and placements with financial institutions	290,675	1,375,037	-	-	-	-	-
Financial investments at FVOCI	207,330	-	-	-	-	-	-
Loans, advances and financing	5,486,978	38,525	-	-	-	-	375
Embedded loans measured at FVTPL	10,400,805	-	-	-	-	-	-
Purchased receivables	612,312	-	-	-	-	283,842	-
Collateral deposits placed	99,439	-	-	-	-	-	-
	17,226,079	1,632,053	31,149	39,243	19,116	331,483	39,904
Liabilities							
Deposits from customers	3,457,902	291,875	11,152	34,795	54	34,006	2,287
Deposits and placements of banks and other financial institutions	-	-	-	-	-	292,532	-
Collateral deposits received	15,417,292	1,513,243	-	-	-	-	-
Other liabilities	13,875	3,878	23	67	-	2,855	-
	18,889,069	1,808,996	11,175	34,862	54	329,393	2,287
Net financial (liabilities)/ assets exposure	(1,662,990)	(176,943)	19,974	4,381	19,062	2,090	37,617

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.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Sensitivity of Profit

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

	31.03.2022	**31.03.2021**
	Increase / (Decrease)	
Impact on earnings from 200 bps parallel shift	**RM'000**	**RM'000**
MYR	125,897	117,445
USD	(37,415)	(38,241)
SGD	(226)	(220)
Others	(2,590)	(4,202)
Total	85,666	74,782
Impact on economic value from 200 bps parallel shift	**RM'000**	**RM'000**
MYR	25,248	25,855
USD	20,905	15,692
SGD	627	695
Others	(1,356)	7,995
Total	45,424	50,237

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

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

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 2022, potential maximum loss computed for Scenario 1 to be RM69,611,000 (2021: RM75,191,000), Scenario 2 to be RM76,050,000 (2021: RM83,646,000) and Scenario 3 to be RM111,738,000 (2021: RM123,442,000).

40. FINANCIAL RISK MANAGEMENT (CONTD)

(d) LIQUIDITY RISK

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

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

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

Maturity Analysis

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

	Carrying Amount RM'000	Contractual Cash Flows RM'000	Up to 1 Year RM'000	1 to 2 Years RM'000	2 to 5 Years RM'000	More than 5 Years RM'000
31.03.2022						
Liabilities						
Deposits from customers	10,601,212	10,635,753	10,635,753	-	-	-
Deposits and placements of banks						
and other financial institutions	521,755	524,947	524,947	-	-	-
Collateral deposits received	15,792,315	15,942,413	9,510,834	2,175,869	3,150,192	1,105,518
Derivative financial liabilities	305,229	305,229	63,933	45,880	161,792	33,624
Lease liabilities	3,330	3,330	2,949	381	-	-
Other liabilities	104,033	104,033	80,478	2,692	8,998	11,865
Sukuk	250,000	250,020	250,020	-	-	-
	27,577,874	27,765,725	21,068,914	2,224,822	3,320,982	1,151,007
31.03.2021						
Liabilities						
Deposits from customers	10,858,905	10,864,761	10,861,550	3,211	-	-
Deposits and placements of banks						
and other financial institutions	295,098	299,417	299,417	-	-	-
Collateral deposits received	16,930,535	16,998,890	8,440,766	1,739,712	4,405,540	2,412,872
Derivative financial liabilities	392,111	392,111	97,414	25,309	140,305	129,083
Lease liabilities	6,283	6,587	3,489	2,820	278	-
Other liabilities	113,161	113,161	84,391	4,797	8,125	15,848
Sukuk	250,000	250,020	-	250,020	-	-
Obligation on securities sold on						
repurchase agreements	303,494	303,508	303,508	-	-	-
	29,149,587	29,228,455	20,090,535	2,025,869	4,554,248	2,557,803

40. FINANCIAL RISK MANAGEMENT (CONTD)

(d) LIQUIDITY RISK (CONTD)

Maturity Analysis (Contd)

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

31.03.2022	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 6 Months RM'000	6 to 12 Months RM'000	> 1 Year RM'000	No Specific Maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	6,244,368	-	-	-	-	370,390	6,614,758
Deposits and placements with							
financial institutions	1,242,360	-	-	-	-	15,046	1,257,406
Financial investments at FVOCI	69,027	69,154	80,485	-	764,404	30,670	1,013,740
Loans, advances and financing	3,696,810	770,114	931,339	690,903	2,307,933	-	8,397,099
Embedded loans measured at FVTPL	101,272	91,411	48,148	3,035,570	9,300,687	-	12,577,088
Purchased receivables	441,972	343,794	34,197	135,112	32,871	-	987,946
Collateral deposits placed	43,125	-	-	-	-	-	43,125
Derivative financial assets	27,890	19,164	18,206	32,442	235,450	-	333,152
Other assets	-	-	-	-	-	75,603	75,603
	11,866,824	1,293,637	1,112,375	3,894,027	12,641,345	491,709	31,299,917
Liabilities							
Deposits from customers	4,677,752	1,490,341	49,514	37,847	-	4,345,758	10,601,212
Deposits and placements of banks							
and other financial institutions	285,385	107,922	32,443	96,005	-	-	521,755
Collateral deposits received	871,903	299,555	50,663	1,880,300	6,294,413	6,395,481	15,792,315
Other liabilities	-	-	-	-	-	104,033	104,033
Sukuk	-	-	-	250,000	-	-	250,000
	5,835,040	1,897,818	132,620	2,264,152	6,294,413	10,845,272	27,269,315
Derivative financial liabilities							
Forward exchange contract (gross settled)							
Outflow	35,292	85,052	10,231	679,181	2,048,330	-	2,858,086
Inflow	(20,081)	(75,213)	-	(657,984)	(1,897,021)	-	(2,650,299)
	15,211	9,839	10,231	21,197	151,309	-	207,787
Interest rate related contract (gross settled)							
Outflow	-	1,673	2,757	15,962	407,881	-	428,273
Inflow	-	(706)	(1,092)	(12,163)	(317,894)	-	(331,855)
	-	967	1,665	3,799	89,987	-	96,418
Other derivatives							
Currency options	-	1,024	-	-	-	-	1,024
	15,211	11,830	11,896	24,996	241,296	-	305,229
	5,850,251	1,909,648	144,516	2,289,148	6,535,709	10,845,272	27,574,544
Commitments and contingencies	9,583,440	5,468,305	7,960,043	16,563,292	37,041,315	-	76,616,395

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT (CONTD)

(d) **LIQUIDITY RISK (CONTD)**

Maturity Analysis (Contd)

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

31.03.2021	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 6 Months RM'000	6 to 12 Months RM'000	> 1 Year RM'000	No Specific Maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	6,624,978	-	-	-	-	527,022	7,152,000
Deposits and placements with financial institutions	1,665,712	-	-	-	-	43,461	1,709,173
Financial assets at FVTPL	-	-	-	-	233,986	-	233,986
Financial investments at FVOCI	-	-	-	30,546	609,485	29,227	669,258
Loans, advances and financing	3,267,803	844,753	187,068	111,657	3,755,493	-	8,166,774
Embedded loans measured at FVTPL	129,432	665,404	144,926	3,190,484	8,751,715	-	12,881,961
Purchased receivables	203,272	514,094	46,431	153,702	54,245	-	971,744
Collateral deposits placed	330,340	-	-	-	-	-	330,340
Derivative financial assets	20,258	27,294	29,285	28,912	327,510	-	433,259
Other assets	-	-	-	-	-	48,744	48,744
	12,241,795	2,051,546	407,710	3,515,301	13,732,434	648,454	32,597,239
Liabilities							
Deposits from customers	5,603,392	1,373,715	57,192	38,229	3,130	3,783,247	10,858,905
Deposits and placements of banks							-
and other financial institutions	3,161	124,923	-	164,449	-	2,565	295,098
Collateral deposits received	576,838	764,116	146,751	1,843,624	8,493,649	5,105,557	16,930,535
Other liabilities	-	-	-	-	-	113,161	113,161
Sukuk	-	-	-	-	250,000	-	250,000
Obligation on securities sold on repurchase agreements	-	303,494	-	-	-	-	303,494
	6,183,391	2,566,248	203,943	2,046,302	8,746,779	9,004,530	28,751,193
Derivative financial liabilities							
Forward exchange contract (gross settled)							
Outflow	41,805	188,921	190,877	10,842	2,904,005	-	3,336,450
Inflow	(20,067)	(150,057)	(169,109)	-	(2,719,378)	-	(3,058,611)
	21,738	38,864	21,768	10,842	184,627	-	277,839
Interest rate related contract (gross settled)							
Outflow	-	349	889	5,262	334,572	-	341,072
Inflow	-	(12)	(683)	(1,943)	(224,502)	-	(227,140)
	-	337	206	3,319	110,070	-	113,932
Other derivatives							
Currency options	-	340	-	-	-	-	340
	21,738	39,541	21,974	14,161	294,697	-	392,111
	6,205,129	2,605,789	225,917	2,060,463	9,041,476	9,004,530	29,143,304
Commitments and contingencies	6,563,525	5,082,456	7,721,265	13,617,983	37,845,684	-	70,830,913

40. FINANCIAL RISK MANAGEMENT (CONTD)

(e) **OPERATIONAL RISK**

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

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

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

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

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

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

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Information

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

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

41. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

31.03.2022	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Financial assets										
Fair Value through Profit or Loss										
• Embedded loans measured at FVTPL	-	12,577,088	-	12,577,088	-	-	-	-	12,577,088	12,577,088
• Loans, advances and financing	-	229,068	-	229,068	-	-	-	-	229,068	229,068
• Derivative financial assets	-	333,152	-	333,152	-	-	-	-	333,152	333,152
Fair Value through Other Comprehensive Income										
• Financial investments at FVOCI	-	983,070	30,670	1,013,740	-	-	-	-	1,013,740	1,013,740
Amortised cost										
• Loans, advances and financing *	-	-	-	-	-	-	8,275,944	8,275,944	8,275,944	8,191,644
• Purchased receivables *	-	-	-	-	-	-	988,369	988,369	988,369	988,369
• Cash and short-term funds	-	-	-	-	-	-	6,614,758	6,614,758	6,614,758	6,614,758
• Deposits and placements with financial institutions	-	-	-	-	-	-	1,257,406	1,257,406	1,257,406	1,257,406
• Collateral deposits placed	-	-	-	-	-	-	43,125	43,125	43,125	43,125
• Other assets	-	-	-	-	-	-	75,603	75,603	75,603	75,603
	-	14,122,378	30,670	14,153,048	-	-	17,255,205	17,255,205	31,408,253	31,323,953
Financial liabilities										
Fair Value through Profit or Loss										
• Derivative financial liabilities	-	305,229	-	305,229	-	-	-	-	305,229	305,229
Amortised cost										
• Deposits from customers	-	-	-	-	-	-	10,601,212	10,601,212	10,601,212	10,601,212
• Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	521,755	521,755	521,755	521,755
• Collateral deposits received	-	-	-	-	-	-	15,689,349	15,689,349	15,689,349	15,792,315
• Other liabilities	-	-	-	-	-	-	104,033	104,033	104,033	104,033
• Sukuk	-	-	-	-	-	-	250,000	250,000	250,000	250,000
	-	305,229	-	305,229	-	-	27,166,349	27,166,349	27,471,578	27,574,544

* Stated at gross

NOTES TO THE FINANCIAL STATEMENTS

41. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

31.03.2021	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Financial assets										
Fair Value through Profit or Loss										
• Financial assets measured at FVTPL	-	233,986	-	233,986	-	-	-	-	233,986	233,986
• Embedded loans measured at FVTPL	-	12,881,961	-	12,881,961	-	-	-	-	12,881,961	12,881,961
• Loans, advances and financing	-	195,438	-	195,438	-	-	-	-	195,438	195,438
• Derivative financial assets	-	433,259	-	433,259	-	-	-	-	433,259	433,259
Fair Value through Other Comprehensive Income										
• Financial investments at FVOCI	-	640,031	29,227	669,258	-	-	-	-	669,258	669,258
Amortised cost										
• Loans, advances and financing *	-	-	-	-	-	-	7,961,433	7,961,433	7,961,433	8,014,020
• Purchased receivables *	-	-	-	-	-	-	972,074	972,074	972,074	972,074
• Cash and short-term funds	-	-	-	-	-	-	7,152,000	7,152,000	7,152,000	7,152,000
• Deposits and placements with financial institutions	-	-	-	-	-	-	1,709,173	1,709,173	1,709,173	1,709,173
• Collateral deposits placed	-	-	-	-	-	-	330,340	330,340	330,340	330,340
• Other assets	-	-	-	-	-	-	48,744	48,744	48,744	48,744
	-	14,384,675	29,227	14,413,902	-	-	18,173,764	18,173,764	32,587,666	32,640,253
Financial liabilities										
Fair Value through Profit or Loss										
• Derivative financial liabilities	-	392,111	-	392,111	-	-	-	-	392,111	392,111
Amortised cost										
• Deposits from customers	-	-	-	-	-	-	10,858,855	10,858,855	10,858,855	10,858,905
• Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	295,098	295,098	295,098	295,098
• Collateral deposits received	-	-	-	-	-	-	16,869,822	16,869,822	16,869,822	16,930,535
• Other liabilities	-	-	-	-	-	-	113,161	113,161	113,161	113,161
• Sukuk	-	-	-	-	-	-	250,000	250,000	250,000	250,000
• Obligation on securities sold on repurchase agreement	-	-	-	-	-	-	303,494	303,494	303,494	303,494
	-	392,111	-	392,111	-	-	28,690,430	28,690,430	29,082,541	29,143,304

* Stated at gross

41. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Financial investments at FVOCI

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

Loans measured at FVTPL

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

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

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

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

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

Derivative financial instruments

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

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2021: no transfer in either directions).

41. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

Level 3 fair value

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

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

Cash and short-term funds

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

Financial investments at FVOCI

For financial investments at FVOCI including unquoted shares, the carrying amounts are a reasonable estimate of the fair values because of their limited credit risk.

Deposits and placements with financial institutions

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

Other assets/liabilities and purchased receivables

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

Loans, advances and financing

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

For credit-impaired loans, the fair values are determined on an individual basis by taking the gross loan exposure less stage 3 ECL. The stage 3 ECL is the difference between the loan's carrying amount and the present value of the estimated future cash flows.

Statutory deposits with Bank Negara Malaysia

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

Deposits from customers

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

NOTES TO THE FINANCIAL STATEMENTS

41. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

Level 3 fair value (Contd)

Deposit and placements of banks and other financial institutions

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

Collateral deposits

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

42. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

	Gross Amount Recognised as Financial Assets / Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position		Net Amount RM'000
				Values of the Financial Instruments RM'000	Cash Collateral Received / Pledged RM'000	
31.03.2022						
Derivative financial assets						
Foreign exchange related contracts	299,936	-	299,936	(141,709)	(253,963)	(95,736)
Interest rate related contracts	32,149	-	32,149	(84,468)	1,636	(50,683)
Currency options	1,067	-	1,067	(43)	-	1,024
	333,152	-	333,152	(226,220)	(252,327)	(145,395)
Derivative financial liabilities						
Foreign exchange related contracts	207,787	-	207,787	(141,709)	(24,945)	41,133
Interest rate related contracts	96,418	-	96,418	(84,468)	(18,180)	(6,230)
Currency options	1,024	-	1,024	(43)	-	981
	305,229	-	305,229	(226,220)	(43,125)	35,884
31.03.2021						
Derivative financial assets						
Foreign exchange related contracts	318,303	-	318,303	(10,793)	(54,279)	253,231
Interest rate related contracts	113,918	-	113,918	(223,953)	28,368	(81,667)
Currency options	1,038	-	1,038	(698)	-	340
	433,259	-	433,259	(235,444)	(25,911)	171,904
Derivative financial liabilities						
Foreign exchange related contracts	277,838	-	277,838	(10,793)	(121,769)	145,276
Interest rate related contracts	113,933	-	113,933	(223,953)	(208,571)	(318,591)
Currency options	340	-	340	(698)	-	(358)
	392,111	-	392,111	(235,444)	(330,340)	(173,673)

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW

The financial statements as at 31 March 2022 and for the financial year ended on the date are summarised as follows:

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

		31.03.2022 RM'000	31.03.2021 RM'000
ASSETS			
Cash and short-term funds	(a)	103,000	74,000
Deposits and placements with financial institutions	(b)	524	801
Other assets		5	3
TOTAL ASSETS		103,529	74,804
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	20,798	8,530
Other liabilities	(d)	27,533	25,708
TOTAL LIABILITIES		48,331	34,238
CAPITAL FUNDS		25,000	25,000
RESERVE		30,198	15,566
ISLAMIC BANKING FUNDS		55,198	40,566
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		103,529	74,804
COMMITMENTS AND CONTINGENCIES	(e)	6,600	12,108

Islamic financing based on Commodity Murabahah (Tawarruq) of RM3,490,878,000 (2021: RM2,406,614,000) and Ijarah of RM124,859,000 (2021: RM131,858,000) were 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 the 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 cash to finance the customer's needs.

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

		Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Income derived from investment of Islamic Banking capital funds	(f)	1,640	2,826
Expenses derived from financing		(3)	(1,580)
Other operating income	(g)	13,335	2,659
Total net income		14,972	3,905
Other operating expenses	(h)	(338)	(409)
Operating profit before allowance for impairment		14,634	3,496
(Allowance for)/Reversal of impairment on commitments and contingencies	(i)	(2)	10
Profit before tax		14,632	3,506
Tax expense		-	-
Profit for the year		14,632	3,506

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

	Capital Funds RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 April 2021	25,000	118	15,448	40,566
Profit for the year	-	-	14,632	14,632
At 31 March 2022	25,000	118	30,080	55,198
At 1 April 2020	25,000	18	12,042	37,060
Transfer to regulatory reserve	-	100	(100)	-
Profit for the year	-	-	3,506	3,506
At 31 March 2021	25,000	118	15,448	40,566

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Cash flows from operating activities		
Profit before tax	14,632	3,506
Adjustments for:		
Allowance for/(Reversal of) impairment on commitments and contingencies	2	(10)
Operating profit before working capital changes	14,634	3,496
Decrease in operating assets:		
Deposits and placements with financial institutions	277	14
Other assets	(2)	1
	14,909	3,511
Increase in operating liabilities:		
Deposits from customers	12,268	8,367
Other liabilities	1,823	15,122
Net cash generated from operating activities	29,000	27,000
Net increase in cash and cash equivalents	29,000	27,000
Cash and cash equivalents at beginning of the year	74,000	47,000
Cash and cash equivalents at end of the year	103,000	74,000

Shariah Committee

The Shariah Committee was established under BNM's "Shariah Governance Policy Document" ("the SGP") 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.

As of March 2022, the committee comprises: Assoc. Prof. Dr. Abdul Karim bin Ali, Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi, Prof. Dato' Dr. Mohd Azmi Omar and Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria.

NOTES TO THE FINANCIAL STATEMENTS

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

Basis of Preparation

The financial statements of the Islamic Banking business have been prepared on the basis consistent with that of the Bank as disclosed in Note 1 to the audited financial statements of the Bank for financial year ended 31 March 2022.

(a) Cash and short-term funds

	31.03.2022 RM'000	31.03.2021 RM'000
Cash and balances with banks and other financial institutions	103,000	74,000

(b) Deposits and placements with financial institutions

	31.03.2022 RM'000	31.03.2021 RM'000
At amortised cost		
Licensed bank		
• Malaysia	524	801

(c) Deposits from customers

(i) By type of deposits:

	31.03.2022 RM'000	31.03.2021 RM'000
At amortised cost		
Current accounts - Qard	20,631	8,365
Fixed deposits - Tawarruq	167	165
	20,798	8,530

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

	31.03.2022 RM'000	31.03.2021 RM'000
Due within six months	167	165

(iii) By type of customer:

	31.03.2022 RM'000	31.03.2021 RM'000
Domestic business enterprises	20,631	8,365
Domestic other entities	167	165
	20,798	8,530

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.

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(d) Other liabilities

		31.03.2022 RM'000	31.03.2021 RM'000
Impairment allowances on commitments and contingencies			
• Stage 1 - 12-months ECL not credit-impaired	(i)	6	4
Accruals and provisions for operational expenses		27,527	25,704
		27,533	25,708

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

	12-month ECL	Lifetime ECL		
	Stage 1 RM'000	Not credit-impaired Stage 2 RM'000	Credit-impaired Stage 3 RM'000	Total RM'000
At 1 April 2021	4	-	-	4
New financial assets originated	6	-	-	6
Financial assets derecognised (other than write-off)	(4)	-	-	(4)
At 31 March 2022	6	-	-	6
At 1 April 2020	-	14	-	14
Transfer to 12-Month ECL (Stage 1)	-	(14)	-	(14)
New financial assets originated	4	-	-	4
At 31 March 2021	4	-	-	4

(e) Commitments and contingencies

	Principal Amount RM'000		Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
31.03.2022				
Contingent Liabilities				
Transaction related contingent items	6,600		6,598	6,598
	6,600		6,598	6,598
31.03.2021				
Contingent Liabilities				
Transaction related contingent items	12,108		9,405	9,405
	12,108		9,405	9,405

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

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

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Money at call and placements with financial institutions	1,640	2,826

(g) Other operating income

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Other fee income	13,335	2,659

(h) Other operating expenses

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Personnel expenses	167	349
Other expenses	171	60
	338	409

The total remuneration of the Shariah Committee members are as follows:

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Assoc. Prof. Dr. Abdul Karim bin Ali	81	66
Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi	68	58
Y.Bhg. Prof. Dato' Dr. Mohd Azmi bin Omar	66	48
Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria	66	48
Dr. Safinar binti Salleh	-	8
Dr. Noor Suhaida binti Kasri	-	8
	281	236

(i) Allowance for/(Reversal of) impairment on commitments and contingencies

	Year ended 31.03.2022 RM'000	Year ended 31.03.2021 RM'000
Stage 1 and 2 ECL made/(written back) during the year	2	(10)

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(j) **Capital adequacy**

The capital adequacy ratios of the Islamic Banking business of the Bank are computed in accordance with the Capital Adequacy Framework for Islamic Banks ("CAFIB"). The Bank's Islamic Banking business has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Bank's Islamic Banking business are as follows:

	31.03.2022	31.03.2021
Common equity Tier 1 ("CET 1") capital ratio	97.809	62.564
Tier 1 capital ratio	97.809	62.564
Total capital ratio	97.955	62.746

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

	31.03.2022 RM'000	31.03.2021 RM'000
CET 1 and Tier 1 capital		
• Capital funds	25,000	25,000
• Retained profits	30,080	15,448
• Other reserves	118	118
	55,198	40,566
Less : Regulatory reserve	(118)	(118)
	55,080	40,448
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	82	118
Total capital	55,162	40,566

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

	31.03.2022 RM'000	31.03.2021 RM'000
Credit risk	6,598	9,405
Operational risk	49,716	55,246
	56,314	64,651

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.

NOTES TO THE FINANCIAL STATEMENTS

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(j) **Capital adequacy (Contd)**

The components of risk-weighted assets of Bank's Islamic Banking business are as follows:

31.03.2022	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	103,529	103,529	-	-
Total On-Balance Sheet Exposures	103,529	103,529	-	-
Off-Balance Sheet Exposures:				
Credit-Related Exposures	6,598	6,598	6,598	528
Total Off-Balance Sheet Exposures	6,598	6,598	6,598	528
Total On and Off-Balance Sheet Exposures	110,127	110,127	6,598	528
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) Operational Risk			49,716	3,977
Total RWA and Capital Requirements	110,127	110,127	56,314	4,505

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(j) Capital adequacy (Contd)

The components of risk-weighted assets of Bank's Islamic Banking business are as follows: (Contd)

31.03.2021	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	74,804	74,804	-	-
Total On-Balance Sheet Exposures	74,804	74,804	-	-
Off-Balance Sheet Exposures:				
Credit-Related Exposures	9,405	9,405	9,405	752
Total Off-Balance Sheet Exposures	9,405	9,405	9,405	752
Total On and Off-Balance Sheet Exposures	84,209	84,209	9,405	752
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) Operational Risk			55,246	4,420
Total RWA and Capital Requirements	84,209	84,209	64,651	5,172

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(k) Liquidity risk

Maturity analysis

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

	Carrying Amount RM'000	Contractual Cash Flows RM'000	Up to 1 Year RM'000	1 to 2 Years RM'000	2 to 5 Years RM'000	More than 5 Years RM'000
31.03.2022 **Liabilities**						
Deposits from customers	20,798	20,798	20,798	-	-	-
Other liabilities	27,533	27,533	27,533	-	-	-
	48,331	48,331	48,331	-	-	-
31.03.2021 **Liabilities**						
Deposits from customers	8,530	8,530	8,530	-	-	-
Other liabilities	25,708	25,708	25,708	-	-	-
	34,238	34,238	34,238	-	-	-

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

	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 6 Months RM'000	6 to 12 Months RM'000	> 1 Year RM'000	No Specific Maturity RM'000	Total RM'000
31.03.2022 **Asset**							
Cash and short-term funds	103,000	-	-	-	-	-	103,000
Deposits and placements with financial institutions	-	-	-	-	-	524	524
Other assets	-	-	-	-	-	5	5
	103,000	-	-	-	-	529	103,529
Liabilities							
Deposits from customers	-	-	167	-	-	20,631	20,798
Other liabilities	-	-	-	-	-	27,533	27,533
	-	-	167	-	-	48,164	48,331
	-						
Commitments and contingencies	-	6,600	-	-	-	-	6,600

43. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(k) Liquidity risk (Contd)

Maturity analysis (Contd)

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

	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 6 Months RM'000	6 to 12 Months RM'000	> 1 Year RM'000	No Specific Maturity RM'000	Total RM'000
31.03.2021							
Assets							
Cash and short-term funds	74,000	-	-	-	-	-	74,000
Deposits and placements with financial institutions	-	-	-	-	-	801	801
Other assets	-	-	-	-	-	3	3
	74,000	-	-	-	-	804	74,804
Liabilities							
Deposits from customers	-	-	165	-	-	8,365	8,530
Other liabilities	-	-	-	-	-	25,708	25,708
	-	-	165	-	-	34,073	34,238
Commitments and contingencies	-	-	-	-	12,108	-	12,108

44. THE OPERATIONS OF INTERNATIONAL CURRENCY BUSINESS UNIT

The Bank has obtained approval from BNM to set up an International Currency Business Unit ("ICBU") to promote Islamic Banking business. The ICBU is permitted to conduct a wide range of Islamic banking business in international currencies other than Malaysian Ringgit and the currency of Israel as per the Guidelines on the Establishment of International Currency Business Unit issued by BNM.

The following breakdown shows the Bank's financing and advances and deposits from customers which are conducted through ICBU.

(a) Financing and advances

(i) By type:

	31.03.2022 RM'000	31.03.2021 RM'000
At amortised cost		
Term financing		
• Syndicated Islamic financing	609,051	1,364,066
• Islamic term financing loan	290,917	532,601
Revolving credit	2,103,594	1,184,189
Gross financing and advances at amortised cost	3,003,562	3,080,855
Impairment allowances financing and advances		
• Stage 1 - 12-month ECL	(421)	(668)
Net financing and advances at amortised cost	3,003,141	3,080,187
At fair value		
Syndicated Islamic financing	229,068	195,438
Net financing and advances	3,232,209	3,275,625
Gross financing and advances		
At amortised cost	3,003,562	3,080,855
At fair value	229,068	195,438
	3,232,630	3,276,293

(ii) By contract:

Murabahah Financing-i	2,726,490	2,085,968
Ijarah Financing-i	217,639	919,427
Istina Financing-i	59,433	75,460
Wakalah Financing-i	229,068	195,438
	3,232,630	3,276,293

44. THE OPERATIONS OF INTERNATIONAL CURRENCY BUSINESS UNIT (CONTD)

(b) Deposits from customers

(i) By type and contract:

	31.03.2022 RM'000	31.03.2021 RM'000
At amortised cost		
Demand deposits - Qard	750	1,165
Fixed deposits - Tawarruq	-	187,146
	750	188,311

45. COMPARATIVE FIGURES

Comparative figures for capital adequacy have been restated to conform with current year's presentation.

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

	As restated 31.03.2021	As previously stated 31.03.2021
	%	%
Common equity Tier 1 ("CET 1") capital ratio	28.628	28.697
Tier 1 capital ratio	28.628	28.697
Total capital ratio	29.635	29.704

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

	RM'000	RM'000
Unrealised gain in fair value of loans designated at fair value	(8,117)	-
Total Capital	3,489,731	3,497,848

NOTES TO THE FINANCIAL STATEMENTS

46. INTEREST RATE BENCHMARK REFORM

Following the financial crisis, the reform and replacement of benchmark interest rates such as London Interbank Offered Rate ("LIBOR") and other inter-bank offered rates have become a priority for global regulators. LIBOR, a key benchmark used in international financial markets will be phased out. LIBOR will be replaced by Risk Free Rates ("RFR"), which have increasingly been adopted in new transactions.

BNM has established key signposts to ensure that banks adequately prepare for and manage a smooth transition from LIBOR. These include key timelines to be adhered to for engagements with customers to renegotiate contracts and incorporate fallback provisions in loan and derivative contracts, completion of the assessment on operational readiness and capability to support products references to RFRs and resolution of all residual risks and impediments to issue products referenced to RFRs.

On 24 September 2021, BNM announced the launch of the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate ("ARR") for Malaysia. This is in line with the introduction of ARR globally to improve the integrity of benchmark interest rates as part of a transition to transaction-based rates following the financial crisis. MYOR would run in parallel with the existing Kuala Lumpur Interbank Offered Rate ("KLIBOR") with periodic reviews to ensure that the financial benchmark rates remain robust and reflective of an active underlying market.

On 1 January 2023, BNM will discontinue the publication of the 2- and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts. The remaining 1-, 3- and 6-month KLIBOR tenors will be reviewed in the second half of 2022. The Financial Markets Committee ("FMC") will engage the ISDA to ensure continuity of KLIBOR derivatives contracts in the event of a temporary or permanent discontinuation of KLIBOR publication.

There remain key differences between KLIBOR and MYOR. KLIBOR is a 'term rate', which means it is published for a borrowing period (i.e. 3- or 6-month tenor) and is 'forward looking', because it is published at the beginning of the borrowing period. MYOR however, is a 'backward-looking' rate, based on unsecured overnight Malaysian Ringgit interbank transactions in Malaysian financial markets, and it is published on the next business day (i.e. at the end of the overnight borrowing period). Furthermore, KLIBOR includes a credit spread over the risk-free rate, while MYOR currently does not.

The UK Financial Conduct Authority ("FCA") has decided not to compel the panel banks to participate in the USD LIBOR submission process after the end of 2021 and to cease oversight of these benchmark interest rates. It is expected that USD Secured Overnight Financing Rate ("SOFR") will replace USD LIBOR.

The Bank has identified those changes required to systems, processes and models. There have been general communications with counterparties. The Bank will continue to engage with industry participants and regulatory authorities, to ensure an orderly transition to RFRs and to minimise the risks arising from this transition to continue to identify and assess risks associated with LIBORs replacement.

As at 31 March 2022, the Bank holds the following financial instruments which are referenced to the current benchmark interest rates and have yet to transit to an alternative interest rate benchmark:

	Carrying amount / Notional amount As of 31 March 2022		Of which, have yet to transit to an alternate benchmark interest rate As of 31 March 2022	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Carrying amount				
Financial investments at FVOCI	1,013,740	-	210,456	-
Loans, advances and financing	8,420,712	-	4,116,780	-
Embedded loans measured at FVTPL	12,577,088	-	10,237,331	-
	22,011,540	-	14,564,567	-
Notional amount				
Derivative financial instruments				
• Cross currency swaps	4,056,176	2,503,187	2,751,582	2,078,381
• Interest rate swaps	4,166,618	5,514,693	2,295,814	4,490,355
	8,222,794	8,017,880	5,047,396	6,568,736

ATTESTATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO RISK WEIGHTED CAPITAL ADEQUACY FRAMEWORK (BASEL II) - DISCLOSURE REQUIREMENTS (PILLAR 3) AND CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANK (CAFIB) - DISCLOSURE REQUIREMENTS (PILLAR 3) FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

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

Fumio Takamatsu

Date: 15 June 2022

1. OVERVIEW

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

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

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

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

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

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

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

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

	31.03.2022		31.03.2021	
	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	9,654,121	772,330	9,490,988	759,280
Market Risk	1,336,617	106,929	1,419,545	113,564
Operational Risk	832,703	66,616	865,055	69,204
	11,823,441	945,875	11,775,588	942,048

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 assesses the Bank's capital requirements under stress events including plausible, exceptional but plausible scenario and worst case scenario, to gauge the ability of the Bank's capital to withstand and absorb external shocks. The results of the stress test are to facilitate the formulation of pre-emptive remedial actions if the stress test reveals that the Bank's capital will be adversely affected under such events. The results of the stress test together with remedial actions, if any, are tabled to the Risk Management Committee ("RMC") and the Board for deliberations.

(a) Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

	31.03.2022 %	31.03.2021 %
Common equity Tier 1 ("CET 1") capital ratio	30.535	28.628
Tier 1 capital ratio	30.535	28.628
Total capital ratio	31.555	29.635

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

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

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

Please refer to Note 43(j) for Islamic Banking operation capital adequacy.

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

	31.03.2022 RM'000	31.03.2021 RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	3,487,898	3,273,025
• Other reserves	126,334	127,334
	3,814,232	3,600,359
Less: Deferred tax assets	(6,865)	(7,299)
Intangible assets	(78,817)	(94,988)
55% of fair value reserve	(14,577)	(15,130)
Unrealised gain in fair value of loans designated at fair value	-	(8,117)
Regulatory reserve	(103,731)	(103,731)
	3,610,242	3,371,094
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	120,677	118,637
Total capital	3,730,919	3,489,731

2. CAPITAL MANAGEMENT (CONTD)

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

31.03.2022 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
(i) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,767,105	7,767,105	241,753	19,340
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	1,929,105	1,929,105	499,387	39,951
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,595,788	6,156,584	6,257,346	500,587
Regulatory Retail	1,132	1,132	1,132	91
Residential Mortgages	12,494	12,494	5,634	451
Equity Exposures	30,670	30,670	30,670	2,454
Other Assets	587,257	587,257	380,379	30,430
Defaulted Exposures	2,064	2,064	2,064	165
Total On-Balance Sheet Exposures	30,925,615	16,486,411	7,418,365	593,469
Off-Balance Sheet Exposures:				
Credit-Related Exposures	623,486	623,486	540,185	43,215
Securitisation Exposures	3,000	3,000	2,250	180
Derivatives Financial Instruments	2,860,140	2,860,140	1,693,321	135,466
Total Off-Balance Sheet Exposures	3,486,626	3,486,626	2,235,756	178,861
Total On and Off-Balance Sheet Exposures	34,412,241	19,973,037	9,654,121	772,330
(ii) Large Exposure Risk Requirement	-	-	-	-

(iii) Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Interest Rate Risk	67,558,444	(67,382,773)	1,327,247	106,180
Foreign Currency Risk	9,370	(9,243)	9,370	749
	67,567,814	(67,392,016)	1,336,617	106,929

	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
(iv) Operational Risk			832,703	66,616
Total RWA and Capital Requirements	34,412,241	19,973,037	11,823,441	945,875

PILLAR 3 DISCLOSURES

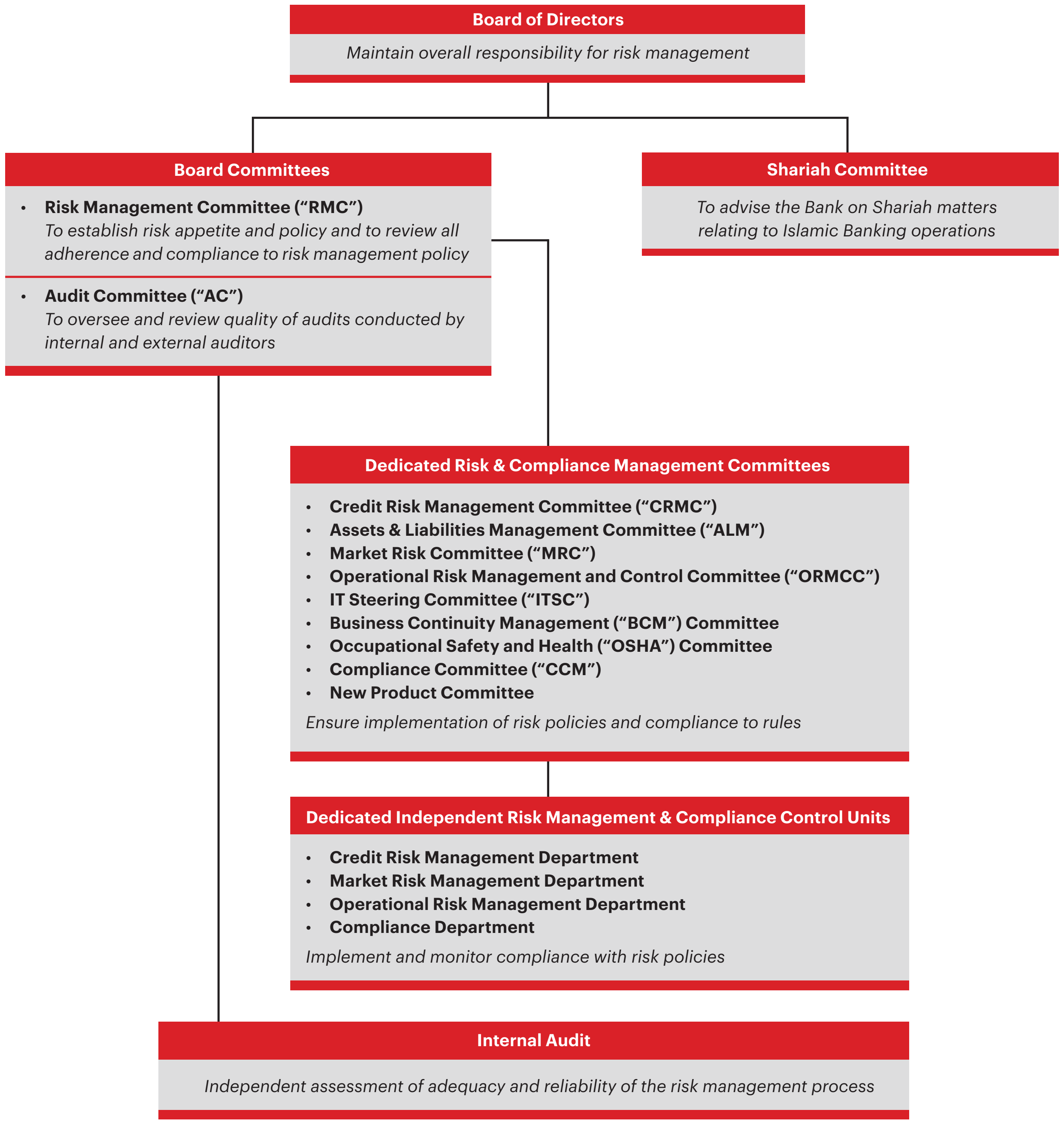
2. CAPITAL MANAGEMENT (CONTD)

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

31.03.2021 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
(i) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,903,209	7,903,209	245,640	19,651
Public Sector Entities	22,608	22,608	4,522	362
Banks, Development Financial Institutions & MDBs	2,923,482	2,923,482	768,432	61,475
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,734,649	5,441,157	5,545,736	443,659
Regulatory Retail	1,366	1,366	1,366	109
Residential Mortgages	13,660	13,660	6,408	513
Equity Exposures	29,226	29,226	29,226	2,338
Other Assets	567,518	567,518	397,128	31,770
Defaulted Exposures	2,191	2,191	2,185	175
Total On-Balance Sheet Exposures	32,197,909	16,904,417	7,000,643	560,052
Off-Balance Sheet Exposures:				
Credit-Related Exposures	539,763	539,763	485,333	38,827
Securitisation Exposures	3,000	3,000	2,250	180
Derivatives Financial Instruments	3,298,428	3,298,428	2,002,762	160,221
Total Off-Balance Sheet Exposures	3,841,191	3,841,191	2,490,345	199,228
Total On and Off-Balance Sheet Exposures	36,039,100	20,745,608	9,490,988	759,280
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) Market Risk				
	Long Position RM'000	Short Position RM'000		
Interest Rate Risk	63,299,765	(62,898,305)	1,306,788	104,543
Foreign Currency Risk	6,207	(112,757)	112,757	9,021
	63,305,972	(63,011,062)	1,419,545	113,564
(iv) Operational Risk			865,055	69,204
Total RWA and Capital Requirements	36,039,100	20,745,608	11,775,588	942,048

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, operation risk, information security risk and unique risk for Islamic financial business in particular Shariah non-compliance 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.

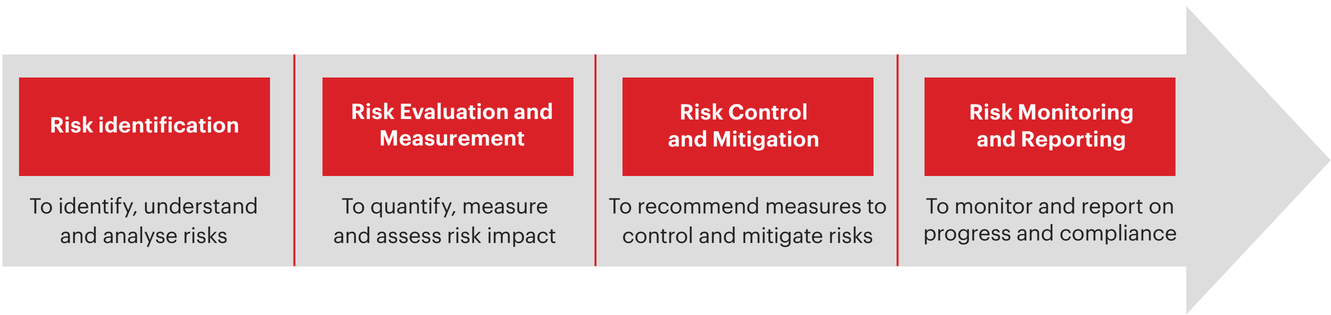
The Shariah Committee ("SC") advises the Bank on Shariah matters relating to the Islamic banking operations. The Committee ensures that the operations of Islamic banking, its products, processes and legal documentation are in line with Shariah principles.

The CRMC, the ALM, the MRC, and the ORMCC assist the RMC in managing credit, balance sheet & liquidity, market 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 and compliance 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, evaluation, measurement, controlling, 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:



PILLAR 3 DISCLOSURES

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 relative to the Bank's risk profile
- Sufficient policy and procedures to ensure on-going capital adequacy
- Development and implementation of suitable risk management metholodogies, systems and processes

The Principle of Proportionality is adopted whereby 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 covering risks under Pillar 1 & 2 and other risks with documentation of the Bank's risk profile 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 material risk assessment is measured by risk frequency and monetary impact and it is reviewed annually to reflect the changes to its business plan, operating environment or other factors, guided by the methodologies, processes, empirical data and assumptions.

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 resilient 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's capital adequacy and performance under stress conditions. Reverse stress testing ("RST") process is also part of the Bank's stress testing framework with the objective 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, geographical location and maturity. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

31.03.2022	Cash and Short-Term Funds RM'000	Deposits and Placement with Financial Institutions RM'000	Financial Investments at FVOCI RM'000	Loans, Advances and Financing# RM'000	Embedded Loans Measured at FVTPL RM'000	Purchased Receivables# RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitments and Contingencies* RM'000
Agricultural	-	-	-	466,906	-	-	-	1,002	-	467,908	15,000
Manufacturing	-	-	-	1,305,157	562,972	44,422	-	29,452	-	1,942,003	3,774,010
Electricity, gas and water	-	-	-	813,332	1,013,355	-	-	4,916	-	1,831,603	704,570
Mining and quarrying	-	-	-	229,067	52,492	-	-	987	-	282,546	52,200
Construction	-	-	-	422,841	424,188	-	-	929	-	847,958	533,970
Wholesale and retail trade and restaurants and hotels	-	-	-	661,352	766,871	-	-	13,757	-	1,441,980	2,325,441
Transport, storage and communication	-	-	210,456	1,508,766	261,868	-	-	44,797	-	2,025,887	544,620
Finance, insurance and business services	500,558	379,666	28,078	2,599,860	9,481,140	943,947	43,125	237,312	-	14,213,686	1,520,787
Government and government agencies	6,114,200	877,740	772,614	-	-	-	-	-	-	7,764,554	-
Households	-	-	-	15,974	-	-	-	-	-	15,974	437
Others	-	-	2,592	397,457	14,202	-	-	-	-	414,251	500
	6,614,758	1,257,406	1,013,740	8,420,712	12,577,088	988,369	43,125	333,152	-	31,248,350	9,471,535
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	75,603	75,603	-
	6,614,758	1,257,406	1,013,740	8,420,712	12,577,088	988,369	43,125	333,152	75,603	31,323,953	9,471,535

Stated at gross.
* Commitments and contingencies excluding derivative financial assets and embedded loans measured at FVTPL.

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: (Contd)

31.03.2021	Cash and Short-Term Funds RM'000	Deposits and Placement with Financial Institutions RM'000	Financial Assets at FVTPL RM'000	Financial Investments at FVOCI RM'000	Loans, Advances and Financing# RM'000	Embedded Loans Measured at FVTPL RM'000	Purchased Receivables# RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitments and Contingencies* RM'000
Agricultural	-	-	-	-	483,194	-	-	-	6,939	-	490,133	50,000
Manufacturing	-	-	-	-	1,375,244	875,398	32,381	-	25,031	-	2,308,054	3,621,127
Electricity, gas and water	-	-	-	-	1,251,630	1,389,610	-	-	10,042	-	2,651,282	746,500
Mining and quarrying	-	-	-	-	195,438	1,030	-	-	279	-	196,747	700
Construction	-	-	-	-	220,455	662,638	-	-	245	-	883,338	551,198
Wholesale and retail trade and restaurants and hotels	-	-	-	-	485,972	825,516	123	-	15,922	-	1,327,533	1,975,645
Transport, storage and communication	-	-	-	207,330	1,871,084	297,538	-	-	57,541	-	2,433,493	333,850
Finance, insurance and business services	1,183,888	437,516	-	26,825	1,894,658	8,823,119	939,570	330,340	317,260	-	13,953,176	1,312,633
Government and government agencies	5,964,800	1,271,657	233,986	432,701	-	-	-	-	-	-	7,903,144	-
Households	-	-	-	-	17,517	-	-	-	-	-	17,517	42
Others	-	-	-	2,402	414,266	7,112	-	-	-	-	423,780	4,500
	7,148,688	1,709,173	233,986	669,258	8,209,458	12,881,961	972,074	330,340	433,259	-	32,588,197	8,596,195
Other assets not subject to credit risk	3,312^	-	-	-	-	-	-	-	-	48,744	52,056	-
	7,152,000	1,709,173	233,986	669,258	8,209,458	12,881,961	972,074	330,340	433,259	48,744	32,640,253	8,596,195

Stated at gross.
* Commitments and contingencies excluding derivative financial assets and embedded loans measured at FVTPL.
^ Cash and short-term funds excluding cash in hand.

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

	31.03.2022		31.03.2021	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Coutries RM'000
Cash and short-term funds	6,244,368	370,390	6,628,291	523,709
Deposits and placement with financial institutions	877,796	379,610	1,409,165	300,008
Financial assets at FVTPL	-	-	233,986	-
Financial investments at FVOCI	667,925	345,815	669,258	-
Loans, advances and financing	7,079,819	1,340,893	6,591,878	1,617,580
Embedded loans measured at FVTPL *	12,522,920	54,168	12,824,901	57,060
Purchased receivables	115,887	872,482	79,373	892,700
Collateral deposits placed	43,125	-	330,340	-
Derivative financial assets	235,453	97,699	264,480	168,779
Other assets	75,603	-	48,744	-
On-Balance Sheet Exposures	27,862,896	3,461,057	29,080,416	3,559,836
Off-Balance Sheet Exposures	3,067,466	419,160	3,394,215	446,977
	30,930,362	3,880,217	32,474,631	4,006,813

* The credit balances are exposure after netting off with the identified cover deals (see Note 1 (d)(i)).

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 58% (2021: 56%) of the Bank's exposures to customers are short-term, having contractual maturity of one year or less:

31.03.2022	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	No Specific Maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	6,244,368	-	-	-	-	370,390	6,614,758
Deposits and placement with financial institutions	1,242,360	-	-	-	-	15,046	1,257,406
Financial investments at FVOCI	69,027	69,154	80,485	764,404	-	30,670	1,013,740
Loans, advances and financing	3,705,763	771,172	1,623,572	1,658,901	661,304	-	8,420,712
Embedded loans measured at FVTPL	101,272	91,411	3,083,718	8,287,463	1,013,224	-	12,577,088
Purchased receivables	442,025	343,940	169,491	32,913	-	-	988,369
Collateral deposits placed	43,125	-	-	-	-	-	43,125
Derivative financial assets	27,890	19,164	50,648	199,564	35,886	-	333,152
Other assets	-	-	-	-	-	75,603	75,603
	11,875,830	1,294,841	5,007,914	10,943,245	1,710,414	491,709	31,323,953

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)

(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 58% (2021: 56%) of the Bank's exposures to customers are short-term, having contractual maturity of one year or less: (Contd)

31.03.2021	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	No Specific Maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	6,624,978	-	-	-	-	527,022	7,152,000
Deposits and placement with financial institutions	1,665,712	-	-	-	-	43,461	1,709,173
Financial assets at FVTPL	-	-	-	174,643	59,343	-	233,986
Financial investments at FVOCI	-	-	30,546	609,485	-	29,227	669,258
Loans, advances and financing	3,280,043	845,967	299,049	2,572,838	1,211,561	-	8,209,458
Embedded loans measured at FVTPL	129,432	665,404	3,335,410	6,847,881	1,903,834	-	12,881,961
Purchased receivables	203,276	514,181	200,314	54,303	-	-	972,074
Collateral deposits placed	330,340	-	-	-	-	-	330,340
Derivative financial assests	20,258	27,294	58,197	219,198	108,312	-	433,259
Other assets	-	-	-	-	-	48,744	48,744
	12,254,039	2,052,846	3,923,516	10,478,348	3,283,050	648,454	32,640,253

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.

PILLAR 3 DISCLOSURES

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(i) Off-Balance Sheet Exposures

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

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

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

(ii) Counterparty Credit Risk on Derivative Financial Instruments

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

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

(iii) Risk Management Approach

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

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

(iv) Credit Rating Downgrade

In the event of a one-notch downgrade of rating for the Bank, based on the terms of the existing CSA of ISDA, the estimated additional collateral to be posted was RM8,410,000 for 31 March 2022 (2021: RM8,305,000).

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iv) Credit Rating Downgrade (Contd)

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

31.03.2022	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Contingent Liabilities				
Direct credit substitutes	197,085		197,075	145,090
Transaction related contingent items	697,498		348,565	312,544
Short-term self liquidating trade-related contingencies	282,005		56,387	61,146
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	116,926		23,369	23,369
• exceeding one year	437		218	164
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	8,162,584		(2,128)	(2,128)
Securitisation exposures	15,000		3,000	2,250
	9,471,535		626,486	542,435
Embedded Loans				
Foreign exchange related contracts				
• one year or less	5,319,812	71,468	206,800	108,596
• over one year to five years	11,511,516	220,162	1,026,917	545,507
• over five years	2,501,699	53,172	319,649	163,951
Interest rate related contracts				
• one year or less	2,857,681	1,207	(7,452)	(4,000)
• over one year to five years	11,206,633	110,242	270,720	115,554
• over five years	773,000	20,240	62,370	31,185
	34,170,341	476,491	1,879,004	960,793
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	17,725,302	89,073	313,264	221,610
• over one year to five years	4,773,218	190,000	358,210	309,529
• over five years	662,483	20,863	138,808	101,914
Interest rate related contracts				
• one year or less	4,297,130	7,562	7,225	3,583
• over one year to five years	4,025,627	9,565	68,439	33,958
• over five years	1,358,554	15,022	92,140	58,884
Currency options *				
• one year or less	132,205	1,067	3,050	3,050
	32,974,519	333,152	981,136	732,528
	76,616,395	809,643	3,486,626	2,235,756

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iv) Credit Rating Downgrade (Contd)

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

31.03.2021	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Contingent Liabilities				
Direct credit substitutes	138,206		138,182	122,924
Transaction related contingent items	599,062		298,377	257,804
Short-term self liquidating trade-related contingencies	307,507		61,498	62,904
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	215,759		43,137	43,137
• exceeding one year	42		21	16
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,320,619		(1,452)	(1,452)
Securitisation exposures	15,000		3,000	2,250
	8,596,195		542,763	487,583
Embedded Loans				
Foreign exchange related contracts				
• one year or less	6,827,290	106,956	258,337	154,355
• over one year to five years	10,627,071	326,033	1,081,359	587,107
• over five years	2,521,097	60,979	365,802	191,745
Interest rate related contracts				
• one year or less	4,416,340	2,535	4,081	2,526
• over one year to five years	9,852,554	101,282	228,838	101,426
• over five years	1,532,183	39,953	100,397	40,351
	35,776,535	637,738	2,038,814	1,077,510
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	11,235,040	101,591	223,082	169,305
• over one year to five years	5,023,301	139,085	495,681	410,493
• over five years	1,608,353	77,627	285,434	183,261
Interest rate related contracts				
• one year or less	1,992,658	3,120	4,603	2,574
• over one year to five years	4,863,059	80,113	113,288	66,277
• over five years	1,651,613	30,685	135,225	91,041
Currency options *				
• one year or less	84,159	1,038	2,301	2,301
	26,458,183	433,259	1,259,614	925,252
	70,830,913	1,070,997	3,841,191	2,490,345

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

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 securitisation with originators. Bankruptcy remote special purpose vehicles, Merdeka Kapital Bhd ("MKB") and Ziya Capital Berhad ("Ziya") or (collectively "SPVs") were established to enter into an agreement with multi-originators to purchase or acquire portfolios of Receivables from them and in turn the SPVs will fund its purchase by issuing series of Asset-backed Medium-Term Notes ("MTNs") backed by such portfolio of Receivables. Horizon Funding Corporation (a bankruptcy remote SPV incorporated in Cayman Islands), acts as a funding vehicle to subscribe to the issuance under the Asset-Backed MTNs Programme.

Both MKB (Conventional Securitization SPV) and Ziya (Islamic Securitization SPV) have its own unrated Asset-backed MTN Programme. The Bank only provides liquidity facility to MKB and is recognised as off-balance sheet in the banking book. The Bank will also act as a derivative counterparty for the SPVs.

Risk Management Approach

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

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

Regulatory Capital Requirements

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

	31.03.2022 RM'000	31.03.2021 RM'000
Traditional securitisation of third party exposures	15,000	15,000

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

	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
31.03.2022				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180
31.03.2021				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180

PILLAR 3 DISCLOSURES

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 the customer's standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

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

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

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

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

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

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

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

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

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

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

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

31.03.2022 Exposure Class	Total Exposures before CRM RM'000	Total Exposures covered by Guarantees RM'000	Total Exposures covered by Financial Collaterals RM'000	Total Exposures covered by Other Eligible Collaterals RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,767,105	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutuions & MDBs	1,929,105	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,595,788	687,739	13,751,465	-
Regulatory Retail	1,132	-	-	-
Residential Mortgages	12,494	-	-	-
Equity Exposures	30,670	-	-	-
Other Assets	587,257	-	-	-
Defaulted Exposures	2,064	-	-	-
Total On-Balance Sheet Exposures	30,925,615	687,739	13,751,465	-
Off-Balance Sheet Exposures:				
Credit-related exposures	623,486	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	2,860,140	-	-	-
Total Off-Balance Sheet Exposures	3,486,626	-	-	-
Total Credit Exposures	34,412,241	687,739	13,751,465	-

PILLAR 3 DISCLOSURES

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. (Contd)

31.03.2021 Exposure Class	Total Exposures before CRM RM'000	Total Exposures covered by Guarantees RM'000	Total Exposures covered by Financial Collaterals RM'000	Total Exposures covered by Other Eligible Collaterals RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,903,209	-	-	-
Public Sector Entities	22,608	-	-	-
Banks, Development Financial Institutuions & MDBs	2,923,482	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,734,649	726,328	14,567,164	-
Regulatory Retail	1,366	-	-	-
Residential Mortgages	13,660	-	-	-
Equity Exposures	29,226	-	-	-
Other Assets	567,518	-	-	-
Defaulted Exposures	2,191	-	-	-
Total On-Balance Sheet Exposures	32,197,909	726,328	14,567,164	-
Off-Balance Sheet Exposures:				
Credit-related exposures	539,763	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	3,298,428	-	-	-
Total Off-Balance Sheet Exposures	3,841,191	-	-	-
Total Credit Exposures	36,039,100	726,328	14,567,164	-

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

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

Corporates

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

Banking Institutions

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

Sovereigns and Central Banks

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

4. CREDIT RISK (CONTD)

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

31.03.2022 Credit Exposure	<----------- Ratings of Sovereign and Central Banks by Approved ECAIs ----------->						Total
	1	2	3	4	5	Unrated	
On and Off Balance Sheet Exposures							
Sovereign/Central Banks	7,767,105	-	-	-	-	-	7,767,105

Credit Exposure	<---------------- Ratings of Banking Institutions by Approved ECAIs ---------------->						Total
	1	2	3	4	5	Unrated	
On and Off Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs	1,965,742	1,376,754	-	24,668	19,218	-	3,386,382

Credit Exposure	<------------- Ratings of Corporate by Approved ECAIs ------------->					Total
	1	2	3	4	Unrated	
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	12,243	12,243
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	148,865	148,865
Corporates	1,220,095	5,077	-	-	21,235,639	22,460,811
Regulatory Retail	-	-	-	-	1,132	1,132
Residential Mortgages	-	-	-	-	14,776	14,776
Other Assets	-	-	-	-	587,257	587,257
Securitisation Exposure	-	-	-	-	3,000	3,000
Equity Exposure	-	-	-	-	30,670	30,670
	1,220,095	5,077	-	-	22,033,582	23,258,754

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4. CREDIT RISK (CONTD)

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

31.03.2021 Credit Exposure	<----------- Ratings of Sovereign and Central Banks by Approved ECAIs ----------->						Total
	1	2	3	4	5	Unrated	
On and Off Balance Sheet Exposures							
Sovereign/Central Banks	7,903,209	-	-	-	-	-	7,903,209

Credit Exposure	<---------------- Ratings of Banking Institutions by Approved ECAIs ---------------->						Total
	1	2	3	4	5	Unrated	
On and Off Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs	2,699,667	1,627,155	-	5,952	35,390	-	4,368,164

Credit Exposure	<------------- Ratings of Corporate by Approved ECAIs ------------->					Total
	1	2	3	4	Unrated	
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	43,194	43,194
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	146,808	146,808
Corporates	1,405,082	13,045	-	-	21,542,617	22,960,744
Regulatory Retail	-	-	-	-	1,366	1,366
Residential Mortgages	-	-	-	-	15,872	15,872
Other Assets	-	-	-	-	567,518	567,518
Securitisation Exposure	-	-	-	-	3,000	3,000
Equity Exposure	-	-	-	-	29,226	29,226
	1,405,082	13,045	-	-	22,349,601	23,767,728

4. CREDIT RISK (CONTD)

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

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

31.03.2022	<------------------------------ 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%	6,558,338	-	-	-	36,786	-	-	-	-	200,916	6,796,040	-
20%	1,208,767	-	1,965,742	-	532,356	-	-	-	-	7,452	3,714,317	880,411
35%	-	-	-	-	-	-	8,200	-	-	-	8,200	2,870
50%	-	-	1,376,754	-	5,077	-	2,483	-	-	-	1,384,314	692,157
75%	-	-	-	-	-	-	1,370	3,000	-	-	4,370	3,278
100%	-	12,243	24,668	148,865	7,447,388	1,132	2,723	-	30,670	378,889	8,046,578	8,046,578
150%	-	-	19,218	-	-	-	-	-	-	-	19,218	28,827
Total Exposures	7,767,105	12,243	3,386,382	148,865	8,021,607	1,132	14,776	3,000	30,670	587,257	19,973,037	9,654,121
Risk-Weighted Assets by Exposures	241,753	12,243	1,135,020	148,865	7,693,947	1,132	7,862	2,250	30,670	380,379	9,654,121	
Average Risk Weight	3%	100%	34%	100%	96%	100%	53%	75%	100%	65%	48%	
Deduction from Total Capital			-					-	-		-	

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: (Contd)

31.03.2021	<------------------------------ 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%	6,675,008	-	-	-	40,686	-	-	-	-	170,358	6,886,052	-
20%	1,228,201	22,608	2,699,667	-	678,754	-	-	-	-	40	4,629,270	1,071,120
35%	-	-	-	-	-	-	8,344	-	-	-	8,344	2,920
50%	-	-	1,627,155	-	13,045	-	2,684	-	-	-	1,642,884	821,442
75%	-	-	-	-	-	-	1,988	3,000	-	-	4,988	3,740
100%	-	20,586	5,952	146,808	6,934,767	1,366	2,856	-	29,226	397,120	7,538,681	7,538,681
150%	-	-	35,390	-	-	-	-	-	-	-	35,390	53,085
Total Exposures	7,903,209	43,194	4,368,164	146,808	7,667,252	1,366	15,872	3,000	29,226	567,518	20,745,609	9,490,988
Risk-Weighted Assets by Exposures	245,640	25,108	1,412,548	146,808	7,222,305	1,366	8,609	2,250	29,226	397,128	9,490,988	
Average Risk Weight	3%	58%	32%	100%	94%	100%	54%	75%	100%	70%	46%	
Deduction from Total Capital			-					-	-		-	

PILLAR 3 DISCLOSURES

PILLAR 3 DISCLOSURES

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans, Advances and Financing

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

	31.03.2022				31.03.2021			
	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 credit-impaired								
• Normal grades	5,258,397	2,682,866	-	7,941,263	7,170,893	376,877	-	7,547,770
• Close watch	-	247,550	-	247,550	-	463,023	-	463,023
Past due but not credit-impaired								
• Normal grades	2,104	26	-	2,130	2,563	-	-	2,563
Credit-impaired								
• Past due	-	-	685	685	-	-	643	643
• Not past due	-	-	16	16	-	-	21	21
	5,260,501	2,930,442	701	8,191,644	7,173,456	839,900	664	8,014,020

	31.03.2022 RM'000	31.03.2021 RM'000
Gross credit-impaired loans as a percentage of gross loans, advances and financing	0.01%	0.01%

(a) Neither past due nor credit-impaired

The credit quality of gross loans, advances and financing which are neither past due nor impaired is described in Note 40(b) to the financial statements.

(b) Past due but not credit-impaired

Past due but not credit-impaired loans, advances and financing are loans where the customer has failed to make a principal or interest payment when contractually due and includes loans which are due one or more days after the contractual due date but less than 3 months. The past due but not impaired loans, advances and financing of the Bank as at 31 March 2022 was 0.03% (2021: 0.03%).

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

	31.03.2022 RM'000	31.03.2021 RM'000
Household	2,130	2,563

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

	31.03.2022		31.03.2021	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Past due but not credit-impaired	2,130	-	2,563	-

4. CREDIT RISK (CONTD)

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

(c) Credit-impaired Loans, Advances and Financing

The Bank assesses, at each reporting period, whether there is any objective evidence that an individually significant loan is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. The criteria that the Bank uses to determine whether there is any objective evidence of impairment are set out in Note 40(b) to the financial statements.

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

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

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

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

	31.03.2022		31.03.2021	
	Stage 1 and 2 Expected Credit Loss RM'000	Stage 3 Expected Credit Loss RM'000	Stage 1 and 2 Expected Credit Loss RM'000	Stage 3 Expected Credit Loss RM'000
Agricultural, hunting, forestry and fishing	187	-	1	-
Manufacturing	12,410	-	18,319	-
Electricity, gas and water	5,720	-	5,421	-
Construction	1,264	-	14,029	-
Wholesale, retail trade, restaurants and hotels	1,117	-	1,507	-
Transport, storage and communication	471	-	546	-
Finance, insurance, real estate and business services	1,927	-	2,483	-
Households	277	240	148	230
	23,373	240	42,454	230

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

	Stage 3 Lifetime ECL Credit-Impaired 31.03.2021 RM'000	Allowance for the Year RM'000	Stage 3 Lifetime ECL Credit-Impaired 31.03.2022 RM'000
Household	230	10	240

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:

	31.03.2022 RM'000	31.03.2021 RM'000
Malaysia		
• Stage 1 - 12-month ECL	4,471	4,853
• Stage 2 - lifetime ECL not credit-impaired	18,555	37,061
• Stage 3 - lifetime ECL credit-impaired	240	230
	23,266	42,144
Other countries		
• Stage 1 - 12-months ECL	189	540
• Stage 2 - lifetime ECL not credit-impaired	158	-
	347	540

Economic sector for loans written off:

	31.03.2022 RM'000	31.03.2021 RM'000
Household	32	-

Islamic Banking Business

	31.03.2022		31.03.2021	
	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	6,598	528	9,405	752

PILLAR 3 DISCLOSURES

5. MARKET RISK

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

Regulatory Capital Requirements

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

	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
31.03.2022				
Interest rate risk - general interest rate risk	67,558,444	(67,382,773)	1,327,247	106,180
Foreign exchange risk	9,370	(9,243)	9,370	749
	67,567,814	(67,392,016)	1,336,617	106,929
31.03.2021				
Interest rate risk - general interest rate risk	63,299,765	(62,898,305)	1,306,788	104,543
Foreign exchange risk	6,207	(112,757)	112,757	9,021
	63,305,972	(63,011,062)	1,419,545	113,564

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 the Bank's risk appetite, and approved by the Board. Trading exposures are subject to intraday limits and daily limit. This is monitored and escalated by independent unit to relevant business unit, Management and MRC on regular basis.

Risk Management Approach

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

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

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

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

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

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

The table in Note 40(c) to the financial statements also sets out the Bank's sensitivity to interest rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans or early withdrawal of deposits. As at 31 March 2022, the Bank had an overall positive interest rate gap of RM7,709,875,000 (2021: RM6,737,294,000), being the net difference between interest sensitive assets and liabilities.

Sensitivity of Profit

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

	31.03.2022	31.03.2021
	Increase / (Decrease)	
Impact on earnings from 200 bps parallel shift	RM'000	RM'000
MYR	125,897	117,445
USD	(37,415)	(38,241)
SGD	(226)	(220)
Others	(2,590)	(4,202)
Total	85,666	74,782

Impact on economic value from 200 bps parallel shift	RM'000	RM'000
MYR	25,248	25,855
USD	20,905	15,692
SGD	627	695
Others	(1,356)	7,995
Total	45,424	50,237

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

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

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(b) Foreign Exchange Risk

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

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

As at 31 March 2022, the NOP of the Bank stood at RM127,201 (long position) (2021: RM106,549,988 (short position)).

The table in Note 40(c) to the financial statements sets out the Bank's assets and liabilities denominated in foreign currencies.

Interest Rate and Foreign Currency Risk Stress Testing

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

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

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

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

The analysis shows that as of 31 March 2022, potential maximum loss computed for Scenario 1 to be RM69,611,000 (2021: RM75,191,000), Scenario 2 to be RM76,050,000 (2021: RM83,646,000) and Scenario 3 to be RM111,738,000 (2021: RM123,442,000).

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

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

(c) Equity Risk

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

The Bank currently hold equity investments amounting to RM30,670,000 (2021: RM29,227,000) which are privately held for social economic purpose and is unquoted and stated at fair value through other comprehensive income and adjusted for impairment loss, if any.

Islamic Banking Business

There are no significant market risk exposures as at 31 March 2022 (2021: 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") and Net Stable Funding Ratio ("NSFR") requirements issued by BNM. In addition, the Bank maintains a liquidity compliance buffer to meet any unexpected cash outflows. The day-to-day funding management, is undertaken by treasury operations and this includes the maintenance of a portfolio of highly liquid assets, that can be easily liquidated to meet the unforeseeable demand in cash flows arising from the maturity of deposits and loans. As at 31 March 2022, the Bank holds a sizeable balance of government securities (MGS & GII) amounting to RM426,799,000 (2021: RM666,687,000) or 42% (2021: 74%) 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 money market deposits to meet short-term obligations and to maintain its presence in the local money market space. The Bank has also obtained a Liquidity Support Letter from its Parent Bank and has given full support of fund related to any liquidity matter at any time.

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

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

The Bank hold sufficient high-quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-day horizon for Liquidity Coverage Ratio ("LCR"). The Bank is maintaining stable source of funds to support assets and off-balance sheet activities for Net Stable Funding Ratio ("NSFR"). LCR and NSFR are 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 2022, the Bank complies with the minimum LCR and NSFR as stipulated by BNM.

Islamic Banking Business

There are no significant liquidity risk exposures as at 31 March 2022 (2021: 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 and pandemic threats.

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

Regulatory Capital Requirements

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

	31.03.2022		31.03.2021	
	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	832,703	66,616	865,055	69,204

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.

7. OPERATIONAL RISK (CONTD)

Operational Risk Management Framework (Contd)

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")};
- The framework covers both Conventional and Shariah risks.

The framework adopted 3-lines of defense ("3LOD") model to manage operational risk with clear roles and responsibilities reflected for each line of defense. In 2022, we continue to strengthen the effectiveness of our 3LOD to better manage the risk. First line of defense identifies and manages the conducive control environment associated with their business function, while second line of defense represented by Risk & Compliance departments sets policy & control standards and manages enforcement, undertakes assessment & monitoring activities to manage risks. Third line of defense represented by Audit provides independent challenge to the risk management posture and process to provide assurance of effectiveness to the Board.

Risk and Control Assessments

Risk and control assessment is a periodic set of activities and programs to manage the different types of operational risk. Among others (but not limited to) are Risk & Control Self Assessment (RCSA), Global Control Self Assessment (GCSA), Periodic Review of Outsourcing Parties, Self Inspection Program, Product Review, System Risk Evaluation, Cyber Maturity Assessment, etc. These activities are carried out in collaboration with first line of defence as the risk owner to manage operational risk within acceptable level.

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.

During the Covid-19 pandemic period, we successfully implemented business continuity responses and continued to offer essential services and maintained service level agreements to serve our customers with minimal disruption. No major impact arised from pandemic infection or third party dependencies in the past one year. The Crisis Management Team ("CMT") chaired by CEO monitors and manages responses to any incident escalated from the business functions to ensure continuity of our business.

PILLAR 3 DISCLOSURES

7. OPERATIONAL RISK (CONTD)

Reporting

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

Islamic Banking Business

	31.03.2022		31.03.2021	
	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	49,716	3,977	55,246	4,420

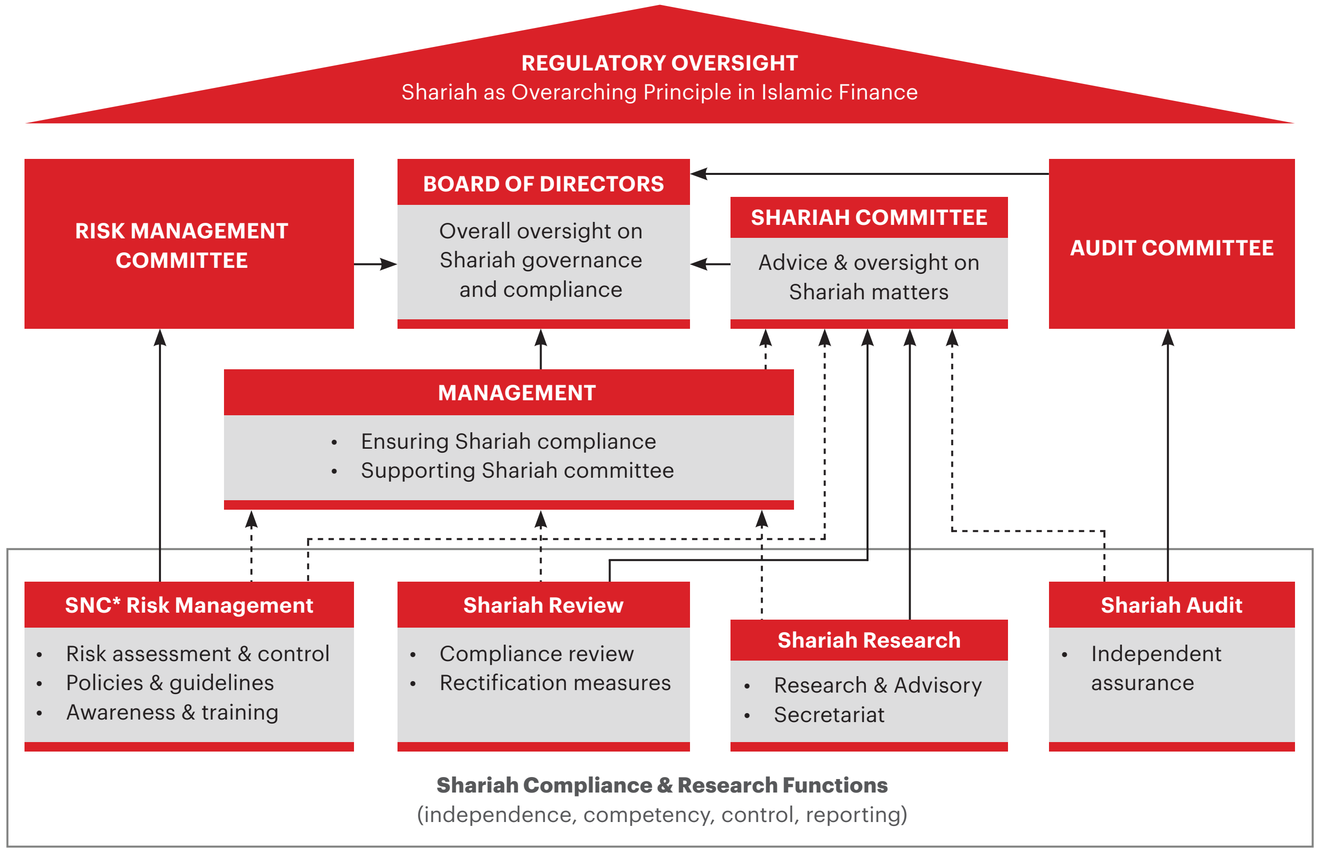
8. PROFIT SHARING INVESTMENT ACCOUNTS

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

9. SHARIAH GOVERNANCE

Shariah compliance is an integral feature in the Islamic finance. Having sound Shariah governance is essential to ensure the aims and operations of the institutions offering Islamic financial services does not contravene Shariah principles and in line with the regulatory requirement. As such, it is reflected by effective function of the Board in providing the overall oversight, the Shariah Committee in providing advice and oversight on Shariah matters, the Management in ensuring the execution complies with Shariah requirements and the Shariah Compliance and Research functions in supporting the internal arrangements.

By virtue of the Shariah Governance Policy Document issued by Bank Negara Malaysia ("the SGP"), the Shariah governance structure adopted by the Bank is illustrated as follows:



* SNC: Shariah Non-Compliance

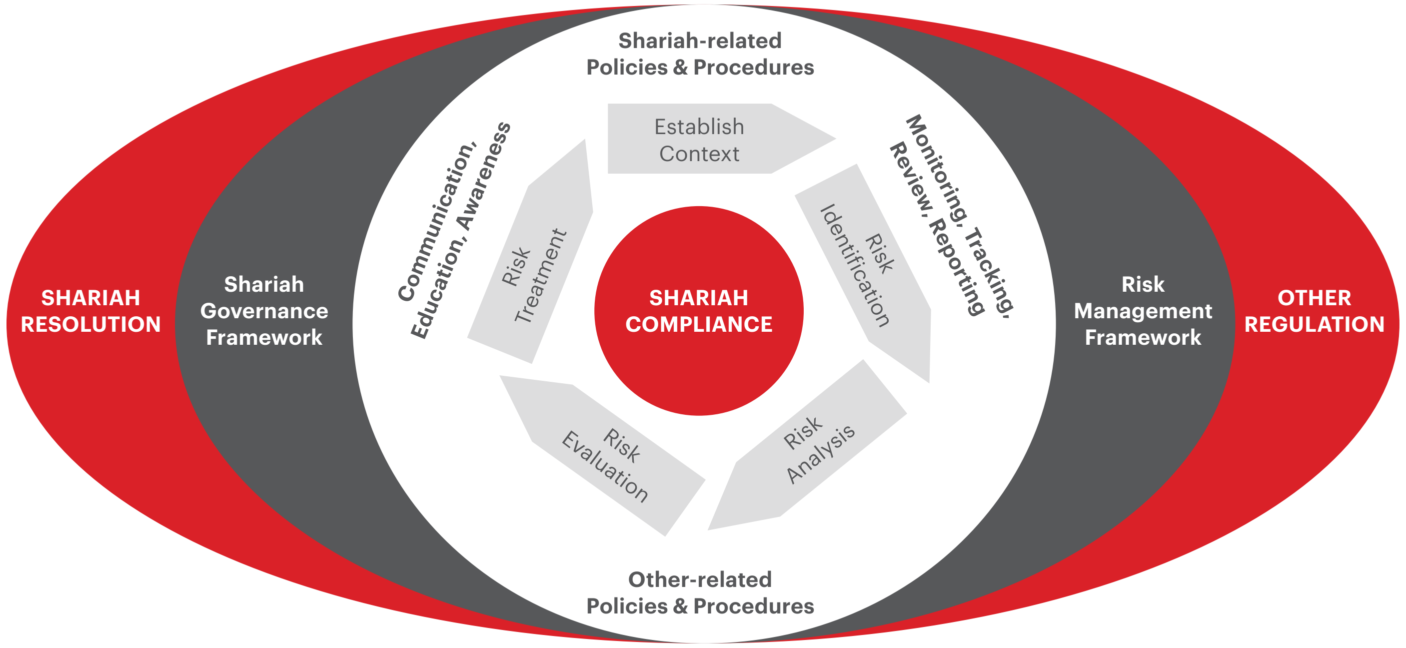
PILLAR 3 DISCLOSURES

9. SHARIAH GOVERNANCE (CONTD)

Managing Risk of Shariah Non-Compliance

Sound Shariah governance should be reinforced with adoption of risk management framework for Shariah non-compliance. Shariah non-compliance risk, the unique risk of Islamic finance which might impact the Bank's financial and/or non-financial aspects, arises from the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee of the Bank and/or National Shariah Advisory Council of BNM and Securities Commission (where applicable) in conducting the Islamic financial business.

Towards optimising the risk-aware culture across relevant areas in the Bank, the risk management framework for Shariah non-compliance has been established under the auspices of Shariah governance framework. The method of managing Shariah non-compliance risk is depicted as follows:



For effective risk management and control, the Bank is adopting the strategic implementation of tiered model i.e. Three Lines of Defence in governing and managing risk of Shariah non-compliance for Islamic financial business. The internal Shariah functions i.e. Shariah Research, Review and Risk Management act as control functions to support the business operation, while Shariah Audit provide independent assurance on the Shariah governance arrangement.

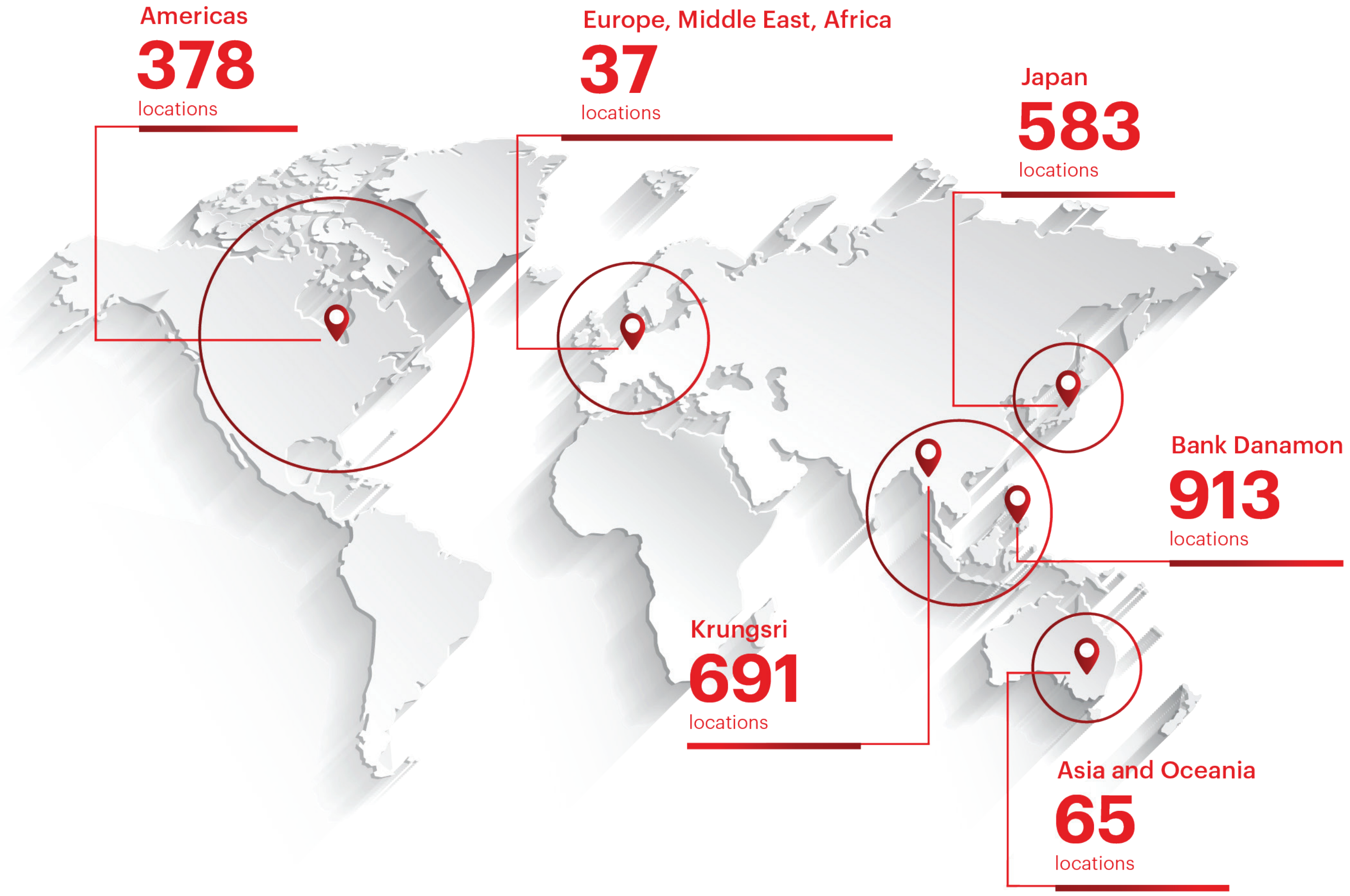
In ensuring controllable development (ex-ante) and implementation (ex-post) infrastructure, the respective risk factors are being observed as described herein:

Governance:	The structure of roles and function of internal organs, policies and procedures, and control mechanism.
Instrument:	Products or services, mechanism and associated transaction.
People:	The related staff and their conduct.
Process:	Practices, steps, transactions, tasks or actions involve in the Islamic financial operation and business activities.
System & Tool:	Matters relating to information system, data and other applicable tools.
External Factor:	External causes that are beyond the Bank's control but may disrupt the Bank's operations or cause damage to the Bank.

Shariah Non-Compliance Event

For financial year ended 31 March 2022, no actual Shariah non-compliance event has been detected. As such, no Shariah non-compliant income or related income has been recorded for the year.

GLOBAL NETWORK



MUFG MUFG Bank (Malaysia) Berhad

GLOBAL NETWORK

Country	City	Office/Affiliates	Address	Tel. No.
ASIA & OCEANIA				
Asia				
Bangladesh	Dhaka	Dhaka Representative Office	Pan Pacific Sonargaon Dhaka, Annex Building (3rd Floor), 107, Kazi Nazrul Islam Avenue, Dhaka 1215, Bangladesh	880-2-9118982
Cambodia	Phnom Penh	Phnom Penh Representative Office	Unit 1504, 15th Floor Exchange Square, Building No.19&20, Street 106, Village 2, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia, 12202	855-23-964-321
India	Bengaluru	Bengaluru Branch	N701, 7th Floor, World Trade Center Bengaluru, Brigade Gateway Campus, 26/1 , Dr. Rajkumar Road, Malleshwaram West, Bengaluru 560055, Karnataka, India	91-80-6758-0000
	Chennai	Chennai Branch	Seshachalam Centre, 6th & 7th Floor, 636/1, Anna Salai, Nandanam, Chennai 600 035, India	91-44-4560-5800 91-44-4560-5900
	Mumbai	Mumbai Branch	602 & 603, Level 6, Inspire BKC, 'G' Block, BKC Main Road, Bandra Kurla Complex, Bandra East, Mumbai-400051,India	91-22-6669-3000
	Neemrana	Neemrana Branch	1st Floor Neemrana Central, CC-12, RIICO Industrial Area, Phase 1 Neemrana, Alwar, Rajasthan 301 705, India	91-14-9467-0800
	New Delhi	New Delhi Branch	5th Floor, Worldmark 2, Asset 8, Aerocity, New Delhi 110037, India	91-11-4100-3456
Indonesia	Bandung	Bandung Service Point	Graha Internasional Jl. Asia Afrika No. 129, Bandung 40112, Republic of Indonesia	62-22-424-1870 62-22-424-1871 62-22-423-2958
	Jakarta	Jakarta Branch	Trinity Tower, Lt. 6-9, Jl. H.R. Rasuna Said Kav. C22 Blok IIB Jakarta 12940, Indonesia	62-21-2553-8300
		Bekasi Service Point	EJIP Center, EJIP Industrial Park, Cikarang Selatan, Bekasi 17550, Republic of Indonesia	62-21-897-5148
		Cikampek Service Point	Sentra Niaga, Blok A-II/29 No. B7, Kota Bukit Indah	62-264-350533
		Karawang Service Point	Graha KIIC, Kawasan Industri KIIC, Jl. Permata Raya Lot C 1B, Karawang 41361, Republic of Indonesia	62-21-8910-8288
		Kota Deltamas Service Point	Ruko Palais de Paris unit A-18, Jl. Boulevard Raya Kota Deltamas, Tol Jakarta-Cikampek KM 37, Cikarang Pusat, Bekasi 17530, Republic of Indonesia	62-21-8997-0760
		MM2100 Service Point	Befa Square Unit G-C Lantai G, Jl. Kalimantan, Kawasan Industri, MM2100, Desa Gandasari, Cikarang Barat, Bekasi,Jawa Barat 17842, Republic of Indonesia	62-21-898-1167

Country	City	Office/Affiliates	Address	Tel. No.
		Suryacipta City of Industry Service Point	The Manor Office Park, 1st Floor, Unit E & F, Jl. Surya Utama Kav. C-1, Suryacipta City of Industry, Karawang 41363, West Jawa, Republic of Indonesia	62-21-3042-4000
		PT U Finance Indonesia	ANZ TOWER, 21 Floor, Jalan Jenderal Sudirman Kav. 33A Jakarta 10220, Republic of Indonesia	62-21-571-1109
	Surabaya	Surabaya Sub-Branch	Graha Bumi Modern, Jl. Jenderal Basuki Rakhmat 106-128, Surabaya 60271, Republic of Indonesia	62-31-531-6711
Malaysia	Kuala Lumpur	MUFG Bank (Malaysia) Berhad	Level 9, Menara IMC, No.8, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	60-3-2034-8000 60-3-2034-8008
		Kuala Lumpur Co-Located Office	Level 12, Menara IMC, No.8, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	60-3-2034-8080
	Labuan	Labuan Branch	Level 12 (A&F), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 Federal Territory of Labuan, East Malaysia	60-87-410-487
	Penang	MUFG Bank (Malaysia) Berhad, Penang Branch	1827-G1, Jalan Perusahaan, Auto City, 13600 Prai, Penang	604-501-8818
Myanmar	Yangon	Yangon Branch	2nd Floor, Union Financial Centre, Corner of Maharbandoola Road and Thein Phyu Road, Bohtataung Township, Yangon, Republic of the Union of Myanmar	95-1-861-0371
Pakistani	Karachi	Pakistan Liaison Office	Mezzanine Floor, Tower-B Technology Park ST-08, Shahrahe-Faisal Road, Karachi, Islamic Republic of Pakistan	92-21-3278-1039
Philippines	Manila	Manila Branch	15th Floor, 6788 Ayala Avenue, Makati City, Metro Manila, Republic of the Philippines	63-2-886-7371
Singapore	Singapore	Headquarters of Asia	7 Straits View #23-01 Marina One East Tower, Singapore 018936 Republic of Singapore	65-6538-3388
Sri Lanka	Colombo	Colombo Representative Office	#04-02, West Tower, World Trade Center, Echelon Square, Colombo 01, Democratic Socialist Republic of Sri Lanka	94-11-232-3939
Thailand	Bangkok	Bank of Ayudhya PCL ("Krungsri"), Head Office	1222 Rama III Road, Bang Phongphang, Yan Nawa, Bangkok 10120, Kingdom of Thailand	66-2-296-2000
		Bank of Ayudhya PCL ("Krungsri"), Krungsri Ploenchit Tower	550 Ploenchit Road, Lumphini, Pathumwan, Bangkok 10330, Kingdom of Thailand	66-2-266-3011
		Bangkok MUFG Limited	898 Ploenchit Tower, 9th Floor Zone B1, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	66-2-263-0856
		MUFG Holding (Thailand) Co.,Ltd.	898 Ploenchit Tower, 9th Floor Zone B1, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	66-2-263-0856
		MUFG Participation (Thailand) Co.,Ltd.	898 Ploenchit Tower, 9th Floor Zone B1, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	66-2-263-0856

GLOBAL NETWORK

Country	City	Office/Affiliates	Address	Tel. No.
Vietnam	Hanoi	Hanoi Branch	6th & 7th Floor, Pacific Place, 83B Ly Thuong Kiet Street, Hoan Kiem District, Hanoi, Socialist Republic of Vietnam	+84-24-3946-0600
	Ho Chi Minh City	Ho Chi Minh City Branch	8th Floor, The Landmark, 5B Ton Duc Thang Street, District 1, Ho Chi Minh City, Socialist Republic of Vietnam	+84-28-3523-1560
East Asia				
China	Beijing	MUFG Bank (China), Ltd. Beijing Branch	2F, Beijing Fortune Building, 5 Dong Sanhuan Bei-Lu, Chaoyang District, Beijing 100004, People's Republic of China	86-10-6590-8888
	Chengdu	MUFG Bank (China), Ltd. Chengdu Branch	18F, Tower 2, Plaza Central, 8 Shun Cheng Avenue, Jinjiang District, Chengdu, Sichuan Province 610016, People's Republic of China	86-28-8671-7666
	Dalian	MUFG Bank (China), Ltd. Dalian Branch	11F, Senmao Building, 147 Zhongshan Road, Xigang District, Dalian, Liaoning Province 116011, People's Republic of China	86-411-8360-6000
		MUFG Bank (China), Ltd. Dalian Economic & Technological Development Area Sub-Branch	18F, International Business Buildings of Gugeng, 138 Jinma Road,Dalian Economic & Technological Development Area, Dalian, Liaoning Province 116600, People's Republic of China	86-411-8793-5300
	Fuzhou	MUFG Bank (China), Ltd. Fuzhou Branch	5/F Unit 01, 02, 03, 10, 11, 12, Huaban Building, No. 363, Jiangbinzhong Avenue, Taijiang District, Fuzhou, 350009, People's Republic of China	86-591-3810-3777
	Guangzhou	MUFG Bank (China), Ltd. Guangzhou Branch	24F, International Finance Place, No.8 Huaxia Road, Pearl River New Town, Guangzhou, Guangdong Province 510623, People's Republic of China	86-20-8550-6688
		MUFG Bank (China), Ltd. Guangzhou Nansha Sub-Branch	Room No 805-806, Nansha CGCC Building, No.162, Guangqian South Road, Nansha District, Guangzhou Guangdong Province 511458, People's Republic of China	86-20-3909-9088
	Hangzhou	MUFG Bank (China), Ltd. Hangzhou Branch	Unit 1002, 1003 and 1004, Level 10, Building 2, Hangzhou Kerry Centre, No.385 Yan'an Road, Xiacheng District, Hangzhou, Zhejiang Province, 310006, People's Republic of China	86-571-8792-8080
	Qingdao	MUFG Bank (China), Ltd. Qingdao Branch	20F, Cosco Plaza, 61 Hong Kong Middle Road, Shinan District, Qingdao, Shandong Province 266071, People's Republic of China	86-532-8092-9888
	Shanghai	MUFG Bank (China), Ltd. Head Office	16F, New Bund Times Square, No399, Haiyang West Road, Pudong New District, Shanghai 200126, People's Republic of China	86-21-6888-1666

Country	City	Office/Affiliates	Address	Tel. No.
		MUFG Bank (China), Ltd. Shangai Branch	16F, New Bund Times Square, No399, Haiyang West Road, Pudong New District, Shanghai 200126, People's Republic of China	86-21-6888-1666
		MUFG Bank (China), Ltd. Shangai Pilot Free Trade Zone Sub-Branch	16F, New Bund Times Square, No399, Haiyang West Road, Pudong New District, Shanghai 200126, People's Republic of China	86-21-6888-1666
	Shenyang	MUFG Bank (China), Ltd. Shenyang Branch	Room 2002, 20F, CR Building, No.286 Qingnian Street, Heping District, Shenyang, Liaoning Province 110016, People's Republic of China	86-24-8398-7888
	Shenzhen	MUFG Bank (China), Ltd. Shenzhen Branch	9-10/F, Tower One, Kerry Plaza, 1 Zhongxinsi Road, Futian District, Shenzhen, Guangdong Province 518048, People's Republic of China	86-755-8256-0808
	Suzhou	MUFG Bank (China), Ltd. Suzhou Branch	15F, Guangrong Building, No.289, East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province 215028, People's Republic of China	86-512-3333-3030
		MUFG Bank (China), Ltd. Suzhou Changshu Sub-Branch	C & D area, 12F, Kechuang Building No.333 Dongnan Road, Changshu New & Hi-tech Industrial Development Zone, Changshu City, Jiangsu province, 215500, People's Republic of China	86-512-5151-3030
	Tianjin	MUFG Bank (China), Ltd. Tianjin Branch	21F Tianjin International Building, 75 Nanjing Road, Heping District, Tianjin 300050, People's Republic of China	86-22-2311-0088
	Wuhan	MUFG Bank (China), Ltd. Wuhan Branch	Suite 2008, Corporate Center 5, 1628 Zhongshan Avenue, Jiang'an District, Wuhan, Hubei Province 430010, People's Republic of China	86-27-8220-0888
	Wuxi	MUFG Bank (China), Ltd. Wuxi Branch	10F, Wuxi Software Park, No. 16 Changjiang Road, Wuxi New District, Wuxi, Jiangsu Province 214028, People's Republic of China	86-510-8521-1818
Hong Kong	Hong Kong	Hong Kong Branch	8F, AIA Central, 1 Connaught Road, Central, Hong Kong, People's Republic of China	852-2823-6666
Japan	Tokyo	MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	81-3-3240-1111
Korea	Seoul	Seoul Branch	4th Floor Young Poong Bldg, 41 Cheonggyecheon-ro, Jongno-gu, Seoul, Republic of Korea	82-2-399-6400
Mongolia	Ulaanbaatar	Ulaanbaatar Representative Office	Suite 906, Central Tower, Sukhbaatar Square-2, Sukhbaatar District, 8th Khoroo, Ulaanbaatar-14200, Mongolia	976-7555-0808
Taiwan	Kaohsiung	Kaohsiung Branch	4th Floor, No. 88, Cheng Gong 2nd Rd., Qian Zhen District, Kaohsiung City 806, Taiwan	886-7-332-1881
	Taipei	Taipei Branch	8th & 9th Floor, Union Enterprise Plaza, 109 Min Sheng East Road Sec.3, Taipei 10544, Taiwan	886-2-2514-0598

GLOBAL NETWORK

Country	City	Office/Affiliates	Address	Tel. No.
Oceania				
Australia	Melbourne	Melbourne Branch	Level 22, 600 Bourke Street, Melbourne, Victoria 3000 Australia	61-3-6902-8999
	Perth	Perth Branch	Level 21, 221 St. George's Terrace, Perth, Western Australia 6000 Australia	61-8-6188-9800
	Sydney	Sydney Branch	Level 25, Gateway, 1 Macquarie Place, Sydney, N.S.W. 2000 Australia	61-2-9296-1111
New Zealand	Auckland	Auckland Branch	Level 19, 151 Queen Street, Auckland, New Zealand (mailing address: P.O. Box 105160, Auckland, New Zealand)	64-9-302-3554

THE AMERICAS

Country	City	Office/Affiliates	Address	Tel. No.
North America				
Canada	Calgary	Calgary Office	335 8th Avenue SW, Suite 1840, Calgary, Alberta, T2P 1C9, Canada	1-403-444-4970
	Montreal	Montreal Office	600 de Maisonneuve Boulevard West, Suite 520, Montreal, Quebec, H3A 3J2, Canada	1-514-875-9261
	Toronto	Toronto Branch	600 de Maisonneuve Boulevard West, Suite 520, Montreal, Quebec, H3A 3J2, Canada	1-416-865-0220
	Vancouver	Vancouver Office	Suite 1040, 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2, Canada	1-604-691-7300
Mexico	Mexico, D.F.	MUFG Bank Mexico, S.A.	Avenida Paseo de la Reforma No. 250, Piso 11 (Torre A), Colonia Juarez, Delegacion Cuauhtemoc, C.P. 06600, Mexico, Ciudad de Mexico	52-55-1102-8300
		Representative Office in Mexico	Avenida Paseo de la Reforma No. 250, Piso 11 (Torre A), Colonia Juarez, Delegacion Cuauhtemoc, C.P. 06600, Mexico, Ciudad de Mexico	52-55-1102-8490
	Leon	MUFG Bank Mexico, S.A. Leon Office	Blvd. Adolfo Lopez Mateos 1717 Piso 10, Col. Los Gavilanes, Leon, Guanajuato, C.P. 37270, Mexico	52-55-1102-7101
U.S.A.	Alanta	Alanta Corporate Banking Office	Geogia-Pacific Center, Suite 3450, 133 Peachtree Street, NE, Atlanta, GA 30303-1808 U.S.A.	1-404-577-2960
	Chicago	Chicago Branch	227 West Monroe Street, Suite 1550, Chicago, IL 60606 U.S.A.	1-312-696-4500
	Dallas	Dallas Agency	500 North Akard Street, 42F, Dallas, TX 75201, U.S.A.	1-214-954-1200
	Houston	Houston Agency	1100 Louisiana Street, Suite 4850, Houston, TX 77002-5216 U.S.A.	1-713-658-1160
	Kentucky	Kentucky Corporate Banking Office	7300 Turfway Road, Suite 440, Florence, Kentucky 41042, U.S.A.	1-859-568-1400

Country	City	Office/Affiliates	Address	Tel. No.
	Los Angeles	Los Angeles Branch	445 South Figueroa Street, Suite 2700, Los Angeles, CA 90071, U.S.A.	1-213-488-3700
	Minnesota	Minnesota Corporate Banking Office	601 Carlson Parkway, Suite 1275, Minnetonka, MN 55305, U.S.A.	1-952-473-5090
	New York	New York Branch	1251 Avenue of the Americas, New York, NY 10020-1104, U.S.A.	1-212-782-6800
		New York 1221 Building Branch	1221 Avenue of the Americas, New York, NY 10020, U.S.A.	1-212-782-6800
		MUFG Union Bank, N.A.	Principal Executive Office 1251 Avenue of the Americas, New York, NY 10020, U.S.A.	1-212-782-6800
	San Francisco	San Francisco Corporate Banking Representative Office	350 California Street, San Francisco, CA 94104 U.S.A.	1-415-765-2050
		MUFG Union Bank, N.A.	Main Banking Office 350 California Street, San Francisco, CA 94104 U.S.A.	1-415-765-3434
	Seattle	Seattle Corporate Banking Office	1201 3rd Avenue, Suite 950, Seattle, WA 98101, U.S.A.	1-206-382-6000
	Washington	Washington D.C. Representative Office	1909 K Street, NW, Suite 350, Washington, DC 20006-1161 U.S.A.	1-202-463-0477
Latin America				
Argentina	Buenos Aires	Representative Office in Argentina	Av.Leandro N. Alem 855, 25th Floor, Buenos Aires City, Argentina	54-11-5531-1450
Brazil	Sao Paulo	Banco MUFG Brasil S.A.	Av. Paulista 1274, Bela Vista, Sao Paulo, SP, Brasil CEP 01310-925	55-11-3268-0211
Chile	Santiago	Representative Office in Chile	COSTANERA CENTER TOWER II. Avenida Andrés Bello 2457, oficina 2103, Providencia, Santiago, Chile	56-2-2345-1000
Colombia	Bogota	Representative Office in Colombia	Carrera 7 No.71-21, Torre B Of. 507, Bogota, Republic of Colombia	57-1-325-9000
Peru	Limai	Representative Office in Peru	Av. Victor Andres Belaunde 214, Oficina 302 San Isidro, Lima, Peru	51-1-213-6900
Venezuela	Caracas	Representative Office in Venezuela	c/o MUFG Bank, Ltd., Representative Office in Colombia	-

Country	City	Office/Affiliates	Address	Tel. No.
EUROPE, THE MIDDLE EAST & AFRICA				
Europe				
Austria	Vienna	MUFG Bank (Europe) N.V. Vienna Branch	Schwarzenbergplatz 5, A-1037 Vienna, Republic of Austria (mailing address P.O. Box 51 A-1037 Vienna, Republic of Austria)	43-1-50262-01
Belgium	Brussels	MUFG Bank (Europe) N.V. Brussels Branch	Boulevard Louis Schmidt 29, 1040 Brussels, Kingdom of Belgium	32-2-551-4411
Czech Republic	Prague	MUFG Bank (Europe) N.V. Prague Branch	Klicperova 3208/12, 150 00 Prague 5, Czech Republic	420-257-257-911
France	Paris	Paris Branch	Le Centorial, 18, rue du Quatre Septembre, 75002 Paris, France (mailing address: Le Centorial, 18, rue du Quatre Septembre, 75080 Paris CEDEX2, Republic of France)	33-1-4926-4927
Germany	Dusseldorf	MUFG Bank (Europe) N.V. Germany Branch	Breite Strasse 34, 40213 Dusseldorf, F.R. Germany (mailing address: P.O. Box 10 49 51, 40040 Dusseldorf, F.R.Germany)	49-211-36670
		MUFG Europe Lease (Deutschland) GmbH	Breite Strasse 34, 40213 Dusseldorf, F.R. Germany (mailing address: Postfach 10 49 51, 40040 Dusseldorf, F.R.Germany)	49-211-366783
	Frankfurt	MUFG Bank (Europe) N.V. Germany Branch, Frankfurt Office	Junghofstrasse 24, 60311 Frankfurt am Main, F.R.Germany	49-69-7137490
	Hamburg	MUFG Bank (Europe) N.V. Germany Branch, Hamburg Office	Spaces Kallmorgen Tower, Willy-Brandt-Str. 23-25, 20457 Hamburg, F.R. Germany	49-40-4191207-0
	Munich	MUFG Bank (Europe) N.V. Germany Branch, Munich Office	Nymphenburger Strasse 3c, 80335 Munich, F.R.Germany	49-89-225354
Italy	Milano	Milano Branch	Via Filippo Turati, 9, 20121 Milano, Republic of Italy	39-02-669931
Kazakhstan	Almaty	Almaty Representative Office	13 Al-Farabi Avenue, 5th floor, Premises 3, Pavilion 2V, Almaty 050059, Republic of Kazakhstan	7-727-311-1055
Netherlands	Amsterdam	MUFG Bank (Europe) N.V.	World Trade Center, Tower I, Strawinskylaan 1887, 1077 XX Amsterdam, The Netherlands (mailing address: P.O. Box 75682, 1070 AR Amsterdam, The Netherlands)	31-20-5737737
Poland	Warszawa	MUFG Bank (Europe) N.V. S.A. Oddział w Polsce	19th floor, Warsaw Financial Center, Emilii Plater 53, Warsaw, Poland (mailing address: ul. Emilii Plater 53, 00-113 Warszawa, Poland)	48-22-520-5233
Portugal	Lisbon	MUFG Bank (Europe) N.V. Lisbon Representative Office	Avenida Engenheiro Duarte Pacheco, Amoreiras, Torre1, Poso4, Sala10, 1070-101, Lisboa, Portugal	351-21-351-4550

GLOBAL NETWORK

Country	City	Office/Affiliates	Address	Tel. No.
Russia	Moscow	AO MUFG Bank (Eurasia)	Building 2, Romanov per. 4, Moscow 125009, Russian Federation	7-495-225-8999
	Saint-Petersburg	AO MUFG Bank (Eurasia) Saint-Petersburg Sub-Branch	Premises 3-H, 10, A, Nevsky Prospect, Saint-Petersburg, 191186, Russian Federation	7-812-495-4143 7-812-495-4144
	Vladivostok	AO MUFG Bank (Eurasia) Vladivostok Sub-Branch	17 Okeanskiy Prospect, "Fresh Plaza", Vladivostok, 690091, Russian Federation	7-423-201-1995
Spain	Barcelona	MUFG Bank (Europe) N.V. Spain Branch, Barcelona Office	Paseo de Gracia, 56, 6-C, 08007 Barcelona, Spain	34-93-494-7450
	Madrid	MUFG Bank (Europe) N.V. Spain Branch	Jose Ortega y Gasset 29, 3rd Floor, 28006, Madrid, Spain	34-91-432-8500
United Kingdom	London	London Branch	Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN, United Kingdom (mailing address: P.O.Box 280, London EC2M 7DX, United Kingdom)	44-20-7577-1000

The Middle East & Africa

Bahrain	Buenos Aires	Bahrain Branch	Level 12 of the West Tower, Financial Centre, Bahrain Financial Harbour, P.O.Box 5850, Manama, Kingdom of Bahrain	973-1710-3300
Egypt	Cairo	Cairo Representative Office	10th Floor, Nile City Towers, South Tower, Corniche El-Nil P.O. Box 942, Cairo, Egypt	20-2-2461-9690 20-2-2461-9691
Iran	Tehran	Tehran Representative Office	2nd Floor, No.48 Parvin Alley, Vali Asr Ave., Tehran Islamic Republic of Iran	98-21-2621-8044
Qatar	Doha	Doha Office	Suite A3, Mezzanine Floor, Tornado Tower West Bay, P.O. Box 23153, Doha, State of Qatar	974-4433-5000
Saudi Arabia	Riyadh	Riyadh Branch	5th Floor, Building RD-01 Al-Raidah Digital City P.O. Box 66822, Riyadh 11586 The Kingdom of Saudi Arabia	+966-11-835-3900
South Africa	Johannesburg	Johannesburg Representative Office	15th Floor, The Forum Building, 2 Maude Street, Sandown, Sandton, Johannesburg, 2196, Republic of South Africa (mailing address: P.O. Box 78519, Sandton, Johannesburg, 2146, Republic of South Africa)	27-11-884-4721
Turkey	Istanbul	MUFG Bank Turkey Anonim Sirketi	Fatih Sultan Mehmet Mahallesi, Poligon Caddesi Buyaka 2 Sitesi No. 8B, Kat. 20-21, 34771, Tepeustu/Umraniye, Istanbul, Turkey	90-216-600-3000
U.A.E.	Dubai	DIFC Branch - Dubai	Level 3, East Wing, The Gate, Dubai International Financial Centre, P.O.Box 506614, Dubai, United Arab Emirates	971-4-387-5000