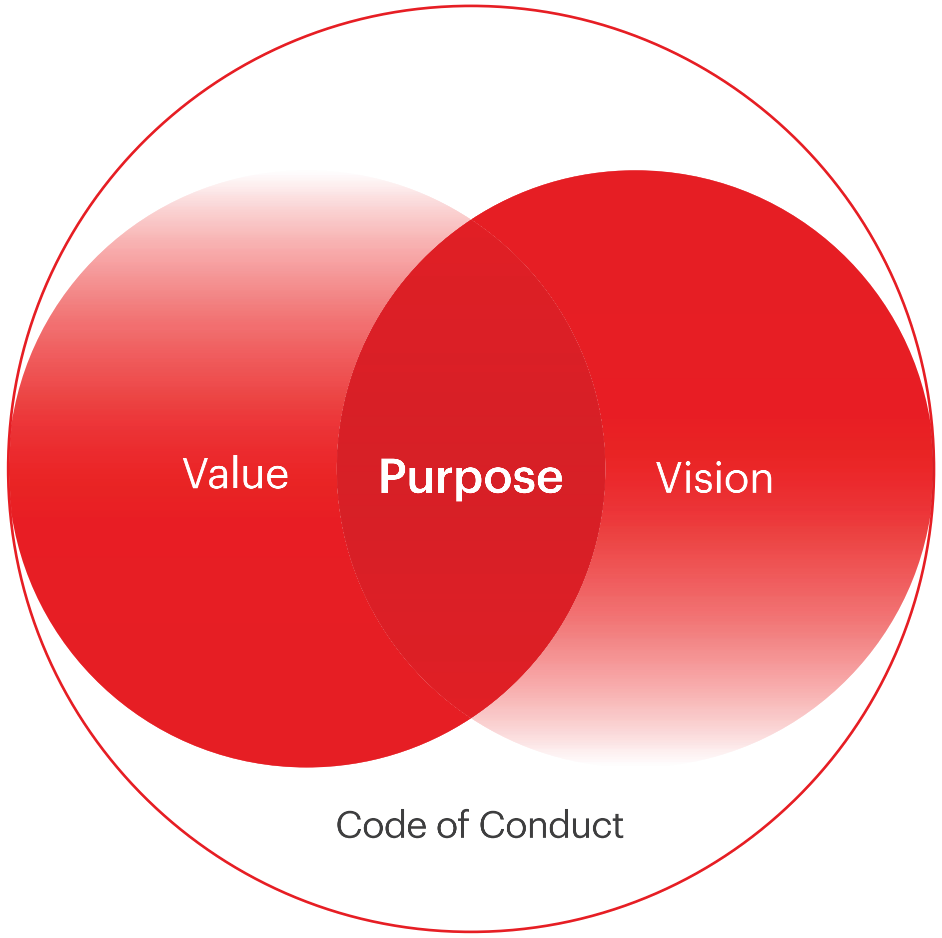
COMMITTED TO EMPOWERING
A BRIGHTER FUTURE

CONTENTS

MUFG WAY

MUFG Way serves as the basic policy in conducting our business activities, and provides guidelines for all group activities.

MUFG Way also is the foundation for management decisions, including the formulation of management strategies and management plans, and serves as the core value for all employees.



PURPOSE

Committed to empowering a brighter future

VALUES

1. Integrity and Responsibility
2. Professionalism and Teamwork
3. Challenge and Agility

VISION

Be the worlds's most trusted financial group

CORPORATE INFORMATION

Senior Management

Motohide Okuda
Chief Executive Officer / Country Head of Malaysia and Executive Director

Shingo Usuda
Managing Director / Deputy Head

Foo See Hee
Managing Director / Deputy Head

Goh Kiat Seng
Managing Director, Global Corporates

Nik Azhar
Managing Director, Global Markets

Kenneth Ong Thai Kee
Chief Risk Officer

Mohd Khairil Ezane Azman
Chief Compliance Officer

Thanabalan Muthu
Chief Internal Auditor

Company Secretary

Wong Lai Kuan
(MAICSA 7032123)
SSM PC: 201908003903

Auditors

Deloitte PLT
Level 16, Manara LGB, 1,
Jalan Wan Kadir, Taman Tun Dr Ismail,
60000 Kuala Lumpur, Malaysia

Registered Office Address

Level 24, Plaza Conlay, No. 18,
Jalan Conlay, 50450, Kuala Lumpur, Malaysia

Tel : +603 - 2034 8000
+603 - 2034 8008
Fax : +603 - 3010 5331

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

BANK'S PROFILE

MUFG Bank (Malaysia) Berhad, celebrated its 65th Anniversary in Malaysia in 2022. 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 over 360 years tradition of pioneer-ship in international and domestic banking. The worldwide network of the Group with specialized knowledge and skills especially in treasury products and international trade enable the Group to serve customers well.

We sincerely believe in building good long-term relationships with our valued customers. Our customers can be assured of access to the international network and services of MUFG's over 2,000 locations in more than 40 markets.

BANKING SERVICES

Corporate Banking

- Export Credit Refinancing
- Loans
  - Terms Loans
  - Revolving Credit
  - Foreign Currency Loan
  - Overdraft Facilities
  - Small & Medium Enterprise (incl. Credit Guarantee Corporate Loans)
- Referral Scheme to Funding Societies

Debt Capital Market

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

Deposit

- Current Account
- Foreign Currency Account
- Savings Account
- Fixed Term Deposit
- Green Deposit
- Money Market Deposit
- Extendable Investment Deposit

Housing Loan

- Housing Loan

Strategic Research

- Strategic Research

General Trade Finance

- Banker Acceptance
- Trust Receipts
- Shipping Guarantee
- Onshore Foreign Currency Loan – Trade
- Bank Guarantee
- Standby Letter of Credit

Documentary Credit (DC)

Export
- Letter of Credit (L/C) Advising
- Letter of Credit (L/C) Confirmation
  - Open & Silent
- Negotiation / Collection of Export LC Bills
- Letter of Credit (L/C) Non-Recourse Discounting
- Letter of Credit (L/C) UPAS Discounting

Import
- Letter of Credit (L/C) issuance
- Import Bill Receivable under Letter of Credit (L/C)

Documentary Collection

- DA/DP Collection
- Negotiation of Export Bills without L/C

Supply Chain Products

- Account Receivable Purchase Scheme (APRS)
  - With Recourse
  - Without Recourse

Payment Services

- Cheque Issuance
- Domestic Remittance
  - DuitNow Transfer
  - DuitNow AutoDebit
  - RENTAS
  - Interbank GIRO
- Foreign Remittance
- Bill Payment (JomPAY)
- Standing Order/Recurring Payment 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
- COMSUITE Payable Finance
- COMSUITE Forex
- Cash Forecasting Service
- eBL Service - EssDocs
- Interest Optimization
- Payment Email Notification Service for GIRO, JomPay and DuitNow Service

Financial Institution (FI) Trade Finance

- FI Trade Loan

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' Noorazman bin Abd Aziz
Chairman and Independent Director

Motohide Okuda
Chief Executive Officer / Country Head of Malaysia and Executive Director

Rashid bin Ismail
Independent Director

Amin Siru bin Abdul Rahman
Independent Director

Board of Directors

Y.Bhg Dato' Noorazman bin Abd Aziz
Chairman and Independent Director

Mr. Motohide Okuda
Chief Executive Officer / Country Head of Malaysia and Executive Director

En. Rashid bin Ismail
Independent Director

En. Amin Siru bin Abdul Rahman
Independent Director

Audit Committee

En. Rashid bin Ismail
Chairman

Y.Bhg Dato' Noorazman bin Abd Aziz

En. Amin Siru bin Abdul Rahman

Risk Management Committee

En. Amin Siru bin Abdul Rahman
Chairman

En. Rashid bin Ismail

Y.Bhg Dato' Noorazman bin Abd Aziz

Nomination Committee

En. Rashid bin Ismail
Chairman

Mr. Motohide Okuda

Y.Bhg Dato' Noorazman bin Abd Aziz

En. Amin Siru bin Abdul Rahman

Remuneration Committee

En. Amin Siru bin Abdul Rahman
Chairman

En. Rashid bin Ismail

Y.Bhg Dato' Noorazman bin Abd Aziz

Shariah Committee

Assoc. Prof. Dr. Said Bouheraoua
Chairman

Prof. Dato' Dr. Mohd Azmi bin Omar
Member

Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria
Member

CHAIRMAN'S STATEMENT

Dear Valued Stakeholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of MUFG Bank (Malaysia) Berhad for the year ended 31 March 2024.

TOTAL OPERATING PROFIT

RM 814.56 million

PRE-TAX PROFIT

RM 552.77 million

NET PROFIT AFTER TAX

RM 371.53 million

Y.Bhg Dato' Noorazman bin Abd Aziz
Chairman

As we reflect on the past year, the global market experienced a dynamic and evolving landscape shaped by a combination of events. The aftermath of the Covid-19 pandemic continued to influence economic policies and consumer behavior with business adapting to hybrid work model and digital commerce.

Technological advancements particularly in artificial intelligence, blockchain and renewable energy, spurred innovation, and investment across sectors, driving growth and competition. Geopolitical tensions, trade disputes and environmental concerns introduced volatility and uncertainty, prompting organizations to reassess their supply chains and sustainability strategies. Overall, 2023 marked a year of adaptation, innovation and resilience as businesses navigated through a complex and rapidly changing market environment.

Despite the dynamic and unpredictable market conditions, the Bank has demonstrated a strong and resilient track record of financial performance, robust asset quality and excellent operational capabilities. We are well prepared to seize opportunities that will drive us to the next phase of sustainable growth, positioning the bank to be future-ready for our valued clients and talents.

SUSTAINABILITY

As a global financial leader, our knowledge stems from a 360 year heritage of financial stability and commitment to our clients' future. We believe that environmental, social and governance (ESG) considerations are essential to achieving sustainable growth.

To establish the required capabilities and implant a sustainability mindset, we continued equipping our top and middle management, including fellow Board members, senior management, and staff, with ESG learning series in-collaboration with established training providers and in-house e-learning management system. We aim to extend our training throughout the year and continue to build capabilities of our staff and equip them with the necessary information reinforcing our purpose of sustainability across all levels of the organization.

In November 2023, the Bank reaffirms its goal to decarbonize its operations by 2030, we took pride in contributing to this initiative by relocating to a green certified building known for its eco-friendly features. This step brings us closer to the MUFG goal of reaching net zero greenhouse gas emissions, joining other branches in this effort.

2023 Office Opening Ceremony together with Family Day on 4th November 2023, sharing two significant moments with our beloved colleagues, family and friends.

As we continue to drive change and develop momentum towards a sustainable business, our stakeholders' expectations will continue to rise, as will our drive to do more. In the new FY2024, we will embark on a new mid-term business plan (MTBP) journey on our next 3 years business roadmap, which MUFG seeks to integrate efforts aimed at solving environmental and social issues into its management strategy and position as one of the three pillars of the MTBP, as well as strengthen them going forward.

Together in MUFG, we wish to lead a different path, creating a meaningful, positive and drive changes in our own operations to enable a brighter future for all.

RISK, GOVERNANCE, CYBER SECURITY THREAT

In an era defined by digital innovation and artificial intelligence, the threat landscape of cybersecurity looms larger and more ominous than ever before. At MUFG, the Board recognize the gravity of this reality and remain steadfast in our commitment to safeguarding the interest and confidentiality of our clients' information. The evolving nature of cyber threats demand a proactive approach, as we spare no effort in fortifying our defenses against potential breaches and attacks. Our dedicated team continually monitors emerging threats, conduct awareness session and other initiatives to ensure the resilience of our systems.

We believe through ongoing education and awareness initiatives; we empower our employees and clients with the knowledge and tools needed to mitigate risks and stay alert against cyber threats. At MUFG, cybersecurity is not just a priority – it's a fundamental cornerstone of our operations. By remaining vigilant and proactive in our approach, we are confident in our ability to navigate the ever-changing cybersecurity landscape and uphold the standards of security and integrity for our valued clients.

MUFG CULTURE / TALENT RETENTION

At MUFG, we are deeply committed to fostering a workplace culture that prioritizes the well-being of our talents while championing diversity, equity and inclusion (DEI). Recognizing that our talents are our greatest asset, a series of workplace wellness initiatives were planned since the Covid-pandemic. We believe that a truly healthy workplace encompasses not only physical and mental wellness but also a sense of belonging and respect for all individuals. Through our sustainable workplace wellness programme, we aim to create an environment under different pillars where every employee feels valued, supported and empowered to thrive and build their career with MUFG. By embracing the DEI principles in our wellness initiatives, we strive to promote the health and happiness of our employees but also cultivate a more engaged, innovative, and resilient organization.

2023 MUFG Movie Mania Annual Dinner on 2nd December 2023 to celebrate achievements, hard work and commitment.

Moving into financial year 2024, under the leadership of our new Chief Executive Officer / Country Head of Malaysia, Mr. Motohide Okuda. The Board look forward to seeing Mr. Okuda guiding the Bank to greater heights, further strengthening the Bank's position in the market and delivering enhanced value to our stakeholders.

FINAL REMARKS AND ACKNOWLEDGEMENT

On behalf of my fellow Board members, I would like to express our sincere gratitude to all our stakeholders – valued clients, and our business partners for their unwavering support and collaboration and continue to play a vital role in our sustainable journey.

I would like to thank Y. Bhg Dato' Sallehuddin, the former chairman, En. Ismail Mahbob, non-independent non-executive director and Mr. Fumio Takamatsu, the former chief executive officer / country head of Malaysia and executive director who has left for Japan on a new assignment. We will miss their invaluable insights and contributions to MUFG Bank (Malaysia) Berhad.

In addition, I would also like to express our appreciation to the regulators for their guidance and oversight, which has helped us navigate complex regulatory landscape and operate responsibly. As we continue on our journey, we remain dedicated to fostering strong relationships with all stakeholders and upholding the trust placed in us.

Together, we will overcome challenges and seize opportunities, and making a positive impact in our community.

Thank you.

Y. Bhg Dato' Noorazman bin Abd Aziz
Chairman / Independent Director

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Valued Stakeholders,

As we reflect on the past year, it is evident that FY2023 has been a period marked by both rising challenges and new opportunities.

The global economy has faced significant headwinds with continued inflationary pressures, supply chain disruptions, potential reductions in the interest rate, and continuation of the geopolitical tensions contributing to an unstable and uncertain market environment.

Motohide Okuda
Chief Executive Officer / Country Head for Malaysia and Executive Director

Despite these external factors, MUFG Bank (Malaysia) Berhad ("MUFG Malaysia" or "the Bank") has demonstrated resilience, showing ability and agility in responding to changes and continue to concentrate on our key strategies while maintaining steadfast and focus to our core strengths.

Through the unwavering dedication and commitment of our team and spirit, the Bank has achieved solid and commendable financial results, exceeding expectations in several key areas.

BUSINESS

While the assessment year has not been without its difficulties, the Bank has managed to navigate the challenges effectively, maintaining operational efficiency, optimizing productivity as well as strengthening our market position in key business pillars such as Japanese and Global Corporates including Global Markets supported by key product offices for financing solutions. MUFG Malaysia are pleased to announce the Bank has achieved healthy set of results in FY2023, given the challenging economic backdrop. We are proud and pleased to share that the Bank has successfully registered a pre-tax profit of RM552.77 million for the financial year ended 31 March 2024. Net profit after taxation was registered at RM371.53 million. Looking ahead, the Bank will continue to remain optimistic, bullish to future forward economy and prospect of growth for Malaysia.

The Bank will pursue our aspirations with higher sense of engagement, empowerment and exposure to address future uncertainties with agility and speed to deliver higher value proposition to our stakeholders and fostering sustainable growth in coming years and challenging novel emerging areas such as transition finance and environmental, social and governance (ESG) initiatives.

RISK AND COMPLIANCE

As a leading Japanese international bank, established in the country for more than 66 years, MUFG Malaysia have contributed to bridging Malaysia with the global market through our extensive global network spread across 2,000 locations. The Bank's capacity to adapt and grow with the times while adopting customer-centric approach have been major contributions to our long-standing success in the country.

The Bank are always reminded to be vigilant and to be in full compliance with regulatory requirements, as this is the fundamental principle of our business. Any form of misconducts or non-compliance will not be tolerated and will be met with disciplinary actions under consequence management framework including a review of compensation and impact to performance rating.

Given the increasingly complex regulatory environment and the ever-evolving nature of risks, the Bank have heightened and strengthened our vigilance and internal controls to ensure robust system that not only identifies, screen but also to mitigate Anti-Money Laundering (AML) compliance risks in accordance with global and regional best practices and standard.

By embedding a strong risk and compliance culture, the Bank vow to instill proactive mindset, empowering our teams to build business while managing compliance risk more effectively to safeguard the Bank's integrity and promote long-term sustainability in safety and soundness.

STAFF / TALENT

MUFG Malaysia continue to uphold the belief and view that human capital as a crucial asset to strive and evolve into a global financial group that can positively influences society. The Bank's goal is to cultivate and promote a work environment where our Bank can remain as the employer of choice, enabling our staff to build and develop long-term career as well as achieving success at professional level.

To highlight the importance work-life balance and promoting overall health and wellness, the Bank has organized a variety of health and wellness-related activities and engagement sessions. These initiatives were led by our Human Resources team and the Sports and Recreation Club to continuously harness a healthy lifestyle among the staffs.

One notable example was our Health and Wellbeing Day, a comprehensive event dedicated to promoting the physical and mental well-being of our staff. Variety of wellness providers to offer complimentary health screenings, ensuring that our staff had easy access to important health services. This event was thoughtfully designed to benefit all staff, reflecting our commitment to their overall wellness and mental well-being.

Sametime, as a dynamic growing Bank, MUFG Malaysia is also pursuing a high-performance culture across the Bank to encourage and promote creativity, innovation, accountability, and continuous improvement to challenge for betterment. One of a key aspect of this initiative is the establishment of Excellence Award program, which recognizes and rewards outstanding contribution from individuals and teams. This initiative not only celebrates exceptional achievements but also reinforces our belief that excellence is driven by collaboration, dedication, and a shared commitment to our Bank's purpose "Committed to empowering a brighter future". Through this recognition, we continue to inspire a culture of high performance that drives both personal and career success.

MESSAGE FROM THE **CHIEF EXECUTIVE OFFICER**

At MUFG Malaysia, we recognize that countries around the world including Japan are striving to achieve carbon neutrality by 2050.

As awareness among investors and consumers grows, and the business environment undergoes significant changes, our valued customers are increasingly working to transform their business models in preparation for a carbon neutral future.

TRANSITION FINANCE / SUSTAINABILITY

In response to these global shifts, the Bank are committed to supporting our clients through this critical transition to net zero. We are also promoting sustainability programs, green investments, and loans, providing innovative greening solutions, and as well as sharing our expertise to help businesses reduce their carbon footprints. By partnering with our clients, we aim to foster a more sustainable economy, ensuring that they not only meet regulatory requirements but also achieve a long-term resilience growth.

MUFG NOW (Net Zero World), the Bank's flagship regional networking and thought leadership platform and initiative was held in March 2024, where close to 100 top business leaders, policymakers and industry experts from across the region to explore Malaysia's strategy to transform to a more sustainable economy and potential linkages with Japan for technology support.

MUFG Malaysia will continue to leverage our strong global network and association with Japan's top industry leaders as well as strong ESG champions with expertise to pursue further innovation, knowledge exchange and cooperation to drive a just and equitable transition for Malaysia. Our special gratitude goes to Puan Madelena, Sustainability Director of Bank Negara Malaysia and distinguished speakers, who have supported this inaugural event.

Building a climate-resilient organization demands more than just operational shifts, we understand that our staff form the very foundation of our organization and plays a crucial role in ensuring our sustainability. We ensure that a secure and inclusive work environment is created while providing ample learning and development opportunities to cultivate a future ready workforce.

To strengthen the capabilities of our team and to nurture a climate-aware mindset within our team, we have focused on raising knowledge and awareness across the organization, enhancing development programs and implemented e-learning climate related programs to bolster our collective efforts. Mini sharing programs were conducted in the form of fun, interactive manner delivered by specially invited subject matter experts.

Together, MUFG Malaysia can create a future where economic success and environmental stewardship go hand in hand and the Bank has planned and mapped a longer-term Decarbonization Net-Zero Awareness (DNA) project aimed to promote sustainable practices within the Bank.

GOING FORWARD

Since my appointment as the CEO / Country Head of Malaysia in April 2024, I have strived to advocate for the 3E's - Empowerment, Engagement, and Exposure within the Bank. MUFG Malaysia will focus on empowerment by strengthening the capabilities of each staff member, fostering an environment where individual growth is a cornerstone of our overall success. Through enhanced engagement, we have sought to improve employee involvement, driving forward our mission to accelerate corporate transformation and performance. Lastly, the Bank will also work to optimize exposure by maximizing mutual benefits with our stakeholders, ensuring that both internal and external partnerships thrive. These principles will be pivotal in shaping our journey this year and will continue to guide us in the future.

MUFG Malaysia will continue to maintain its resilient performance due to the strong support of our stakeholders. We thank our customers for your trust shown in us, and your encouragement that supports our passion to serve you better progressively. As for our Board of Directors, your insights and guidance has helped the Bank to achieve much, and I look forward to your continuous support on our journey to achieve our purpose of being "Committed to empowering a brighter future" together. To achieve this, we will focus on the next three years to realize the strategic pillars outlined in the new mid-term business plan, which begins in 2024.

Finally, my gratitude also goes out to my predecessor, Mr. Fumio Takamatsu, esteemed Board of Directors, colleagues of the Bank and senior management team for their commitment, devotion, and drive to ensure general safety and soundness of the Bank remains sound to position its growth trajectory.

We are certainly well-positioned to do more, and I feel privileged to helm the Bank going forward.

Our sincere appreciation also goes out to Bank Negara Malaysia (BNM), Perbadanan Insurans Deposit Malaysia (PIDM) and related government agencies for all the guidance and assistance rendered during the years.

Motohide Okuda
Chief Executive Officer / Country Head for Malaysia
and Executive Director

AWARDS & ACCOLADES

2021

IFN Best Japanese Bank Offering Islamic Banking Financial Services

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

MUFG Bank (Malaysia) is committed to carry out social related activities that embody MUFG's purpose of being "Committed to empowering a brighter future." through meaningful Corporate Social Responsibility (CSR) activities that positively impact our community.

One of our key initiatives is organizing blood donation drives to support local hospitals need and to save lives. In our most recent drive, we had close to 70 dedicated selfless blood donors who contributed to ensuring a steady supply of this essential resource which is vital to the society.

This initiative not only highlights our dedication to healthcare but also fosters a spirit of volunteerism and compassion among our colleagues.

Blood Donation

Before installation of office furniture

After installation of office furniture

School Adoption Programme

In addition to our health-related efforts, we are deeply invested in improving education as part of social responsibility to create positive impact to the next generation.

We have duly donated office furniture, computers, including classroom furniture for classrooms, to a primary school to complete their classroom for a more conducive study environment. This donation was part of an initiative to enhance relationship with the adopted school under Bank Negara Malaysia's School Adoption Programme, improving the teachers' room for better focus and concentration and equipping the student computer room to provide students with better access to technology and learning resources.

These contributions reflect our continuous commitment and effort to creating an enhanced learning environment for both educators and students, helping to lay the foundation for creating and empowering a brighter future through education.

The Directors have pleasure in submitting their report and the audited financial statements of the Bank for the financial year ended 31 March 2024.

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") both of, which are incorporated in Japan. The Directors regard MUFG Bank, Ltd. as the Bank's immediate holding company and MUFG as ultimate holding company respectively, during the financial year and until the date of this report.

RESULTS

	31.03.2024 RM'000
Profit after tax for the year	371,528

In the opinion of the Directors, the results of the operations of the Bank for the financial year ended 31 March 2024 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 2024.

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' Noorazman bin Abd Aziz *(appointed as Chairman on 1 July 2023)*
Mr. Motohide Okuda *(appointed with effect from 29 March 2024)*
En. Rashid bin Ismail
En. Amin Siru bin Abdul Rahman *(appointed with effect from 1 July 2023)*
En. Ismail bin Mahbob *(resigned with effect from 30 September 2023)*
Mr. Fumio Takamatsu *(resigned with effect from 28 March 2024)*

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 those shown below) 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.

	From the Bank RM'000
Directors of the Bank:	
Fees	350
Remuneration	1,281
Estimated money value of other benefits	232
	1,863

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 during the financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Ordinary Shares			
	At 1 April 2023	Bought	Sold	At 31 March 2024
Interest in the Ultimate Holding Company				
Mitsubishi UFJ Financial Group, Inc.				
Mr. Fumio Takamatsu (resigned w.e.f. 28 March 2024)	6,280	720	-	7,000

None of the other Directors holding office at 31 March 2024 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 2024

GLOBAL AND MALAYSIA ECONOMY

Global economy is expected to continue to experience considerable challenges in 2024, impacted by persistent divergence in global growth and monetary policy expectations, coupled with escalating geopolitical risks that will result in high volatility in global financial markets. The interplay between the on-going sticky inflation, potential credit crunch, the reassessment of monetary policy expectations and the timing of the easing cycle will be key determinants of the pace of global economic activities. While the US headline economic data continue to point to a solid economy, under the surface we believe there are some underlying concerns in particular; in commercial real estate segment and lower-income household. Markets now expect one or two US rate cuts this year, with September is still plausible in our view. Meanwhile, the regional economic growth is projected to accelerate to around 4.5% this year supported by better business sentiment and improved investment interest.

BUSINESS STRATEGY AND OUTLOOK (CONTD)

OVERVIEW OF THE ECONOMY AND PROSPECTS FOR 2024 (CONTD)

GLOBAL AND MALAYSIA ECONOMY (CONTD)

The Bank foresees the current high volatility in the global financial markets to persist in the near term as market players continue to reevaluate the timing of monetary policy easing in the US and in the region and its impact on the underlying economy. Commodities prices generally remain elevated. Brent crude oil prices is currently consolidating around USD88 per barrel amid signs of a tightening physical market while traders continue to assess lingering geopolitical risks. We continue to hold conviction that effective OPEC+ market management will ensure Brent crude remains in a USD80 to USD100 per barrel range in 2024, the largest upside risk to oil prices would be geopolitical impediments to the willingness of OPEC+ to deploy its ample spare capacity.

Malaysian economic growth is projected to remain on a steady growth trajectory this year, backed by firm domestic demand, primarily through continued expansion in private sector spending. The expected acceleration of infrastructure projects with high multiplier effects, robust growth in private investment and sustained external demand particularly among major trading partners will further support the economy. We maintain our view that the Malaysian economy to accelerate to 4% to 4.5% in 2024 from 3.7% in 2023. However, risks to growth remain tilted to the downside given ongoing external challenges.

Headline and core inflation have stayed below-trend averages in recent months. With the economic growth picking up and inflation is expected to remain moderate to average between 2.0% to 3.5% in 2024, even with the implementation of fuel subsidy rationalisation, BNM is unlikely to rush into a rate cut. We look for the BNM to keep the policy rate at 3.0% through this year.

Malaysia's trade balance will remain in surplus, helping to contain MYR weakness. The trade surplus will be underpinned by higher prices of brent and palm oil, as well as a nascent pickup in global trade. BNM has also coordinated with the government to encourage government linked corporates to convert their foreign earnings into MYR. Additionally, BNM reiterated its view that MYR is undervalued and it is committed to keep MYR moves orderly. China has made a good start to the year, with GDP growing at 5.3% year-on-year in Q1 2024 but China's outlook remains challenging. A high degree of positive historical co-relation between MYR and CNY suggests a stronger CNY due to a gradual recovery in Chinese economy and more stable real estate sector could have positive spillover on the MYR.

The Bank forecasts USD/MYR to close the year lower at 4.50 from current level of around 4.77 in anticipation of a lower Fed funds rate resulted from a dollar weakness trend while the ringgit remains supported by stable interest rates, foreign portfolio inflows and a current account surplus.

STRATEGIES AND DIRECTIONS

In 2023, the global market experienced a dynamic and evolving landscape shaped by a combination of external headwinds and challenges. The aftermath of the Covid-19 pandemic continued to influence economic policies and changing consumer behavior due to higher cost of living attributed by high energy costs and rising inflation. The continuation of geopolitical tensions, fluctuating commodity prices, environmental concerns has introduced continued volatility and uncertainty, prompting organizations and Banks to reassess their sustainability strategies to navigate through these new changing market dynamics.

MUFG Malaysia ("the Bank") business has responded positively to these challenges in 2023 demonstrating robust and strong resilience with agile and swift implementation of appropriate business strategies to mitigate risks and capitalised on new emerging opportunities. The Bank has been cautiously and consistently building its strength to deliver robust growth and sustainable returns from its business pillars (both Conventional and Islamic) in the financial year to capturing new business opportunities, expanding the Bank talent's capabilities and skillset, product launches and further enhance MUFG market position while maintaining strong quality assets coupled with safe and sound risk-management and compliance.

Aside from monitoring and ensuring strong Islamic governance and compliance practice, the Bank has been proactively pursuing new and innovative Islamic transactions under Environmental, Social and Governance ("ESG") elements incorporated into the Islamic finance products by introducing various green products such as sustainability-linked Islamic financing facilities, Islamic green trade facilities, green sukuk issuances and solutions to meet customers sustainability objective and evolving requirements. With the Bank's Islamic Banking / International Currency Business Unit's expertise coupled with local and regional capabilities in Islamic Finance, the Bank remains steadfast in its commitment to developing innovative banking solutions fully aligned with Shariah financing principles.

In addition, the Bank will also continue to employ right and balanced approach in our business strategies to achieve sustainable balance sheet to maintain a healthy capital and liquidity level to support growth primarily from expansion of corporate lending leveraging on loan and deposit growth of existing clientele and global subsidiary banking clients, stronger credit risk management, tighter cost control. This includes enhancing customer experience and drive profitability by deepening wallet share by offering competitive pricing and value-added proposition with attractive terms.

BUSINESS STRATEGY AND OUTLOOK (CONTD)

OVERVIEW OF THE ECONOMY AND PROSPECTS FOR 2024 (CONTD)

STRATEGIES AND DIRECTIONS (CONTD)

Embracing forward-thinking approach, the Bank is committed to strengthen and diversify our capabilities to provide best in class products and services as well as collaborate closely with our valued customers to respond to their financing needs to stay relevant in the market. 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 market share. Our transaction banking business will explore local business opportunities and leverage partner bank collaboration to support client business through aggressive sales and commercialisation of existing product offering.

The Bank's global markets and capital market operations aspire to continue to ensure that risk management and liquidity positions remain strong including investing in resources towards further strengthening of overall sales and trading capabilities to capture new opportunities and enhance client segment penetration through analytics with data driven cross-sell initiatives to maximise profit.

The Bank will also focus and emphasise on developing its operational excellence and efficiency, adopting prudent and responsible financing practices, streamlining of internal processes, reducing redundancies and improve productivity while upholding strong corporate governance with ethics and sound compliance culture to ensure sound and robust risk management practices.

Cost discipline remains an integral focal point as the Bank emphasised on cost optimisation with various internal initiatives across the Bank through diligent budgeting emphasising on digitisation and digitalisation to improve operational efficiencies and eliminate manual burden in order to deliver optimal financial performance and enhancing superior customer experience. Such disciplined financial practices not only reflect astute expense management to bolster resilience but enable the bank to navigate uncertainties and meet MUFG's purpose "Committed to empowering a brighter future".

The Bank remains committed to delivering value to our customers, therefore safeguarding the security and trust of our clients has always been utmost priority in MUFG. Given the rapid advancement of technology in the banking space the Bank vows to staying agile and relevant in response to the digital banking evolution and will further enhance its digitisation aspiration by investing and expanding in right digital capabilities and solutions including talents to better serve customers' every changing needs.

Our Parent bank has taken the lead in initiatives that include the first announcement of a carbon neutrality declaration follow by formulating and released MUFG's transition plans. As sustainability related issues become increasingly complex, the Bank has been anchoring its efforts actively in exploring sustainable and green financing opportunities, provide sound transition/green financing solutions and products linked to ESG with sustainability-linked features to support our key corporate customers existing core business operations and their transition journey including clients who have not yet embarked on their sustainability journey in stages. This will also be aligned to MUFG's management strategic goals, in line with the Group's aspiration to achieve Net Zero Green House Gas emissions from our own operations by 2030 and Net Zero Carbon emissions from our financed portfolio by 2050.

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS

The Bank's Board of Directors ("The Board") has always maintained the highest standards of corporate governance to safeguard 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 outlined in the Malaysian Code on Corporate Governance 2021 in support of the three key principles namely, board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Statement 2023 of the Bank is published on the Bank's website, https://www.bk.mufg.jp/malaysia/ ("the Bank's website").

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

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Director's Profile

Dato' Noorazman bin Abd Aziz
(Independent Director)

Dato' Noorazman bin Abd Aziz ("Dato' Noorazman") was appointed as an Independent Director of the Bank on 6 January 2023; and subsequently Chairman of the Bank on 1 July 2023.

He is currently the Chairman of Sunlife Malaysia Assurance Berhad, Sunlife Malaysia Takaful Berhad and CTOS Digital Berhad and sits on the Board of public listed Kumpulan Perangsang Selangor Berhad ("KPS").

He also chairs the Board of Trustees of Yayasan UEM, the philanthropic arm of Khazanah's UEM Group Berhad and the Board of Trustees of International Centre for Education in Islamic Finance ("INCEIF") University. He was also appointed as a Board of Trustee of OSK Foundation.

Dato' Noorazman started his career as an investment analyst at Perbadanan Nasional Berhad ("PERNAS") in 1982. He left 3 years later for an illustrious 25-year career with Citigroup in areas of corporate banking, investments, treasury and financial markets. It was during this period that he was seconded to Malaysia's Ministry of Finance ("MOF") where he served as the Director-General of Labuan Offshore Financial Services Authority ("LOFSA") and Chief Operating Officer of Kuala Lumpur Stock Exchange Berhad. After the secondment, Dato' Noorazman re-joined Citibank Berhad as its Managing Director ("MD"), Head of Corporate and Investment Bank. In 2005, he was appointed as MD/CEO of Bank Islam Malaysia Berhad and later became the MD/CEO of BIMB Holdings Berhad. He left in 2007 to co-found and became MD of Fajr Capital Ltd, a Syariah - based private equity firm based in Dubai. Thereafter, he joined Khazanah Nasional Berhad as Executive Director, Investments until he retired in June 2019.

Dato' Noorazman holds a BSc Finance from Louisiana State University, USA. He also holds membership of professional bodies like the Chartered Institute of Islamic Finance Professionals ("CIIF"), Malaysia, the Institute of Corporate Directors ("ICDM"), Malaysia and the Australian Institute of Corporate Directors ("AICD"), Australia.

Dato' Noorazman was appointed as a member of the Investment Panel of Kumpulan Wang Persaraan ("KWAP"), a statutory body that manages the pension scheme of public employees in 2019 and the Audit Oversight Board ("AOB") of the Securities Commission ("SC") on 1 August 2023.

In 2005, Dato' Noorazman was named as the winner of the first Asian Banker Achievement Award for Islamic Finance.

Mr. Motohide Okuda
(Executive Director)

Mr. Motohide Okuda ("Mr. Okuda"), was appointed as CEO and Executive Director of the Bank on 29 March 2024. Mr. Okuda is a member of the Nomination Committee. He graduated with a Bachelor Degree in Economics from Kwansei Gakuin University, Japan and further his study, and graduated with a Master in Business Administration from University of Manchester, United Kingdom of England.

Mr. Okuda embarked on his journey with MUFG Bank, Ltd., Japan in 1998, accumulating over 25 years of broad experiences in client coverage across Japan and Netherlands. He specialised in corporate finance and advisory, strategic planning within the realms of corporate and transaction banking.

Prior to Mr. Okuda's appointment in the Bank, he was the Managing Director, Deputy Head of Transaction Banking Division of MUFG Bank, Ltd. in Tokyo, Japan. For almost six (6) years, he has been overseeing the operations of strategic planning, human resources, risk management, financial control, corporate and communications within his role.

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Director's Profile (Contd)

En. Rashid bin Ismail
(Independent Director)

Encik Rashid bin Ismail ("En. Rashid"), was appointed as an Independent Director of the Bank on 19 August 2022. He is the Chairman of the Audit Committee and Nomination Committee, and also member of the Risk Management Committee and Remuneration Committee. En. Rashid graduated from Universiti Teknologi MARA ("UiTM") with a Diploma in Accountancy and holds a Bachelor Degree in Business (Accounting) from Edith Cowan University, Perth, Western Australia. He holds membership of professional bodies as a Chartered Accountant (CA) from Malaysian Institute of Accountants ("MIA") as well as CPA Australia.

From 2006 to 2010, En. Rashid was appointed as Director of Amanah Ventures Sdn Bhd and Amanah Property Trust Manager Sdn Bhd, MIDF Consultancy and Corporate Services ("MIDFCCS"), Amanah Scotts Properties (KL) Sdn Bhd, Amanah Scotts Sdn Bhd, Amanah Ascott Management Sdn Bhd and Amanah Butler Malaysia Sdn Bhd. He was also appointed as Chief Executive Officer (CEO) of MIDF Property Berhad from July 2007 to July 2010.

En. Rashid was appointed as CEO and Executive Director of BIMB Securities Sdn Bhd ("BIMB Securities") from January 2011 to January 2020. He was elected as Chairman of Association of Stockbroking Companies Malaysia ("ASCM") from December 2015 to December 2017 and was also appointed as a member (Independent) of Market Participants Committee, Bursa Malaysia Berhad from July 2015 to June 2018. From January 2012 to January 2020, he served as a member of Board of Trustee of Bumiputera Dealers' Representative Education Fund ("BDREF"), Bumiputera Training Fund ("BTF") of Securities Industry Development Corporation ("SIDC").

Post his retirement from BIMB Securities in 2020, En. Rashid has been nominated and accepted as an Independent member of Regulatory and Conflicts Committee ("RACC") under Bursa Malaysia Berhad, and is currently serving as a Panel of Subject Matter Expert of Islamic Banking and Finance Institute Malaysia ("IBFIM").

En. Amin Siru bin Abdul Rahman
(Independent Director)

En. Amin Siru bin Abdul Rahman ("En. Amin Siru") was appointed as an Independent Director of the Bank on 1 July 2023. He is a member of the Audit Committee, Nomination Committee, Risk Management Committee and the Remuneration Committee.

En. Amin Siru holds a Bachelor's Degree in Economics from University Malaya, Kuala Lumpur.

En. Amin Siru is a career banker with over 40 years' experience in branch banking, corporate banking including corporate recovery & rehabilitation and internal audit, mainly with a large multinational banking group.

His broad experience was gained in holding senior management positions and leadership roles with International Islamic banks. He was the Chief Credit Officer with Kuwait Finance House (Malaysia) Berhad since 2008 and in 2010, he was appointed the Chief Risk Officer ("CRO"). He was CRO (2013) and Chief Executive Officer (2017) of HSBC Amanah Malaysia Berhad. He was the Acting CRO of Warba Bank (K.S.C), Kuwait from April 2017 to August 2019.

He is currently a board member of Grand Signet Sdn Bhd, an oil & gas holding company, and the Director of Risk and Compliance, CPRO Solutions Sdn Bhd, an e-payment solutions enterprise.

CORPORATE GOVERNANCE STATEMENT (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 Board assumes responsibilities for effective stewardship and control of the Bank and has established terms of reference ("TOR") to assist in discharging its responsibilities.

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

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over to the Board Committees namely, Audit Committee ("AC"); Risk Management Committee ("RMC"), Nomination Committee ("NC") and Remuneration Committee ("RC") with the roles and responsibilities as outlined in their respective TOR.

The function and TORs 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 remain relevant and are up-to-date.

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;

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

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

- Ensure the effective management of the Bank's capital and capital adequacy levels to ensure fulfillment of regulatory and internal requirements;
- Ensure that the relevant stakeholders discharge their responsibilities for the development and effective implementation of the Bank's capital management policies and processes;
- Approve credit transactions to connected parties based on Guidelines on Credit Transactions and Exposures with Connected Parties;
- Engage with Chief Compliance Officer ("CCO") on a regular basis to provide the opportunity for the CCO to discuss issues faced by the compliance function. The Board should also consider engaging the CCO without the presence of other members of Senior Management from time to time;
- Provide the CCO with direct and unimpeded access to the Board;
- 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 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.

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(c) Directors' Training

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

During the financial year ended 31 March 2024, 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	Annual Financial Crime Compliance (FCC) Awareness Session for the Board of Directors	Dato' Noorazman Mr. Takamatsu En. Rashid En. Ismail
2	Shariah Committee and Board Engagement Session	Dato' Noorazman Mr. Takamatsu En. Rashid En. Ismail
3	Joint Committee on Climate Change (JCs) Outreach Session	Mr. Takamatsu
4	Senior Leadership ESG Masterclass	Mr. Takamatsu
5	MIDA EX Roadmap Engagement Session	Mr. Takamatsu
6	Environmental, Social and Governance for Board of Directors	Mr. Takamatsu En. Rashid En. Amin Siru
7	Governance in Groups	En. Rashid
8	Remaking Corporate Governance for an ESG World	En. Rashid
9	Islamic Finance for Board of Directors' Programme	Dato' Noorazman En. Rashid En. Amin Siru
10	Mandatory Accreditation Programme (MAP)	En. Rashid
11	Global Minimum Tax & e-Invoicing	Dato' Noorazman Mr. Takamatsu En. Rashid En. Amin Siru
12	IT Cloud and Cyber Security	Dato' Noorazman En. Rashid En. Amin Siru
13	BNM-FIDE FORUM Roundtable on Licensing and Regulatory Framework for DITO Exposure Draft	Dato' Noorazman En. Ismail
14	Climate Change and Environmental Impact	Dato' Noorazman
15	INCEIF Discourse Series 6 : Tan Sri Nor Yakcop on "Islamic – Finance in Malaysia: Going Forward"	Dato' Noorazman
16	Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know	Dato' Noorazman

DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(c) Directors' Training (Contd)

No.	Training Programmes	Attended by
17	Task Force on Climate-Related Financial Disclosures	Dato' Noorazman
18	Chairperson Masterclass Series: Scaling Up the Circular Economy by Ashleigh	Dato' Noorazman
19	INCEIF Disclosure Series 7 : the Grand Design of Islamic Finance – The Tone at the Top by Tan Sri Dr Mohd Daud Bakar	Dato' Noorazman
20	Cybersecurity training by Mr Abhay Raman, CEO of Sunlife Canada	Dato' Noorazman
21	Public Lecture: Islam and Inequality: What Economics Finance from An Islamic Perspective Can Do	Dato' Noorazman
22	KWAP Board & Investment Panel Training on Sustainability	Dato' Noorazman
23	KWAP Board & Investment Panel Training on Cyber Security	Dato' Noorazman
24	Fiduciary Duty on Climate Risk Management	Dato' Noorazman
25	Anti-Trust Training – Ensuring Compliance With Competition Law	Dato' Noorazman
26	Directors' Orientation Programme	En. Amin Siru
27	The Asian Captive Conference	En. Ismail
28	The Takaful Rendezvous	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.

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(e) Frequency and Conduct of Board Meetings

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

A total of nine (9) Board meetings were held during the financial year ended 31 March 2024. The details of attendance of each member at the Board meetings held during the financial year ended 31 March 2024 are as follows:

Director	Number of Meetings	
	Held	Attended
Y.Bhg. Dato' Noorazman bin Abd Aziz *Independent Chairman*	9	9
Mr. Fumio Takamatsu *Executive Director* *(resigned with effect from 28 March 2024)*	9	9
En. Rashid bin Ismail *Independent Director*	9	9
En. Amin Siru bin Abdul Rahman *Independent Director*	5	5
En. Ismail bin Mahbob *Non-Independent Non-Executive Director* *(resigned with effect from 30 September 2023)*	6	6
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *Non-Independent Non-Executive Director* *(resigned with effect from 30 June 2023)*	4	4

CORPORATE GOVERNANCE STATEMENT (CONTD)

BOARD COMMITTEES

(a) Nomination Committee ("NC")

NC shall support the Board in carrying out its functions in the following matters concerning the Board, Senior Management, Shariah Committee and Company Secretary:

(a) appointments and removals
(b) composition
(c) performance evaluation and development
(d) fit and proper assessments

The present composition of NC is as follows:

En. Rashid bin Ismail (Chairman)
Mr. Motohide Okuda (Member)
Y.Bhg. Dato' Noorazman bin Abd Aziz (Member)
En. Amin Siru bin Abdul Rahman (Member) *(appointed with effect from 1 July 2023)*

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

During the financial year ended 31 March 2024, the NC held eight (8) meetings.

The details of attendance of each member at the NC meetings held during the financial year ended 31 March 2024 are as follows:

NC Member	Number of Meetings	
	Held	Attended
En. Rashid bin Ismail *Chairman*	8	8
Y.Bhg. Dato' Noorazman bin Abd Aziz *Member*	8	8
En. Amin Siru bin Abdul Rahman *Member*	6	6
Mr. Fumio Takamatsu *Member* *(ceased with effect from 28 March 2024)*	8	8

CORPORATE GOVERNANCE STATEMENT (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 are 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.

DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTD)

BOARD COMMITTEES (CONTD)

(b) Remuneration Committee ("RC")

RC shall support the Board in actively overseeing the design and operation of the Bank's remuneration system in accordance with the Bank Negara Malaysia (BNM) Guidelines on Corporate Governance.

The present composition of RC is as follows:

En. Amin Siru bin Abdul Rahman (Chairman)
En. Rashid bin Ismail (Member)
Y.Bhg. Dato' Noorazman bin Abd Aziz (Member)

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

During the financial year ended 31 March 2024, 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 2024 are as follows:

RC Member	Number of Meetings	
	Held	Attended
En. Amin Siru bin Abdul Rahman *Chairman* *(appointed with effect from 1 October 2023)*	2	2
En. Rashid bin Ismail *Member*	3	3
Y.Bhg. Dato' Noorazman bin Abd Aziz *Member*	3	3
En. Ismail bin Mahbob *Member* *(ceased with effect from 30 September 2023)*	1	1

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 STATEMENT (CONTD)

BOARD COMMITTEES (CONTD)

(c) Audit Committee ("AC")

The AC's functions and responsibilities are to support the Board to ensure that there is a reliable and transparent financial reporting process within the Bank. The AC is primarily responsible for reviewing and monitoring the integrity of the Bank's financial reporting process, accounting records, risk management process and system of internal controls.

The present composition of AC is as follows:

En. Rashid bin Ismail (Chairman)
Y.Bhg. Dato' Noorazman bin Abd Aziz (Member)
En. Amin Siru bin Abdul Rahman (Member)

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

During the financial year ended 31 March 2024, 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 2024 are as follows:

AC Member	Number of Meetings	
	Held	Attended
En. Rashid bin Ismail *Chairman*	9	9
Y.Bhg. Dato' Noorazman bin Abd Aziz *Member* *(appointed with effect from 6 January 2023)*	9	9
En. Amin Siru bin Abdul Rahman *Member*	6	3
En. Ismail bin Mahbob *Member* *(ceased with effect from 30 September 2023)*	5	5

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 STATEMENT (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 STATEMENT (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 External Auditors' Assessment Policy;
- 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.

CORPORATE GOVERNANCE STATEMENT (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 course 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 STATEMENT (CONTD)

BOARD COMMITTEES (CONTD)

(d) Risk Management Committee ("RMC")

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.

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

The present composition of RMC is as follows:

En. Amin Siru bin Abdul Rahman (Chairman)
En. Rashid bin Ismail (Member)
Y.Bhg. Dato' Noorazman bin Abd Aziz (Member)

The RMC shall meet at least once every quarter.

The RMC held six (6) meetings during the financial year ended 31 March 2024.

The details of attendance of each member at the RMC meetings held during the financial year ended 31 March 2024 are as follows:

RMC Member	Number of Meetings	
	Held	Attended
En. Amin Siru bin Abdul Rahman *Chairman* *(appointed with effect from 1 October 2023)*	3	3
En. Rashid bin Ismail *Member*	6	6
Dato' Noorazman bin Abd Aziz *Member*	6	6
En. Ismail bin Mahbob *Chairman* *(ceased with effect from 30 September 2023)*	4	4

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;

CORPORATE GOVERNANCE STATEMENT (CONTD)

BOARD COMMITTEES (CONTD)

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

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

Risk Governance (Contd)

- 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;
- 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 BNM's RMiT Policuy Document;
- 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;
- to propose for Board's approval the Outsourcing Management Framework for sound governance of outsourcing management and effective management of outsourcing risk;
- to provide oversight of climate-related risks to safeguard the Bank's resilience against the adverse impacts of climate change and actively promote a just and orderly transition to low-carbon economy; and
- to ensure climate-related risks are embedded into the Bank's internal control frameworks across the three lines of defence for robust management of material climate-related 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;

CORPORATE GOVERNANCE STATEMENT (CONTD)

BOARD COMMITTEES (CONTD)

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

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

Risk Strategy (Contd)

- 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;
- 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 scenario 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;
- to deliberate, challenge and propose for Board's approval on Outsourcing Plan and material outsourcing engagement;
- to assess and review the recovery plan during its initial development and subsequent material changes, where applicable; and
- to provide constructive challenges to the conclusions, reasoning analysis and assumptions underpinning the recovery plan, including risk models and quantitative risk methodologies used in the recovery indicator framework and scenario analysis.

CORPORATE GOVERNANCE STATEMENT (CONTD)

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.

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 and operational 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 ("ALCO")
(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.

CORPORATE GOVERNANCE STATEMENT (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(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;
- 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.

CORPORATE GOVERNANCE STATEMENT (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(b) MARKET RISK MANAGEMENT (Contd)

(ii) Risk Control, Mitigation and Monitoring

- The market risk limits are set after taking into consideration the risk appetite of the Bank and the risk-return relationship;
- Market risk exposures of both the trading and banking book positions are monitored against pre-determined market risk limits;
- Both the utilisation and compliance status of market risk limits are regularly reported to 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.

(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.

CORPORATE GOVERNANCE STATEMENT (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"), Self Identified Issue ("SII"), Outsourcing Review, Shariah Review, Product Review, IT Risk, Self Inspection etc;
- Review of new and revision of the existing procedures/policies and processes 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 discrepancies 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 STATEMENT (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(e) IT RISK MANAGEMENT

(i) Risk Identification, Assessment and Measurement

- Proactive approach to risk identification involves comprehensive assessments of potential threats and vulnerabilities across all IT system and proceses; and
- Rigorous risk assessment methodologies to evaluate the potential impact and likelihood of identified IT risks.

(ii) Risk Control, Mitigation and Monitoring

- Our IT risk framework encompasses a multifaceted approach to mitigate IT risks at various levels of our organisation.
- Continous monitoring is integral to our IT risk management strategy, allowing us to detect and respond to emerging threats in real-time. We utilise advanced monitoring tools and analytics to monitor network activity, detect anomalies and assess the effectiveness of our controls.
- 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 STATEMENT (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 (which includes financial crime risk assessment) is performed annually.

(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 and legal 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 program;
- Adopts 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 STATEMENT (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 STATEMENT (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 obtained his 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. At present, he is a Director, Research Development & Innovation for ISRA Research Management Centre, INCEIF University. He is registered Shariah Adviser with Securities Commission Malaysia which regulates the Islamic Capital Market as well as serving Malaysian Life Reinsurance Group Bhd (MLRe) Retakaful as Chairman of Shariah Committee. 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 has been appointed as the Chairman of SC of the Bank effective 3rd July 2022.

CORPORATE GOVERNANCE STATEMENT (CONTD)

SHARIAH COMMITTEE ("SC") (CONTD)

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

Y.Bhg. Prof. Emeritus Dato' Dr. Mohd Azmi bin Omar 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 INCEIF University 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). Currently, he also serves as a member of Shariah Committee to Bank Rakyat Malaysia and Etiqa Takaful Malaysia. He is also a former member of Shariah Advisory Council of Securities Commission Malaysia and was formerly an Islamic Finance Expert Advisor to the Brunei Darussalam Central Bank. Recently, he led a team who developed the Indonesia Shariah (Islamic) Economy Masterplan 2019-2024 for the Government of Indonesia. Other recent consulting projects led by him includes the Kazakhstan Islamic Finance Masterplan 2020-2025 for the Astana International Financial Center (AIFC) and Republic of Kazakhstan. 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 and member of Shariah Committee at Zurich Takaful Malaysia. He has been a member of the SC of the Bank since June 2020.

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

The SC held eight (8) meetings during the financial year ended 31 March 2024.

The details of attendance of each member at the SC meetings held during the financial year ended 31 March 2024 are as follows:

SC Member	Number of Meetings	
	Held	Attended
Assoc. Prof. Dr. Said Bouheraoua *Chairman*	8	8
Y.Bhg. Prof. Emeritus Dato' Dr. Mohd Azmi bin Omar *Member*	8	8
Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria *Member*	8	8

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.

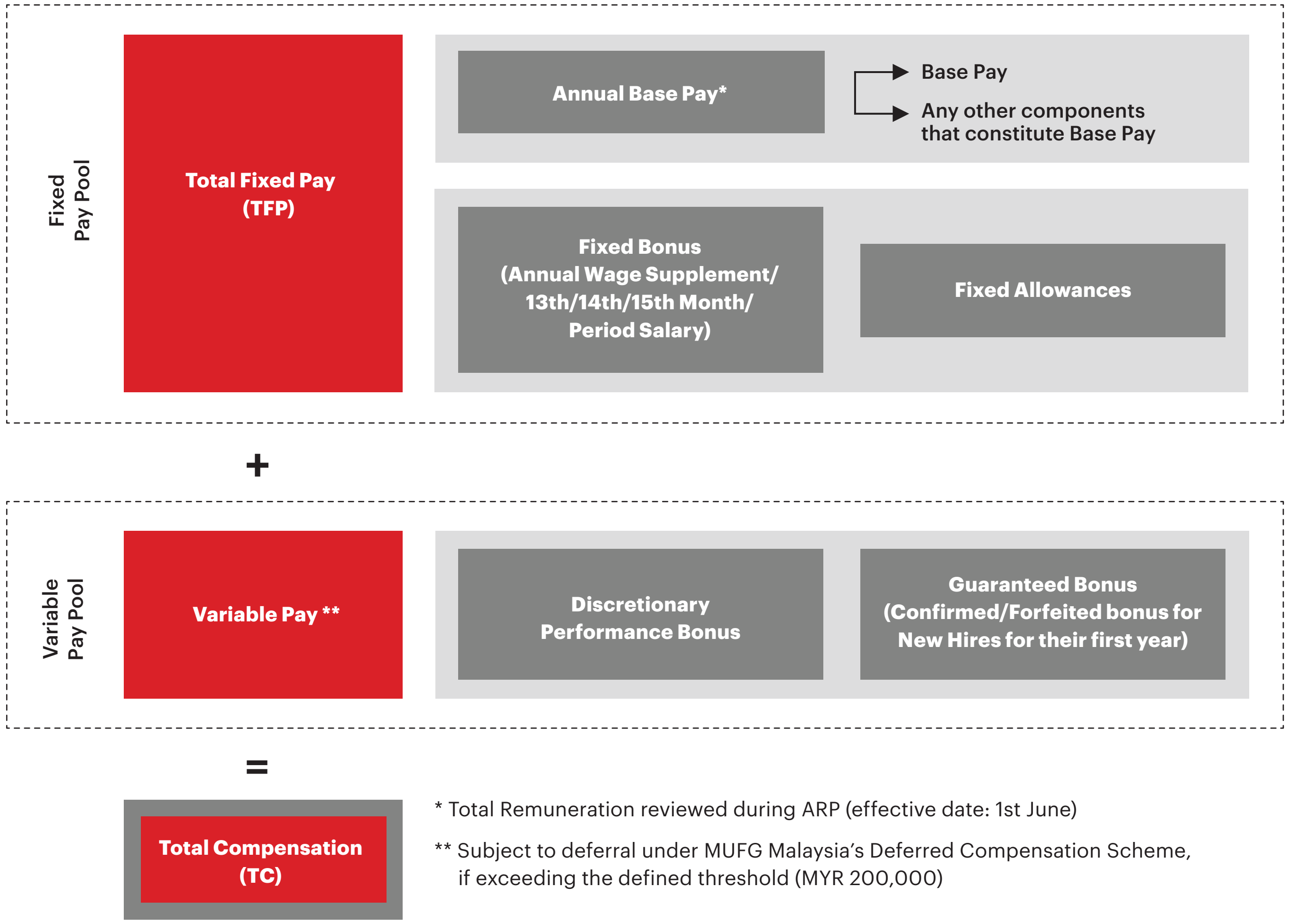
CORPORATE GOVERNANCE STATEMENT (CONTD)

REMUNERATION STRATEGY (CONTD)

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

- **Align to MUFG's Values**
  Remuneration decisions shall be linked to and support MUFG's values.
- **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 Malaysia's Deferred Compensation Scheme, if exceeding the defined threshold (MYR 200,000)

DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (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.

The Total Compensation approach enables a holistic consideration of the employee's remuneration and strengthening the Bank's 'Pay for Performance' culture through differentiation in Total Compensation outcomes, reflective of performance.

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; • 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 for two (2) consecutive years to receive zero variable pay; • 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.

CORPORATE GOVERNANCE STATEMENT (CONTD)

REMUNERATION STRATEGY (CONTD)

(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.

(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 35 of the financial statements.

DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTD)

REMUNERATION STRATEGY (CONTD)

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

	31 March 2024			31 March 2023		
Total value of remuneration awards for the financial year	**Unrestricted RM'000**	**Deferred RM'000**	**Number of Officers**	**Unrestricted RM'000**	**Deferred RM'000**	**Number of Officers**
Senior Management						
Fixed remuneration						
• Cash based	5,808	-	10	6,048	-	9
• Others	1,193	-	8	1,238	-	8
Variable remuneration						
• Cash based	3,214	402	10	5,095	344	9
• Others	365	-	3	271	-	2
Sub total	10,580	402		12,652	344	
Other Material Risk Takers						
Fixed remuneration						
• Cash based	5,021	-	13	4,596	-	13
• Others	925	-	13	843	-	13
Variable remuneration						
• Cash based	2,044	-	13	3,310	15	13
Sub total	7,990	-		8,749	15	
Total	18,570	402		21,401	359	

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 28 of the financial statements.

RATING BY EXTERNAL RATING AGENCIES

On 21 November 2023, 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 (2023: RM 7.0 million).

During the financial year, there were no indemnity given or insurance effected for auditors of the Bank.

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that 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 require the writing off of bad debts and render 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.

OTHER STATUTORY INFORMATION (CONTD)

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 2024 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, Deloitte PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration for this year is RM 410,000.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 2 September 2024.

M. Okuda

Motohide Okuda
Director

Y.Bhg. Dato' Noorazman bin Abd Aziz
Director

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

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

We, Motohide Okuda and Y.Bhg. Dato' Noorazman bin Abd Aziz, 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 62 to 155 page 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 2024 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 2 September 2024.

M. Okuda

Motohide Okuda
Director

Y.Bhg. Dato' Noorazman bin Abd Aziz
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

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

I, Motohide Okuda, 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 62 to 155 page 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 Motohide Okuda, passport no: TS5015732, at Kuala Lumpur in the Federal Territory on 2 September 2024.

Motohide Okuda

Director

Before me:

PESURUHJAYA SUMPAH

No : W958
Nama : MOHD AIZUDDIN BIN SALIM
1 Disember 2022
Hingga
31 Disember 2024

MALAYSIA

UNIT 1.47, 1ST FLOOR,
WISMA COSWAY,
NO. 88, JALAN RAJA CHULAN,
50200 KUALA LUMPUR.

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 of the Shariah Committee of MUFG Bank (Malaysia) Berhad as prescribed in the Shariah Governance Policy Document ("the SGP") issued by Bank Negara Malaysia, 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 2024.

In accordance with 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 2024, the Shariah Committee has held eight (8) meetings to review various products, dealings, contracts, policies, procedures and related transactions that were presented by the Bank's Shariah unit which had examined the adherence of such undertakings in conformity to the Shariah requirements.

We have also performed the oversight role for 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 have 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 in 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 2024 are generally in compliance with the Shariah rules and principles;
2. the allocation of profits and the 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 to 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 2024 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 endeavour.

Assoc. Prof. Dr. Said Bouheraoua
Chairman of the Shariah Committee

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

Kuala Lumpur, Malaysia

Date: 2 September 2024

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER 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 2024, 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 material accounting policy information, as set out on pages 62 to 155 page .

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2024, 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, Shariah Committee's Report and Pillar 3 disclosures, 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 other information and, in doing so, consider whether the other information 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 other information, 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.

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

The financial statements of the Bank for the year ended 31 March 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 25 August 2023.

Deloitte PLT

Deloitte PLT
(LLP0010145-LCA & AF0080)
Chartered Accountants

Mak Wai Kit
Approval Number: 03456/12/2024 J
Chartered Accountant

Date: 2 September 2024

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

	Note	31.03.2024 RM'000	31.03.2023 RM'000
ASSETS			
Cash and short-term funds	3	5,295,755	7,033,252
Reverse repurchase agreements	4	20,090	130,439
Deposits and placements with financial institutions	5	2,037,602	1,843,335
Financial assets at fair value through profit or loss	6	2,023,157	48,825
Financial investments at fair value through other comprehensive income	7	1,323,662	869,208
Loans, advances and financing	8	9,771,146	8,562,133
Embedded loans measured at fair value through profit or loss	9	12,275,974	14,956,249
Purchased receivables	10	917,520	1,118,870
Collateral deposits placed	11	120	814
Derivative financial assets	12	537,405	398,074
Statutory deposits with Bank Negara Malaysia	13	352	2,319
Other assets	14	58,660	15,902
Property, plant and equipment	15	27,262	19,611
Intangible assets	16	41,787	63,506
Right-of-use assets	17	16,564	657
Deferred tax assets	18	10,215	5,636
TOTAL ASSETS		34,357,271	35,068,830
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	19	12,276,124	11,965,713
Deposits and placements of banks and other financial institutions	20	1,014,218	421,595
Financial liabilities at fair value through profit or loss	21	-	101,619
Collateral deposits received	11	15,649,452	17,626,759
Derivative financial liabilities	12	572,688	468,967
Other liabilities	22	288,505	172,658
Lease liabilities	23	14,569	688
Obligation on securities sold on repurchase agreements	24	-	124,779
Current tax liabilities		12,223	29,852
TOTAL LIABILITIES		29,827,779	30,912,630
SHARE CAPITAL	25	200,000	200,000
RESERVES	26	4,329,492	3,956,200
SHAREHOLDER'S FUNDS		4,529,492	4,156,200
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		34,357,271	35,068,830
COMMITMENTS AND CONTINGENCIES	27	84,239,059	90,204,765

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 2024

	Note	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Operating revenue	29	814,558	718,973
Interest income	30	827,456	552,240
Interest expense	31	(465,091)	(266,244)
Net interest income		362,365	285,996
Net income from embedded loans measured at FVTPL	32	88,212	129,168
Net income from Islamic Banking operations	44	21,900	23,843
Other operating income	33	342,081	279,966
Operating income		814,558	718,973
Other operating expenses	34	(245,385)	(224,932)
Operating profit before allowance for impairment		569,173	494,041
(Allowance for)/Reversal of impairment on financial instruments	36	(16,406)	(4,183)
Profit before tax		552,767	489,858
Tax expense	37	(181,239)	(154,388)
Profit after tax for the year		371,528	335,470
Other comprehensive income/(loss), net of tax			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	38	4,043	(2)
Change in fair value reserve:			
- Equity instruments designated at FVOCI		174	3,977
Items that are or may be reclassified subsequently to profit or loss			
Change in fair value reserve:			
- Debt instruments measured at FVOCI	38	(2,453)	2,874
Change in expected credit loss reserve	38	-	(351)
Other comprehensive income/(loss) for the year, net of tax		1,764	6,498
Total comprehensive income for the year		373,292	341,968
Profit attributable to:			
Owner of the Bank		371,528	335,470
Total comprehensive income attributable to:			
Owner of the Bank		373,292	341,968
Basic earnings per share (sen)	39	185.76	167.74

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	Note	<------ Non-distributable				------>	Distributable	
		Share Capital RM'000	Regulatory Reserve RM'000	Defined Benefit Reserve RM'000	ECL Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 April 2022		200,000	103,731	(4,252)	351	26,504	3,487,898	3,814,232
Remeasurement of defined benefit liability	38	-	-	(2)	-	-	-	(2)
Change in fair value of financial assets at fair value through other comprehensive income								
- Equity investments designated at FVOCI		-	-	-	-	3,977	-	3,977
- Debt investments measured at FVOCI		-	-	-	-	2,874	-	2,874
Change in expected credit loss of financial assets at fair value through other comprehensive income	7	-	-	-	(351)	-	-	(351)
Total other comprehensive income/(loss) for the year		-	-	(2)	(351)	6,851	-	6,498
Profit for the year		-	-	-	-	-	335,470	335,470
Total comprehensive income /(loss) for the year		-	-	(2)	(351)	6,851	335,470	341,968
Transfer upon the disposal of equity investment designated at FVOCI		-	-	-	-	(5,775)	5,775	-
Transfer of retained profits to regulatory reserve	26(b)	-	9,244	-	-	-	(9,244)	-
At 31 March 2023		200,000	112,975	(4,254)	-	27,580	3,819,899	4,156,200
At 1 April 2023		200,000	112,975	(4,254)	-	27,580	3,819,899	4,156,200
Remeasurement of defined benefit liability	38	-	-	4,043	-	-	-	4,043
Change in fair value of financial assets at fair value through other comprehensive income	38							
- Equity investments designated at FVOCI		-	-	-	-	174	-	174
- Debt investments measured at FVOCI		-	-	-	-	(2,453)	-	(2,453)
Total other comprehensive income/(loss) for the year		-	-	4,043	-	(2,279)	-	1,764
Profit for the year		-	-	-	-	-	371,528	371,528
Total comprehensive income /(loss) for the year		-	-	4,043	-	(2,279)	371,528	373,292
Transfer of regulatory reserve to retained profits	26(b)	-	(16,592)	-	-	-	16,592	-
At 31 March 2024		200,000	96,383	(211)	-	25,301	4,208,019	4,529,492
		Note 25			Note 7			

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	Note	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Cash Flows From Operating Activities			
Profit before tax		552,767	489,858
Adjustments for:			
Depreciation of property, plant and equipment	15	4,639	4,618
Amortisation of intangible assets	16	25,524	24,725
Gain on lease modification		(3,023)	-
Loss on disposal of property, plant and equipment		349	25
Intangible assets written off		13	-
Depreciation of right-of-use assets	17	4,127	2,999
Allowance for impairment on financial instruments	36	16,406	4,183
Defined benefit plan	35	3,352	3,409
Dividend income	33	(148)	(295)
Interest income from financial investments at fair value through other comprehensive income	30	(32,619)	(26,203)
Finance cost on lease liabilities	34	184	108
Unrealised loss/(gain) on changes in trading securities	33	2,299	(66)
Unrealised (gain) on changes in fair value of embedded loans measured at fair value through profit or loss	32	(29,662)	(23,985)
Unrealised (gain) on changes in fair value of derivative financial instruments	33	(95,992)	(16,877)
Unrealised loss on changes in fair value of loans designated at fair value	33	4,233	8,760
Operating profit before working capital changes		452,449	471,259
(Increase)/Decrease in operating assets:			
Reverse repurchase agreements		110,349	(130,439)
Deposits and placements with financial institutions		(194,267)	(585,929)
Financial assets at fair value through profit or loss		(2,078,250)	52,860
Financial investments at fair value through other comprehensive income		(175,224)	237,644
Loans, advances and financing		(1,215,699)	(171,506)
Embedded loans measured at fair value through profit or loss		2,673,279	(2,344,300)
Collateral deposits placed		694	42,311
Purchased receivables		201,656	(131,130)
Derivative financial assets		766,148	1,014,459
Statutory deposits with Bank Negara Malaysia		1,967	(2,319)
Other assets		(59,769)	63,494
Increase/(Decrease) in operating liabilities:			
Deposits from customers		310,411	1,364,501
Deposits and placements of banks and other financial institutions		592,623	(100,160)
Derivative financial liabilities		(669,108)	(909,642)
Collateral deposits received		(1,977,307)	1,834,444
Other liabilities		123,596	48,759
Obligation on securities sold on repurchase agreement		(124,779)	124,779
Cash (used in)/generated from operations		(1,261,231)	879,085
Income tax paid		(203,850)	(130,778)
Payment of staff benefits	22(i)	(2,331)	(5,436)
Net cash (used in)/generated from operating activities		(1,467,412)	742,763

	Note	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	15	(12,639)	(1,962)
Purchase of intangible assets	16	(3,818)	(9,507)
Proceeds from disposals of property, plant and equipment		-	12
Proceeds from sale of financial assets at fair value through other comprehensive income		554,516	491,650
Purchase of financial assets at fair value through other comprehensive income		(830,000)	(577,983)
Interest received from financial assets at fair value through other comprehensive income		25,874	26,273
Dividend received	33	148	295
Net cash used in investing activities		(265,919)	(71,222)
Cash Flows From Financing Activities			
Payment of lease liabilities		(3,982)	(3,047)
Interest paid in relation to lease liabilities		(184)	(108)
Maturity of sukuk		-	(250,000)
Net cash used in financing activities		(4,166)	(253,155)
Net (decrease)/increase in cash and cash equivalents		(1,737,497)	418,494
Cash and cash equivalents at beginning of year	3	7,033,252	6,614,758
Cash and cash equivalents at end of year	3	5,295,755	7,033,252

STATEMENT OF CASH FLOWS

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

	At 1 April 2023 RM'000	Net change from financing cash flows RM'000	Other changes RM'000	At 31 March 2024 RM'000
Lease liabilities	688	(4,166)	18,047	14,569
	688	(4,166)	18,047	14,569

	At 1 April 2022 RM'000	Net change from financing cash flows RM'000	Other changes RM'000	At 31 March 2023 RM'000
Lease liabilities	3,330	(3,155)	513	688
Sukuk	250,000	(250,000)	-	-
	253,330	(253,155)	513	688

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 22, 23 & 24, Plaza Conlay, No. 18, Jalan Conlay, 50450 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") both of, which are incorporated in Japan. The Directors regard MUFG Bank, Ltd. as the Bank's immediate holding company and MUFG as ultimate holding company respectively, during the financial year and until the date of this report.

These financial statements were authorised for issue by the Board of Directors on 2 September 2024.

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

(a) Basis of Preparation

Changes in Accounting Policies

As at the date of issuance of the financial statements, amendments of MFRS which are relevant to the operations of the Bank are as follows:

Amendments to:	
MFRS 101	Disclosure of Accounting Policies
MFRS 108	Definiton of Accounting Estimates
MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction International Tax Reform - Pillar Two Model Rules

Amendments to MFRS 101
The Bank has adopted Amendments to MFRS 101 effective from 1 April 2023. The Amendments require the disclosure of 'material' rather than 'significant' accounting policies. The Amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Although the Amendments did not result in any changes to the accounting policies of the Bank, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in Note 2.

Amendments to MFRS 112
The scope of MFRS 112 was amended to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development, including tax laws that implements Qualified Domestic Minimum Top-up Tax aligned with Pillar Two Model Rules as described in those rules. The management is currently in the process of assessing the Bank's exposure to the Pillar Two income taxes. Accordingly, the Bank's exposure to Pillar Two income taxes is currently not known or reasonably estimable.

The adoption of the above amendments does not have any material effect to the Bank.

Accounting Standard and Amendments Issued But Not Yet Effective

The Bank has not adopted the following relevant accounting standard and amendments that have been issued but not yet effective:

Accounting standard:	
MFRS 18	Presentation and Disclosure in Financial Statements ^
Amendments to:	
MFRS 16	Lease Liability in a Sale and Leaseback *
MFRS 7 and MFRS 107	Supplier Finance Arrangements *
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate of Joint Venture #

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTD)

(a) Basis of Preparation (Contd)

Accounting Standard and Amendments Issued But Not Yet Effective (Contd)

^ Effective for annual periods beginning on or after 1 January 2027
* Effective for annual periods beginning on or after 1 January 2024
# Effective date deferred to a date to be announced by Malaysian Accounting Standards Board

The Bank will adopt the above amendments when they become effective. The adoption will not result in any significant financial impact on the 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) Critical judgement and estimation

(i) Critical judgements made in applying the Bank's Accounting Policies

In the process of applying the Bank's accounting policies, which are described in Note 2, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements, except for those involving estimations which are dealt with in Note 1(ii) below.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except for the following:

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 42).

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

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTD)

(d) Critical judgement and estimation (Contd)

(ii) Key sources of estimation uncertainty (Contd)

Impairment allowance on financial assets (Contd)

- 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. MATERIAL 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 other financial assets and financial liabilities carried at FVTPL and FVOCI 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.

NOTES TO THE FINANCIAL STATEMENTS

2. MATERIAL ACCOUNTING POLICIES (CONTD)

(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.

(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 a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of MFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of MFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Bank generally designates the whole hybrid contract at FVTPL.

(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.

2. MATERIAL ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Financial assets (Contd)

Financial assets at amortised cost

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

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

Debt investments at FVOCI

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

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

Equity investments at FVOCI

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

Financial assets at FVTPL

All other financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. 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

NOTES TO THE FINANCIAL STATEMENTS

2. MATERIAL ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

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

Financial assets (Contd)

Business model assessment (Contd)

- 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).

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.

- **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 net carrying amount.

2. MATERIAL 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)

- **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 net carrying amount.

- **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.

NOTES TO THE FINANCIAL STATEMENTS

2. MATERIAL 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. MATERIAL ACCOUNTING POLICIES (CONTD)

(f) Financial Instruments (Contd)

(iv) Regular way purchase or sale of financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. MATERIAL 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) financial assets that are determined to have low credit risk at the reporting date; and

(b) financial assets 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', which is BBB- and above under S&P and Baa3 and above under Moody's.

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. MATERIAL 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.

- **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.

NOTES TO THE FINANCIAL STATEMENTS

2. MATERIAL 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. MATERIAL 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. MATERIAL 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. MATERIAL 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. MATERIAL 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 once in every 3 years 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 repuchase agreements are carried at amortised cost in the statement of financial position in accordance with Note 2(f)(ii).

2. MATERIAL 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. MATERIAL 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

	31.03.2024 RM'000	31.03.2023 RM'000
Amortised cost		
Cash and balances with banks and other financial institutions	1,409,060	315,779
Money at call and deposit placements maturing within three months	3,886,695	6,717,473
	5,295,755	7,033,252

4. REVERSE REPURCHASE AGREEMENTS

	31.03.2024 RM'000	31.03.2023 RM'000
Money market instruments:		
Malaysian Government Securities	20,090	130,439

5. DEPOSIT AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31.03.2024 RM'000	31.03.2023 RM'000
Amortised cost		
Licensed banks		
• Malaysia	1,912,782	1,743,846
• Other countries	124,820	99,489
	2,037,602	1,843,335

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

	31.03.2024 RM'000	31.03.2023 RM'000
Money market instruments:		
Malaysian Government Securities	1,852,708	48,825
Government Investment Issues	170,449	-
	2,023,157	48,825

NOTES TO THE FINANCIAL STATEMENTS

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

	31.03.2024 RM'000	31.03.2023 RM'000
Money market instruments:		
Malaysian Government Securities	843,898	325,682
Government Investment Issues	201,686	182,797
Japan Government Bonds	249,755	332,635
	1,295,339	841,114
Non-money market instruments:		
Unquoted shares	28,323	28,094
	28,323	28,094
Total	1,323,662	869,208

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

	31.03.2024 RM'000	31.03.2023 RM'000
12-Month ECL Stage 1		
At 1 April	-	351
Allowance made due to changes in credit risk	-	(351)
At 31 March	-	-

8 . LOANS, ADVANCES AND FINANCING

(a) By type:

	31.03.2024 RM'000	31.03.2023 RM'000
At amortised cost		
Term loans		
• Housing loans	7,795	8,731
• Other term loans	2,987,715	2,764,001
Revolving credits	6,401,702	5,405,436
Overdrafts	2,321	448
Bills receivable	7,545	48,945
Claims on customers under acceptance credits	66,279	11,767
Staff loans	5,786	5,939
	9,479,143	8,245,267
Unearned interest	-	(685)
Gross loans, advances and financing at amortised cost	9,479,143	8,244,582
Impairment allowances on loans, advances and financing		
• Stage 1 - 12-month ECL	(9,070)	(8,936)
• Stage 2 - lifetime ECL not credit-impaired	(15,123)	(12,632)
• Stage 3 - lifetime ECL credit-impaired	(265)	(273)
Net loans, advances and financing at amortised cost	9,454,685	8,222,741
At fair value		
Other term loans	316,461	339,392
Net loans, advances and financing	9,771,146	8,562,133
Gross loans, advances and financing		
At amortised cost	9,479,143	8,244,582
At fair value	316,461	339,392
	9,795,604	8,583,974

8 . LOANS, ADVANCES AND FINANCING (CONTD)

(b) By maturity structure:

	31.03.2024 RM'000	31.03.2023 RM'000
Maturing within one year	6,812,908	5,943,003
More than one year to three years	1,221,563	953,198
More than three years to five years	923,172	1,029,579
More than five years	837,961	658,194
	9,795,604	8,583,974

(c) By type of customer:

	31.03.2024 RM'000	31.03.2023 RM'000
Domestic non-bank financial institutions	1,560,236	1,140,962
Domestic business enterprises		
• Small medium enterprises	153,169	3,075
• Others	4,084,877	3,789,187
Individuals	13,581	14,476
Foreign entities	3,983,741	3,636,274
	9,795,604	8,583,974

(d) By interest/profit rate sensitivity:

	31.03.2024 RM'000	31.03.2023 RM'000
Variable rates	9,793,220	8,581,403
Fixed rate		
• Staff loans	2,384	2,571
	9,795,604	8,583,974

8. LOANS, ADVANCES AND FINANCING (CONTD)

(e) By economic sector:

	31.03.2024 RM'000	31.03.2023 RM'000
Agricultural, hunting, forestry and fishing	-	200,300
Mining and quarrying	357,423	389,542
Manufacturing	1,668,400	1,173,583
Electricity, gas and water	224,311	236,946
Construction	409,660	485,315
Wholesale, retail trade, restaurants and hotels	807,471	546,685
Transport, storage and communication	1,065,700	1,142,031
Finance, insurance, real estate and business services	4,678,293	3,982,664
Households	13,581	14,670
Others	570,765	412,238
	9,795,604	8,583,974

(f) By geographical location:

	31.03.2024 RM'000	31.03.2023 RM'000
Malaysia	8,413,428	7,163,277
Other countries	1,382,176	1,420,697
	9,795,604	8,583,974

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

	31.03.2024 RM'000	31.03.2023 RM'000
Household	801	1,521

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

	31.03.2024 RM'000	31.03.2023 RM'000
Malaysia	801	1,521

NOTES TO THE FINANCIAL STATEMENTS

8. LOANS, ADVANCES AND FINANCING (CONTD)

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

	31.03.2024 RM'000	31.03.2023 RM'000
At 1 April	1,521	701
Classified as credit-impaired during the year	99	940
Amount recovered	(180)	-
Reclassified as performing	(639)	(120)
At 31 March	801	1,521

(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 2023	8,936	12,632	273	21,841
Transfer to 12-month ECL (Stage 1)	1	-	-	1
Transfer to lifetime ECL not credit-impaired (Stage 2)	(51)	103	-	52
Transfer to lifetime ECL credit-impaired (Stage 3)	(9)	-	-	(9)
New financial assets originated	8,784	9,130	-	17,914
Financial assets derecognised (other than write-off)	(8,404)	(7,108)	-	(15,512)
Net remeasurement due to changes in credit risk	(187)	366	(8)	171
At 31 March 2024	9,070	15,123	265	24,458
At 1 April 2022	4,660	18,713	240	23,613
Transfer to 12-month ECL (Stage 1)	4	-	-	4
Transfer to lifetime ECL not credit-impaired (Stage 2)	(17)	6	-	(11)
Transfer to lifetime ECL credit-impaired (Stage 3)	(7)	-	-	(7)
New financial assets originated	8,136	6,399	-	14,535
Financial assets derecognised (other than write-off)	(3,547)	(10,464)	-	(14,011)
Net remeasurement due to changes in credit risk	(293)	(2,022)	33	(2,282)
At 31 March 2023	8,936	12,632	273	21,841

8. LOANS, ADVANCES AND FINANCING (CONTD)

(k) Movements in gross loans, advances and financing:

	12-month ECL	Lifetime ECL		
		Not credit-impaired	Credit-impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2023	6,486,685	1,756,376	1,521	8,244,582
Transfer to 12-month ECL (Stage 1)	332	(106)	(321)	(95)
Transfer to lifetime ECL not credit-impaired (Stage 2)	(1,078)	1,364	(318)	(32)
Transfer to lifetime ECL credit-impaired (Stage 3)	(97)	(4)	99	(2)
New financial assets originated	7,660,387	217,644	-	7,878,031
Financial assets derecognised (other than write-off)	(4,953,669)	(1,689,492)	(180)	(6,643,341)
At 31 March 2024	9,192,560	285,782	801	9,479,143
At 1 April 2022	5,260,502	2,930,442	701	8,191,645
Transfer to 12-month ECL (Stage 1)	123	(14)	(120)	(11)
Transfer to lifetime ECL not credit-impaired (Stage 2)	(9,341)	9,214	-	(127)
Transfer to lifetime ECL credit-impaired (Stage 3)	(896)	(29)	921	(4)
New financial assets originated	5,263,520	1,630,851	19	6,894,390
Financial assets derecognised (other than write-off)	(4,027,223)	(2,814,088)	-	(6,841,311)
At 31 March 2023	6,486,685	1,756,376	1,521	8,244,582

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

	31.03.2024 RM'000	31.03.2023 RM'000
At fair value		
Embedded loans with term loans nature	11,262,396	14,887,591
Embedded loans with revolving credits nature	1,013,578	68,658
	12,275,974	14,956,249

Loans measured at FVTPL included RM11,850,531,000 (2023: RM14,450,726,000) of outstanding balance for loans, advances and financing, and net fair value for derivative financial assets and liabilities of RM201,820,000 (2023: RM278,413,000).

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 RM178,000 (2023: RM283,000) and RM707,000 (2023: RM3,292,000) respectively.

(a) By maturity structure:

	31.03.2024 RM'000	31.03.2023 RM'000
Maturing within one year	3,898,403	5,791,695
More than one year to three years	4,060,249	3,386,905
More than three years to five years	3,650,390	4,574,719
More than five years	666,932	1,202,930
	12,275,974	14,956,249

(b) By type of customer:

	31.03.2024 RM'000	31.03.2023 RM'000
Domestic non-bank financial institutions	9,426,072	9,787,109
Domestic business enterprises		
• Small medium enterprises	-	10,904
• Others	2,032,403	4,705,742
	11,458,475	14,503,755
Domestic financial institutions *	817,499	455,504
Foreign entities *	-	(3,010)
	12,275,974	14,956,249

* The credit balances are exposure after netting off with the identified cover deals.

(c) By interest rate sensitivity:

	31.03.2024 RM'000	31.03.2023 RM'000
Variable rates	12,275,974	14,956,249

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

(d) By economic sector:

	31.03.2024 RM'000	31.03.2023 RM'000
Mining and quarrying	58,593	-
Manufacturing	172,317	517,799
Electricity, gas and water	-	2,552,613
Construction	668,345	402,930
Wholesale, retail trade, restaurants and hotels	98,989	193,999
Transport, storage and communication	283,835	284,854
Finance, insurance, real estate and business services	10,992,762	11,001,419
Others	1,133	2,635
	12,275,974	14,956,249

(e) By geographical location:

	31.03.2024 RM'000	31.03.2023 RM'000
Malaysia	12,221,963	14,905,529
Other countries *	54,011	50,720
	12,275,974	14,956,249

* The credit balances are exposure after netting off with the identified cover deals.

NOTES TO THE FINANCIAL STATEMENTS

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

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

	31.03.2024			31.03.2023		
	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	8,324,421	21,375	651,426	11,538,906	175,245	357,498
Interest rate swaps	2,161,212	11,121	2,895	2,564,432	14,854	7,029
	10,485,633	32,496	654,321	14,103,338	190,099	364,527
Embedded loans with revolving credits nature:						
Foreign currency swaps	1,010,775	7,149	1,003	68,500	347	-
	1,010,775	7,149	1,003	68,500	347	-
Cover deals:						
Foreign currency swaps	8,101,530	775,128	14,179	9,062,025	411,684	45,931
Interest rate swaps	8,648,470	66,590	10,040	11,173,393	103,557	16,816
	16,750,000	841,718	24,219	20,235,418	515,241	62,747
	28,246,408	881,363	679,543	34,407,256	705,687	427,274
Set off		(679,543)	(679,543)		(427,274)	(427,274)
Net assets		201,820	-		278,413	-

10. PURCHASED RECEIVABLES

	31.03.2024 RM'000	31.03.2023 RM'000
At amortised cost		
Purchased receivables	917,843	1,119,499
Impairment allowances on purchased receivables		
• Stage 1 - 12-month ECL	(323)	(433)
• Stage 2 - lifetime ECL not credit-impaired	-	(196)
	917,520	1,118,870

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 RM797,942,000 (2023: RM1,020,827,000).

10. 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 2023	433	196	-	629
New financial assets originated	304	-	-	304
Financial assets derecognised (other than write-off)	(394)	(196)	-	(590)
Net remeasurement due to changes in credit risk	(20)	-	-	(20)
At 31 March 2024	323	-	-	323
At 1 April 2022	85	338	-	423
New financial assets originated	385	196	-	581
Financial assets derecognised (other than write-off)	(43)	(338)	-	(381)
Net remeasurement due to changes in credit risk	6	-	-	6
At 31 March 2023	433	196	-	629

11. COLLATERAL DEPOSITS

	31.03.2024 RM'000	31.03.2023 RM'000
At amortised cost		
Cash collaterals placed	120	814

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	15,649,452	17,626,759

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 RM14,502,179,000 (2023: RM17,079,414,000). The remaining balances are placed with licensed banks.

12. 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 41 to the financial statements.

	31.03.2024			31.03.2023		
	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	21,038,496	144,113	120,404	21,295,730	97,703	171,968
• Swaps	5,077,882	339,145	264,946	6,043,244	236,284	106,678
Interest rate related contracts						
• Swaps	14,929,411	53,496	186,757	15,310,064	63,124	189,173
Other derivatives						
• Currency options	288,815	651	581	348,951	963	1,148
	41,334,604	537,405	572,688	42,997,989	398,074	468,967

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM69,432,000 (2023: RM72,341,000) and RM318,292,000 (2023: RM229,036,000) respectively.

13. 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.

14. OTHER ASSETS

	31.03.2024 RM'000	31.03.2023 RM'000
Accrued interest receivable	18,782	7,255
Other receivables, deposits and prepayments	39,918	8,687
	58,700	15,942
Impairment allowances on other assets		
• Stage 3 - lifetime ECL credit-impaired	(40)	(40)
	58,660	15,902

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

	31.03.2024 RM'000	31.03.2023 RM'000
Lifetime Credit-impaired ECL Stage 3		
At 1 April/31 March	40	40

15. 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
31.03.2024							
Cost							
At 1 April 2023	2,963	15,770	39,327	6,829	1,532	1,162	67,583
Additions	-	6,358	2,952	3,329	-	-	12,639
Disposals	-	(7,714)	(63)	(3,409)	-	-	(11,186)
Reclassification	-	-	1,162	-	-	(1,162)	-
At 31 March 2024	2,963	14,414	43,378	6,749	1,532	-	69,036
Accumulated Depreciation							
At 1 April 2023	-	9,430	30,605	6,505	1,432	-	47,972
Charge for the year	-	755	3,510	274	100	-	4,639
Disposals	-	(7,377)	(63)	(3,397)	-	-	(10,837)
At 31 March 2024	-	2,808	34,052	3,382	1,532	-	41,774
Carrying Amount	2,963	11,606	9,326	3,367	-	-	27,262
31.03.2023							
Cost							
At 1 April 2022	2,963	15,691	38,155	7,720	1,532	1,695	67,756
Additions	-	127	673	-	-	1,162	1,962
Disposals	-	(48)	(1,289)	(891)	-	-	(2,228)
Reclassification	-	-	1,788	-	-	(1,695)	93
At 31 March 2023	2,963	15,770	39,327	6,829	1,532	1,162	67,583
Accumulated Depreciation							
At 1 April 2022	-	8,712	28,368	7,135	1,330	-	45,545
Charge for the year	-	750	3,515	251	102	-	4,618
Disposals	-	(32)	(1,278)	(881)	-	-	(2,191)
At 31 March 2023	-	9,430	30,605	6,505	1,432	-	47,972
Carrying Amount	2,963	6,340	8,722	324	100	1,162	19,611

16. 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
31.03.2024			
Cost			
At 1 April 2023	200,340	5,721	206,061
Additions	3,818	-	3,818
Written off	-	(13)	(13)
Reclassification	5,290	(5,290)	-
At 31 March 2024	209,448	418	209,866
Accumulated Depreciation			
At 1 April 2023	142,555	-	142,555
Charge for the year	25,524	-	25,524
Reclassification	-	-	-
At 31 March 2024	168,079	-	168,079
Carrying Amount	41,369	418	41,787
31.03.2023			
Cost			
At 1 April 2022	188,291	8,664	196,955
Additions	4,316	5,191	9,507
Disposals	(308)	-	(308)
Reclassification	8,041	(8,134)	(93)
At 31 March 2023	200,340	5,721	206,061
Accumulated Depreciation			
At 1 April 2022	118,138	-	118,138
Charge for the year	24,725	-	24,725
Disposals	(308)	-	(308)
At 31 March 2023	142,555	-	142,555
Carrying Amount	57,785	5,721	63,506

17. RIGHT-OF-USE ASSETS

	31.03.2024 RM'000	31.03.2023 RM'000
Buildings and leasehold improvements		
At 1 April	657	3,250
Addition	16,665	211
Modification	3,514	195
Depreciation	(4,127)	(2,999)
Derecognition	(145)	-
At 31 March	16,564	657

The right-of-use assets of the Bank comprised of lease on office buildings and other dwellings and asset retirement costs. The average lease term is 2.33 years (2023: 2.15 years).

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.

	31.03.2024 RM'000	31.03.2023 RM'000
Amounts recognised in profit and loss		
Payment relating to short-term leases	673	2,626
Payment relating to leases of low-value assets	591	626
Interest paid in relation to lease liabilities	184	108
Payment of lease liabilities	3,982	3,047
	5,430	6,407

18. DEFERRED TAX ASSETS

	31.03.2024 RM'000	31.03.2023 RM'000
At 1 April	5,636	6,865
Recognised in profit or loss (Note 37)	4,982	(889)
Recognised in other comprehensive income (Note 38)	(403)	(340)
At 31 March	10,215	5,636

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)	
	31.03.2024 RM'000	31.03.2023 RM'000	31.03.2024 RM'000	31.03.2023 RM'000	31.03.2024 RM'000	31.03.2023 RM'000
Fair value reserve	-	-	(6,321)	(7,041)	(6,321)	(7,041)
Defined benefit reserve	-	904	(219)	-	(219)	904
ECL reserve	-	-	-	-	-	-
Property, plant & equipment	-	-	(7,508)	(10,629)	(7,508)	(10,629)
Right-of-use assets	-	-	(3,975)	(158)	(3,975)	(158)
Lease liabilities	3,496	164	-	-	3,496	164
Provisions	17,124	17,124	-	-	17,124	17,124
Allowance for expected credit losses	7,618	5,272	-	-	7,618	5,272
Tax assets/(liabilities)	28,238	23,464	(18,023)	(17,828)	10,215	5,636
Set off of tax	(18,023)	(17,828)	18,023	17,828	-	-
Net tax assets	10,215	5,636	-	-	10,215	5,636

18. DEFERRED TAX ASSETS (CONTD)

Movement in temporary differences during the year:

	At 01.04.2022 RM'000	Recognised in profit or loss (Note 37) RM'000	Recognised in other comprehensive income (Note 38/ Note 7) RM'000	At 31.03.2023 RM'000	Recognised in profit or loss (Note 37) RM'000	Recognised in other comprehensive income (Note 38/ Note 7) RM'000	At 31.03.2024 RM'000
Fair value reserve	(6,701)	-	(340)	(7,041)	-	720	(6,321)
Defined benefit reserve	904	-	-	904	-	(1,123)	(219)
ECL reserve	86	(86)	-	-	-	-	-
Property, plant & equipment	(8,304)	(2,325)	-	(10,629)	3,121	-	(7,508)
Right-of-use assets	(780)	622	-	(158)	(3,817)	-	(3,975)
Lease liabilities	798	(634)	-	164	3,332	-	3,496
Provisions	17,081	43	-	17,124	-	-	17,124
Allowance for expected credit losses	3,781	(1,491)	-	5,272	2,346	-	7,618
Total	6,865	(889)	(340)	5,636	4,982	(403)	10,215

19. DEPOSITS FROM CUSTOMERS

	31.03.2024 RM'000	31.03.2023 RM'000
At amortised cost		
Demand deposits	5,035,693	4,651,265
Money market deposits	1,434,546	1,193,280
Savings deposits	51	45
Fixed deposits	5,805,834	6,121,123
	12,276,124	11,965,713

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

	31.03.2024 RM'000	31.03.2023 RM'000
Due within six months	5,736,901	5,985,272
More than six months to one year	68,933	133,701
More than one year to two years	-	2,150
	5,805,834	6,121,123

19. DEPOSITS FROM CUSTOMERS (CONTD)

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

	31.03.2024 RM'000	31.03.2023 RM'000
Domestic non-bank financial institutions	339,560	114,650
Business enterprises	11,582,727	11,594,461
Individuals	1,264	1,253
Foreign entities/individuals	298,111	196,195
Others	54,462	59,154
	12,276,124	11,965,713

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.03.2024 RM'000	31.03.2023 RM'000
At amortised cost		
Licensed banks	1,014,218	421,595

21. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.03.2024 RM'000	31.03.2023 RM'000
Money market instruments:		
Malaysian Government Securities	-	101,619

22. OTHER LIABILITIES

		31.03.2024 RM'000	31.03.2023 RM'000
Provision for retirement benefits	(i)	23,484	27,629
Impairment allowances on commitments and contingencies	(ii)		
• Stage 1 - 12-month ECL		6,343	3,398
• Stage 2 - lifetime ECL not credit-impaired		16,884	5,570
Accrued interest payable		25,541	56,042
Bills payable		23,133	12,806
Other payables and accruals	(iii)	193,120	67,213
		288,505	172,658

(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 2021 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 2024.

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.

22. OTHER LIABILITIES (CONTD)

(i) Provision for retirement benefits (Contd)

Movements in provision for retirement benefits are as follows:

	31.03.2024 RM'000	31.03.2023 RM'000
At 1 April	27,629	29,656
Included in profit or loss (Note 35)		
Current service cost	2,184	2,259
Interest cost	1,168	1,150
	3,352	3,409
Included in other comprehensive income (Note 38)		
Remeasurement loss		
Actuarial loss arising from experience adjustments	(5,166)	-
	(5,166)	-
Others		
Benefits paid	(2,331)	(5,436)
At 31 March	23,484	27,629

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

	31.03.2024 %	31.03.2023 %
Discount rate	4.1	3.8
Expected rate of salary increment	5.0	5.0

At 31 March 2024, the duration of the defined benefit obligation was 6.8 years (2023: 7.8 years).

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
31.03.2024		
Discount rate (1% movement)	(1,457)	1,628
Rate of salary (1% movement)	1,625	(1,483)
31.03.2023		
Discount rate (1% movement)	(2,200)	2,501
Rate of salary (1% movement)	2,073	(1,861)

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.

22. OTHER LIABILITIES (CONTD)

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

	12-month ECL	Lifetime ECL		
		Not credit-impaired	Credit-impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2023	3,398	5,570	-	8,968
Transfer to lifetime ECL not credit-impaired (Stage 2)	(3)	38	-	35
New financial assets originated	6,283	16,844	-	23,127
Financial assets derecognised (other than write-off)	(3,306)	(5,568)	-	(8,874)
Net remeasurement due to changes in credit risk	(29)	-	-	(29)
At 31 March 2024	6,343	16,884	-	23,227
At 1 April 2022	617	1,735	-	2,352
Transfer to 12-month ECL (Stage 1)	-	(1)	-	(1)
New financial assets originated	3,287	5,563	-	8,850
Financial assets derecognised (other than write-off)	(538)	(1,720)	-	(2,258)
Net remeasurement due to changes in credit risk	32	(7)	-	25
At 31 March 2023	3,398	5,570	-	8,968

(iii) Other payables and accruals

A total of RM1,380 (2023: RM5,006) of gharamah funds were allocated for refurbishment of impaired infrastructure for school of special needs.

23. 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
31.03.2024			
Less than 1 year	3,297	(392)	2,905
1 - 2 years	2,671	(310)	2,361
2 - 5 years	7,687	(518)	7,169
More than 5 years	2,163	(29)	2,134
	15,818	(1,249)	14,569
31.03.2023			
Less than 1 year	651	(17)	634
1 - 2 years	55	(1)	54
	706	(18)	688

24. OBLIGATION ON SECURITIES SOLD ON REPURCHASE AGREEMENTS

	31.03.2024 RM'000	31.03.2023 RM'000
Obligation on securities sold on repurchase agreements	-	124,779

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

25. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	31.03.2024 '000	31.03.2023 '000	31.03.2024 RM'000	31.03.2023 RM'000
Issued and fully paid-up shares with no par value classified as equity instrument:				
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.

26. RESERVES

		31.03.2024 RM'000	31.03.2023 RM'000
Non-distributable			
Fair value reserve		25,301	27,580
Defined benefit reserve	(a)	(211)	(4,254)
Regulatory reserve	(b)	96,383	112,975
Distributable			
Retained profits		4,208,019	3,819,899
		4,329,492	3,956,200

(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 22(i) of the financial statements, if any.

(b) The regulatory reserve 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.

NOTES TO THE FINANCIAL STATEMENTS

27. COMMITMENTS AND CONTINGENCIES

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

31.03.2024	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	337,424		337,424	326,975
Transaction related contingent items	633,660		316,830	301,653
Short-term self liquidating trade-related contingencies	85,062		17,013	19,304
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	24,835		4,967	4,967
• exceeding one year	105,332		52,666	52,625
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	13,601,143		-	-
Securitisation exposures	15,000		3,000	2,250
	14,802,456		731,900	707,774
Embedded Loans				
Foreign exchange related contracts				
• one year or less	4,657,107	214,599	130,128	66,345
• over one year to five years	12,055,329	580,468	671,540	386,891
• over five years	724,290	8,585	6,585	3,292
Interest rate related contracts				
• one year or less	3,452,672	8,226	7,896	3,127
• over one year to five years	7,357,010	69,485	111,289	49,102
• over five years	-	-	-	-
	28,246,408	881,363	927,438	508,757
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	22,159,864	185,187	427,215	321,998
• over one year to five years	3,366,268	245,398	292,376	212,700
• over five years	590,245	52,673	111,827	83,521
Interest rate related contracts				
• one year or less	4,920,313	6,952	6,274	2,383
• over one year to five years	8,813,980	31,460	106,846	52,252
• over five years	1,195,118	15,084	55,724	31,060
Currency options *				
• one year or less	144,407	651	2,817	2,817
	41,190,195	537,405	1,003,079	706,731
	84,239,059	1,418,768	2,662,417	1,923,262

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

27. COMMITMENTS AND CONTINGENCIES (CONTD)

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

31.03.2023	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	104,290		104,271	91,701
Transaction related contingent items	652,459		326,019	311,179
Short-term self liquidating trade-related contingencies	91,937		18,362	18,413
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	110,166		21,833	21,833
• exceeding one year	700		350	263
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	11,999,443		(8,514)	(7,874)
Securitisation exposures	15,000		3,000	2,250
	12,973,995		465,321	437,765
Embedded Loans				
Foreign exchange related contracts				
• one year or less	7,437,406	227,470	286,358	116,937
• over one year to five years	11,603,245	290,929	881,984	466,805
• over five years	1,628,780	68,877	226,851	147,939
Interest rate related contracts				
• one year or less	5,484,262	4,637	7,388	2,939
• over one year to five years	7,905,563	104,525	205,880	86,703
• over five years	348,000	9,249	18,876	9,438
	34,407,256	705,687	1,627,337	830,761
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	22,156,272	109,396	345,510	263,464
• over one year to five years	4,057,495	181,547	366,026	252,716
• over five years	1,125,207	43,044	180,195	139,364
Interest rate related contracts				
• one year or less	7,322,417	11,867	9,668	3,883
• over one year to five years	6,776,940	37,973	132,698	65,132
• over five years	1,210,707	13,284	92,316	54,041
Currency options *				
• one year or less	174,476	963	3,580	3,580
	42,823,514	398,074	1,129,993	782,180
	90,204,765	1,103,761	3,222,651	2,050,706

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

NOTES TO THE FINANCIAL STATEMENTS

28. 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:

	31.03.2024			31.03.2023		
	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	4	-	4	4	-	4
Other operating income	131,138	30	131,168	122,154	421	122,575
	131,142	30	131,172	122,158	421	122,579
Expenditure						
Interest on advances	786,358	-	786,358	481,099	-	481,099
Interest on deposits	804	-	804	94	-	94
Other fee expenses	3,097	139	3,236	2,916	134	3,050
Other operating expenses	175,530	-	175,530	97,071	1,174	98,245
	965,789	139	965,928	581,180	1,308	582,488
Amount due from						
Advances	124,820	-	124,820	99,489	-	99,489
Current accounts	1,370,275	38,785	1,409,060	293,026	22,753	315,779
Money at call and deposit placements maturing within 1 - 3 months	109	-	109	177	-	177
Derivative assets	69,412	20	69,432	72,221	120	72,341
Embedded loans	178	-	178	283	-	283
	1,564,794	38,805	1,603,599	465,196	22,873	488,069
Amount due to						
Advances	1,000,895	-	1,000,895	414,808	-	414,808
Current accounts	1,891	12,646	14,537	1,239	6,126	7,365
Deposits	-	16,000	16,000			
Accrued interest payable	3,113	-	3,113	2,248	-	2,248
	1,005,899	28,646	1,034,545	418,295	6,126	424,421
Cash collaterals	14,502,179	-	14,502,179	17,079,414	-	17,079,414
Derivative liabilities	318,292	-	318,292	229,023	13	229,036
Embedded loans	707	-	707	3,292	-	3,292
	15,827,077	28,646	15,855,723	17,730,024	6,139	17,736,163
Capital expenditures	-	-	-	589	-	589

28. 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
PT Bank Danamon Indonesia Tbk	Subsidiary of immediate holding company
ACOM (M) Sdn. Bhd.	Subsidiary of ultimate 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:-

(c) Credit transactions and exposures with connected parties

Credit transactions and exposures to connected parties, as defined by BNM's "Guidelines on Credit Transactions and Exposures with 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 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.

	31.03.2024 RM'000	31.03.2023 RM'000
Outstanding credit exposures with connected parties	383,294	417,140
Total credit exposures	36,889,981	38,208,639
Percentage of outstanding credit exposures to connected parties		
• as a proportion of total credit exposures	1.0%	1.1%
• as a proportion of total capital	8.5%	10.2%

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

(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.

29. OPERATING REVENUE

Operating revenue of the Bank comprises net interest/profit 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.

30. INTEREST INCOME

	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Loans, advances and financing measured at amortised cost	484,541	337,458
Loans, advances and financing designated at fair value	29,044	19,475
Money at call and deposit placements with financial institutions	247,791	155,573
Financial assets at FVTPL	33,461	13,531
Financial investments at FVOCI	32,619	26,203
	827,456	552,240

31. INTEREST EXPENSE

	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Deposits and placements of banks and other financial institutions	357,599	204,135
Deposits from customers	107,492	62,109
	465,091	266,244

32. NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL

	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Interest income	765,338	543,211
Interest expense	(677,840)	(478,955)
Unrealised gain in fair value of embedded loans	29,662	23,985
Realised (loss)/gain in fair value of embedded loans	(28,948)	40,927
	88,212	129,168

33. OTHER OPERATING INCOME

	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Fee income		
Commission	2,917	1,707
Guarantee fees	3,846	4,001
Service charges and fees	2,380	2,314
Commitment fees	1,160	2,578
Other fee income	22,189	5,951
	32,492	16,551
Net investment income		
Gross dividends	148	295
Realised loss in fair value of derivative financial instruments	(30,348)	(105,015)
Realised gain in fair value of financial assets at FVTPL	4,145	3,209
Unrealised gain in fair value of derivative financial instruments	95,992	16,877
Unrealised (loss)/gain in fair value of financial assets at FVTPL	(2,299)	66
Unrealised loss in fair value of loans designated at fair value	(4,233)	(8,760)
Foreign exchange gain	212,865	330,494
Net (premium)/discount paid for options	(142)	31
	276,128	237,197
Other income		
Other operating income	33,461	26,218
	342,081	279,966

NOTES TO THE FINANCIAL STATEMENTS

34. OTHER OPERATING EXPENSES

			Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Personnel expenses		(i)	100,996	101,855
Establishment related expenses		(ii)	36,542	36,474
Promotion and marketing related expenses		(iii)	1,817	1,351
Administrative and other expenses		(iv)	106,030	85,252
			245,385	224,932
(i)	**Personnel expenses**			
	Wages, salaries and bonuses		78,988	80,245
	Defined benefit plan (Note 22(i))		3,352	3,409
	Defined contribution plan		10,026	9,607
	Other employee benefits		8,630	8,594
			100,996	101,855
(ii)	**Establishment related expenses**			
	Depreciation of property, plant and equipment		4,639	4,618
	Amortisation of intangible assets		25,524	24,725
	Depreciation of right-of-use assets		4,127	2,999
	Repair and maintenance		332	332
	Expenses relating to short-term leases and leases of low-value assets		1,264	3,252
	Interest expenses on lease liabilities		184	108
	Others		472	440
			36,542	36,474
(iii)	**Promotion and marketing related expenses**			
	Advertising and publicity		117	233
	Others		1,700	1,118
			1,817	1,351
(iv)	**Administrative and other expenses**			
	Cash collateral fees on CSA		51,763	24,695
	Communication expenses		1,043	866
	Legal and professional fees		571	1,667
	Auditors' remuneration			
	• Statutory audit		410	410
	• Non audit related services			
	- Others		71	222
	Others		52,172	57,392
			106,030	85,252

35. 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 31.03.2024						Year ended 31.03.2023					
	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 (resigned on 28 March 2024)	577	-	278	232	-	1,087	562	-	265	235	-	1,062
Non-Executive Directors												
Dato' Noorazman bin Abd Aziz (Chairman)	-	100	-	-	139	239	-	24	-	-	22	46
En. Amin Siru bin Abdul Rahman (appointed on 1 July 2023)	-	75	-	-	70	145	-	-	-	-	-	-
En. Rashid bin Ismail	-	100	-	-	116	216	-	62	-	-	60	122
En. Ismail Bin Mahbob (resigned on 30 September 2023)	-	50	-	-	56	106	-	100	-	-	105	205
Y.Bhg. Dato' Mohd Sallehuddin bin Othman (resigned on 30 June 2023)	-	25	-	-	45	70	-	100	-	-	151	251
Tan Sri Dr. Nik Norzrul Thani bin N. Hassan Thani (resigned on 17 November 2022)	-	-	-	-	-	-	-	63	-	-	61	124
	-	350	-	-	426	776	-	349	-	-	399	748
Senior Management	5,808	-	3,214	365	1,193	10,580	6,048	-	5,095	271	1,238	12,652
Other Material Risk Takers	5,021	-	2,044	-	925	7,990	4,596	-	3,310	-	843	8,749
	11,406	350	5,536	597	2,544	20,433	11,206	349	8,670	506	2,480	23,211

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

NOTES TO THE FINANCIAL STATEMENTS

36. ALLOWANCE FOR/(REVERSAL OF) IMPAIRMENT ON FINANCIAL INSTRUMENTS

		Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
(a)	**Allowance for/(Reversal of) impairment on loans, advances and financing**		
	Stage 1 and 2 expected credit losses made during the year	18,385	14,546
	Stage 1 and 2 expected credit losses written back	(15,760)	(16,351)
	Stage 3 expected credit losses made during the year	-	33
	Stage 3 expected credit losses written back	(7)	-
	Other movements	(165)	(516)
		2,453	(2,288)
(b)	**(Reversal of)/Allowance for impairment on purchased receivables**		
	Stage 1 and 2 expected credit losses made during the year	304	587
	Stage 1 and 2 expected credit losses written back	(610)	(381)
		(306)	206
(c)	**Allowance for impairment on off-balance sheet exposures**		
	Stage 1 and 2 expected credit losses made during the year	23,165	8,882
	Stage 1 and 2 expected credit losses written back	(8,906)	(2,266)
		14,259	6,616
(d)	**Reversal of impairment on financial investments at FVOCI**		
	Stage 1 and 2 expected credit losses written back	-	(351)
		-	(351)
		16,406	4,183

37. TAX EXPENSE

	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Current tax		
• Malaysian income tax in respect of current financial year	188,107	153,403
• (Over)/Underprovision in prior years	(1,886)	96
Total current tax recognised in profit or loss	186,221	153,499
Deferred tax (Note 18)		
• Relating to origination and reversal of temporary differences	(7,110)	(175)
• Underprovision in prior years	2,128	1,064
Total deferred tax recognised in profit or loss	(4,982)	889
Total tax expense	181,239	154,388

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 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Profit before tax	552,767	489,858
Taxation at Malaysian statutory tax rate of 24%	132,664	117,566
Income not subject to tax	(35)	(71)
Expenses not deductible for tax purposes	48,368	35,733
Underprovision of deferred tax in prior years	2,128	1,064
(Over)/Underprovision of current tax expense in prior years	(1,886)	96
Tax expense for the year	181,239	154,388

Income tax is calculated at the Malaysian statutory rate of 24% of the estimated chargeable profit for the financial year.

38. OTHER COMPREHENSIVE INCOME

	31.03.2024			31.03.2023		
	Before Tax RM'000	Deferred Tax Expense (Note 18/ Note 7) RM'000	Net of Tax RM'000	Before Tax RM'000	Deferred Tax Expense (Note 18/ Note 7) RM'000	Net of Tax RM'000
Change in fair value of financial investment at FVOCI						
- Equity investments designated at FVOCI	229	(55)	174	3,409	568	3,977
- Debt investments measured at FVOCI	(3,228)	775	(2,453)	3,782	(908)	2,874
Change in ECL reserve of financial investments at FVOCI	-	-	-	(351)	-	(351)
Remeasurement of defined benefit liability	5,166	(1,123)	4,043	(2)	-	(2)
	2,167	(403)	1,764	6,838	(340)	6,498

39. EARNINGS PER SHARE

The earnings per ordinary share of the Bank have been calculated based on the profit for the year of RM371,528,000 (2023: RM335,470,000) and the number of ordinary shares in issue during the year of 200,000,000 (2023: 200,000,000).

There is no dilutive potential in the ordinary shares as at 31 March 2024 and 31 March 2023.

40. CAPITAL ADEQUACY

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

	31.03.2024 %	31.03.2023 %
Common equity Tier 1 ("CET 1") capital ratio	33.569	33.925
Tier 1 capital ratio	33.569	33.925
Total capital ratio	34.587	34.956

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 %

40. CAPITAL ADEQUACY (CONTD)

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

		31.03.2024 RM'000	31.03.2023 RM'000
CET 1 and Tier 1 capital			
• Paid-up ordinary share capital		200,000	200,000
• Retained profits		4,208,019	3,819,899
• Other reserves		121,473	136,301
		4,529,492	4,156,200
Less:	Deferred tax assets	(10,215)	(5,636)
	Intangible assets	(41,787)	(63,506)
	55% of fair value reserve	(13,916)	(15,169)
	Regulatory reserve	(96,383)	(112,975)
		4,367,191	3,958,914
Tier 2 capital			
• Stage 1 and 2 ECL and regulatory reserve		132,477	120,325
Total Capital		4,499,668	4,079,239

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:

	31.03.2024 RM'000	31.03.2023 RM'000
Credit risk	10,598,132	9,626,021
Market risk	1,218,205	1,090,688
Operational risk	1,193,216	952,984
	13,009,553	11,669,693

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

41. 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.

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

41. 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:

31.03.2024	Amortised cost RM'000	FVTPL RM'000	FVOCI - DI RM'000	FVOCI - EIDUIR RM'000	Total RM'000
Financial Assets					
Cash and short-term funds	5,295,755	-	-	-	5,295,755
Reverse repurchase agreements	20,090	-	-	-	20,090
Deposits and placement with financial institutions	2,037,602	-	-	-	2,037,602
Financial assets at FVTPL	-	2,023,157	-	-	2,023,157
Financial investments at FVOCI	-	-	1,295,339	28,323	1,323,662
Loans, advances and financing	9,454,685	316,461	-	-	9,771,146
Embedded loans measured at FVTPL	-	12,275,974	-	-	12,275,974
Purchased receivables	917,520	-	-	-	917,520
Collateral deposits placed	120	-	-	-	120
Derivative financial assets	-	537,405	-	-	537,405
Statutory deposits with Bank Negara Malaysia	352	-	-	-	352
Other assets*	56,213	-	-	-	56,213
	17,782,337	15,152,997	1,295,339	28,323	34,258,996
Financial Liabilities					
Deposits from customers	12,276,124	-	-	-	12,276,124
Deposits and placements of banks and other financial institutions	1,014,218	-	-	-	1,014,218
Collateral deposits received	15,649,452	-	-	-	15,649,452
Derivative financial liabilities	-	572,688	-	-	572,688
Other liabilities	265,021	-	-	-	265,021
Lease liabilities	14,569	-	-	-	14,569
	29,219,384	572,688	-	-	29,792,072

41. 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)

31.03.2023	Amortised cost RM'000	FVTPL RM'000	FVOCI - DI RM'000	FVOCI - EIDUIR RM'000	Total RM'000
Financial Assets					
Cash and short-term funds	7,033,252	-	-	-	7,033,252
Reverse repurchase agreements	130,439	-	-	-	130,439
Deposits and placement with financial institutions	1,843,335	-	-	-	1,843,335
Financial assets at FVTPL	-	48,825	-	-	48,825
Financial investments at FVOCI	-	-	841,114	28,094	869,208
Loans, advances and financing	8,222,741	339,392	-	-	8,562,133
Embedded loans measured at FVTPL	-	14,956,249	-	-	14,956,249
Purchased receivables	1,118,870	-	-	-	1,118,870
Collateral deposits placed	814	-	-	-	814
Derivative financial assets	-	398,074	-	-	398,074
Statutory deposits with Bank Negara Malaysia	2,319	-	-	-	2,319
Other assets*	13,570	-	-	-	13,570
	18,365,340	15,742,540	841,114	28,094	34,977,088
Financial Liabilities					
Deposits from customers	11,965,713	-	-	-	11,965,713
Deposits and placements of banks and other financial institutions	421,595	-	-	-	421,595
Financial liabilities at fair value through profit or loss	-	101,619	-	-	101,619
Collateral deposits received	17,626,759	-	-	-	17,626,759
Derivative financial liabilities	-	468,967	-	-	468,967
Other liabilities	145,029	-	-	-	145,029
Lease liabilities	688	-	-	-	688
Obligation on securities sold on repurchase agreements	124,779	-	-	-	124,779
	30,284,563	570,586	-	-	30,855,149

* Other assets exclude prepayments of RM2,447,000 (2023: RM2,332,000).

41. FINANCIAL RISK MANAGEMENT (CONTD)

(a) INTRODUCTION (CONTD)

Risk Management Process

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

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

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

(b) CREDIT RISK

Credit risk is the risk of financial loss 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, embedded loans and purchased receivables 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 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 RM22,964,640,000 (2023: RM24,637,252,000) for on-balance sheet exposures and RM14,802,456,000 (2023: RM12,973,995,000) 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 for 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.

41. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Loans, Advances and Financing, Embedded Loans Measured at FVTPL and Purchased Receivables (Contd)

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.

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.

41. 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:

31.03.2024	Cash and Short-Term Funds RM'000	Reverse Repurchase Agreements RM'000	Deposits and Placements with Financial Institutions RM'000	Financial Investments 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	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitments and Contingencies * RM'000
Agricultural, hunting, forestry and fishing	-	-	-	-	-	-	-	-	-	671	-	-	671	297,225
Mining and quarrying	-	-	-	-	-	357,423	58,594	-	-	13,259	-	-	429,276	248,325
Manufacturing	-	-	-	-	-	1,668,400	172,317	119,115	-	89,798	-	-	2,049,630	5,243,825
Electricity, gas and water	-	-	-	-	-	224,311	-	-	-	2,816	-	-	227,127	1,117,870
Construction	-	-	-	-	-	409,660	668,345	-	-	362	-	-	1,078,367	1,077,063
Wholesale, retail trade, restaurants and hotels	-	-	-	-	-	807,471	98,989	786	-	15,215	-	-	922,461	3,320,362
Transport, storage and communication	-	-	-	-	-	1,065,700	283,835	-	-	23	-	-	1,349,558	865,350
Finance, insurance, real estate and business services	3,667,755	-	131,964	-	28,323	4,678,293	10,992,761	797,942	-	399,656	-	-	20,696,694	2,630,755
Government and government agencies	1,628,000	20,090	1,905,638	2,023,157	1,295,337	-	-	-	120	15,605	352	-	6,888,299	-
Households	-	-	-	-	-	13,581	-	-	-	-	-	-	13,581	-
Others	-	-	-	-	2	570,765	1,133	-	-	-	-	-	571,900	1,681
	5,295,755	20,090	2,037,602	2,023,157	1,323,662	9,795,604	12,275,974	917,843	120	537,405	352	-	34,227,564	14,802,456
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-	56,213	56,213	-
	5,295,755	20,090	2,037,602	2,023,157	1,323,662	9,795,604	12,275,974	917,843	120	537,405	352	56,213	34,283,777	14,802,456

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

41. 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)

31.03.2023	Cash and Short-Term Funds RM'000	Reverse Repurchase Agreements RM'000	Deposits and Placements with Financial Institutions RM'000	Financial Investments 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	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitments and Contingencies * RM'000
Agricultural, hunting, forestry and fishing	-	-	-	-	-	200,300	-	-	-	100	-	-	200,400	94,150
Mining and quarrying	-	-	-	-	-	389,542	-	-	-	9,808	-	-	399,350	4,364,742
Manufacturing	-	-	-	-	-	1,173,583	517,799	98,672	-	29,686	-	-	1,819,740	1,175,870
Electricity, gas and water	-	-	-	-	-	236,946	2,552,613	-	-	2,978	-	-	2,792,537	57,388
Construction	-	-	-	-	-	485,315	402,930	-	-	80	-	-	888,325	789,083
Wholesale, retail trade, restaurants and hotels	-	-	-	-	-	546,685	193,999	-	-	17,107	-	-	757,791	2,823,760
Transport, storage and communication	-	-	-	-	-	1,142,031	284,855	-	-	29,887	-	-	1,456,773	823,600
Finance, insurance, real estate and business services	1,317,652	-	99,583	-	28,094	3,982,664	11,001,418	1,020,827	-	308,428	-	-	17,758,666	2,676,431
Government and government agencies	5,715,600	130,439	1,743,752	48,825	841,113	-	-	-	814	-	2,319	-	8,482,862	-
Households	-	-	-	-	-	14,670	-	-	-	-	-	-	14,670	701
Others	-	-	-	-	1	412,238	2,635	-	-	-	-	-	414,874	168,270
	7,033,252	130,439	1,843,335	48,825	869,208	8,583,974	14,956,249	1,119,499	814	398,074	2,319	-	34,985,988	12,973,995
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-	13,570	13,570	-
	7,033,252	130,439	1,843,335	48,825	869,208	8,583,974	14,956,249	1,119,499	814	398,074	2,319	13,570	34,999,558	12,973,995

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

41. 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:

	31.03.2024				31.03.2023			
	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	9,192,560	40,020	-	9,232,580	6,485,450	1,506,391	-	7,991,841
Close watch	-	244,398	-	244,398	-	249,966	-	249,966
Past due but not credit-impaired								
Normal grades	-	1,364	-	1,364	1	1,253	-	1,254
Credit-impaired								
Past due	-	-	797	797	-	-	1,511	1,511
Not past due	-	-	4	4	-	-	10	10
	9,192,560	285,782	801	9,479,143	6,485,451	1,757,610	1,521	8,244,582

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

41. 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	
	31.03.2024 RM'000	31.03.2023 RM'000
Borrower's Ageing		
Past due 1 to 30 days	-	1
Past due 31 to 60 days	654	779
Past due 61 to 90 days	710	474
	1,364	1,254
Credit-impaired		
Past due more than 90 days	797	1,511

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 2024.

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 RM3,884,224,000 (2023: RM1,316,107,000) 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 RM7,409,780,000 (2023: RM9,021,410,000).

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.

41. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Risk Management Approach (Contd)

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.

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 and embedded loans for the Bank as at 31 March 2024 are at 62.28% (2023: 68.83%) and 7.99% (2023: 6.84%) for collateral and other credit enhancements respectively.

(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.

41. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Market Risk Management Oversight and Organisation (Contd)

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.

41. 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:

31.03.2024	<---- Non-Trading Book ----					---->	Trading Book RM'000	Total RM'000	Effective Interest Rate %
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000			
Financial assets									
Cash and short-term funds	3,348,109	520,000	-	-	-	1,427,646	-	5,295,755	4.77
Reverse repurchase agreements	20,090	-	-	-	-	-	-	20,090	2.98
Deposits and placements with financial institutions	1,377,195	472,250	-	-	-	188,157	-	2,037,602	0.09
Financial assets at FVTPL	-	700,140	973,183	-	349,834	-	-	2,023,157	1.01
Financial investments at FVOCI	199,609	140,120	538,554	417,056	-	28,323	-	1,323,662	2.68
Loans, advances and financing									
- Non-impaired	5,573,765	576,701	662,154	2,144,720	850,293	(12,830)	-	9,794,803	5.73
- Impaired *	5	2	17	14	498	-	-	536	
- 12-month ECL and Lifetime ECL not credit-impaired	-	-	-	-	-	(24,193)	-	(24,193)	
Embedded loans measured at FVTPL	539,937	1,654,049	1,704,417	7,710,639	666,932	-	-	12,275,974	6.12
Purchased receivables	351,742	427,940	138,161	-	-	(323)	-	917,520	3.48
Collateral deposits placed	120	-	-	-	-	-	-	120	3.02
Derivative financial assets	-	-	-	-	-	-	537,405	537,405	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	352	-	352	
Other assets	-	-	-	-	-	56,213	-	56,213	
	11,410,572	4,491,202	4,016,486	10,272,429	1,867,557	1,663,345	537,405	34,258,996	
Non-financial assets									
Property, plant and equipment	-	-	-	-	-	27,262	-	27,262	
Intangible assets	-	-	-	-	-	41,787	-	41,787	
Right-of-use assets	-	-	-	-	-	16,564	-	16,564	
Prepayments	-	-	-	-	-	2,447	-	2,447	
Deferred tax assets	-	-	-	-	-	10,215	-	10,215	
	-	-	-	-	-	98,275	-	98,275	
Total assets	11,410,572	4,491,202	4,016,486	10,272,429	1,867,557	1,761,620	537,405	34,357,271	

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

41. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

31.03.2024	<---- Non-Trading Book ----					---->	Trading Book RM'000	Total RM'000	Effective Interest Rate %
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000			
Liabilities									
Deposits from customers	5,614,283	1,475,808	150,340	-	-	5,035,693	-	12,276,124	3.66
Deposits and placements of banks and other financial institutions	666,094	276,547	71,577	-	-	-	-	1,014,218	4.07
Collateral deposits received	6,185,403	1,722,320	1,264,403	5,248,091	1,229,235	-	-	15,649,452	5.08
Derivative financial liabilities	-	-	-	-	-	-	572,688	572,688	
Other liabilities	-	-	-	-	-	265,021	-	265,021	
Lease liabilities	483	446	1,976	9,529	2,135	-	-	14,569	2.91
	12,466,263	3,475,121	1,488,296	5,257,620	1,231,370	5,300,714	572,688	29,792,072	
On-balance sheet interest sensitivity gap	(1,055,691)	1,016,081	2,528,190	5,014,809	636,187	(3,539,094)	(35,283)	4,565,199	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	2,213,779	2,213,779	
Total interest sensitivity gap	(1,055,691)	1,016,081	2,528,190	5,014,809	636,187	(3,539,094)	2,178,496	6,778,978	

41. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

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:

	<------ Non-Trading Book					------>			
31.03.2023	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	6,555,776	150,000	-	-	-	327,476	-	7,033,252	2.42
Reverse repurchase agreements	-	-	130,439	-	-	-	-	130,439	2.51
Deposits and placements with financial institutions	1,811,564	-	-	-	-	31,771	-	1,843,335	0.04
Financial assets at FVTPL	-	-	-	-	48,825	-	-	48,825	0.97
Financial investments at FVOCI	-	66,345	-	774,769	-	28,094	-	869,208	2.52
Loans, advances and financing									
- Non-impaired	4,835,506	328,248	779,006	1,982,725	666,176	(8,508)	-	8,583,153	5.15
- Impaired *	10	-	-	13	525	-	-	548	
- 12-month ECL and Lifetime ECL not credit-impaired	-	-	-	-	-	(21,568)	-	(21,568)	
Embedded loans measured at FVTPL	1,588,418	397,907	3,805,370	7,961,624	1,202,930	-	-	14,956,249	5.42
Purchased receivables	329,973	564,863	200,934	23,729	-	(629)	-	1,118,870	4.25
Collateral deposits placed	814	-	-	-	-	-	-	814	2.75
Derivative financial assets	-	-	-	-	-	-	398,074	398,074	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,319	-	2,319	
Other assets	-	-	-	-	-	13,570	-	13,570	
	15,122,061	1,507,363	4,915,749	10,742,860	1,918,456	372,525	398,074	34,977,088	
Non-financial assets									
Property, plant and equipment	-	-	-	-	-	19,611	-	19,611	
Intangible assets	-	-	-	-	-	63,506	-	63,506	
Right-of-use assets	-	-	-	-	-	657	-	657	
Prepayments	-	-	-	-	-	2,332	-	2,332	
Deferred tax assets	-	-	-	-	-	5,636	-	5,636	
	-	-	-	-	-	91,742	-	91,742	
Total assets	15,122,061	1,507,363	4,915,749	10,742,860	1,918,456	464,267	398,074	35,068,830	

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

41. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

	<------ Non-Trading Book					------>			
31.03.2023	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	4,625,504	2,359,996	326,798	2,150	-	4,651,265	-	11,965,713	3.58
Deposits and placements of banks and other financial institutions	182,548	125,307	113,740	-	-	-	-	421,595	3.53
Financial liabilities at FVTPL	-	-	101,619	-	-	-	-	101,619	
Collateral deposits received	6,274,928	332,630	2,226,642	7,501,174	1,291,385	-	-	17,626,759	4.61
Derivative financial liabilities	-	-	-	-	-	-	468,967	468,967	
Other liabilities	-	-	-	-	-	145,029	-	145,029	
Lease liabilities	273	96	265	54	-	-	-	688	2.49
Obligation on securities sold on repurchase agreements	-	-	124,779	-	-	-	-	124,779	-
	11,083,253	2,818,029	2,893,843	7,503,378	1,291,385	4,796,294	468,967	30,855,149	
On-balance sheet interest sensitivity gap	4,038,808	(1,310,666)	2,021,906	3,239,482	627,071	(4,332,027)	(70,893)	4,213,681	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	159,100	159,100	
Total interest sensitivity gap	4,038,808	(1,310,666)	2,021,906	3,239,482	627,071	(4,332,027)	88,207	4,372,781	

41. 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:

31.03.2024	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	571,357	442,009	105,355	59,319	27,297	185,357	36,952
Deposits and placements with financial institutions	944,500	904,945	-	-	-	-	-
Financial investments at FVOCI	-	249,755	-	-	-	-	-
Loans, advances and financing	6,802,390	43,974	-	-	-	7,545	-
Embedded loans measured at FVTPL	10,060,002	-	-	-	-	-	-
Purchased receivables	358,257	-	-	-	-	499,301	-
	18,736,506	1,640,683	105,355	59,319	27,297	692,203	36,952
Liabilities							
Deposits from customers	4,376,240	550,646	38,537	45,445	1,021	25,387	6,028
Deposits and placements of banks and other financial institutions	425,025	-	-	-	-	575,870	-
Collateral deposits received	14,314,786	1,040,607	-	-	-	-	-
Other liabilities	74,354	17,939	4,076	1,325	210	2,801	242
	19,190,405	1,609,192	42,613	46,770	1,231	604,058	6,270
Net financial (liabilities)/ assets exposure	(453,899)	31,491	62,742	12,549	26,066	88,145	30,682

41. 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)

31.03.2023	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	16,606	122,551	2,741	46,718	58,749	50,863	29,248
Deposits and placements with financial institutions	883,000	928,564	-	-	-	-	-
Financial investments at FVOCI	-	332,635	-	-	-	-	-
Loans, advances and financing	5,685,659	42,177	-	-	-	-	-
Embedded loans measured at FVTPL	12,324,679	-	-	-	-	-	-
Purchased receivables	679,218	-	-	-	-	364,021	-
	19,589,162	1,425,927	2,741	46,718	58,749	414,884	29,248
Liabilities							
Deposits from customers	5,521,962	391,903	43,425	42,454	1,592	128,939	2,062
Deposits and placements of banks and other financial institutions	132,450	-	-	-	-	282,358	-
Collateral deposits received	16,448,426	1,070,104	-	-	-	-	-
Other liabilities	53,848	5,061	-	78	-	2,243	7,715
	22,156,686	1,467,068	43,425	42,532	1,592	413,540	9,777
Net financial (liabilities)/ assets exposure	(2,567,524)	(41,141)	(40,684)	4,186	57,157	1,344	19,471

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.

41. 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:

Impact on earnings from 200 bps parallel shift	31.03.2024	31.03.2023
	Increase / (Decrease)	
	RM'000	RM'000
MYR	66,295	149,797
USD	(33,518)	(57,392)
SGD	(285)	(286)
Others	(6,131)	(4,493)
Total	26,361	87,626

Impact on economic value from 200 bps parallel shift	RM'000	RM'000
MYR	27,159	28,163
USD	6,352	15,381
SGD	910	820
Others	8,253	528
Total	42,675	44,892

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 Market Risk, Assets and Liabilities Management Committee ("ALCO") 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 2024, potential maximum loss computed for Scenario 1 to be RM427,348,000 (2023: RM398,967,000), Scenario 2 to be RM434,926,000 (2023: RM409,823,000) and Scenario 3 to be RM474,272,000 (2023: RM467,433,000).

41. 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
31.03.2024						
Liabilities						
Deposits from customers	12,276,124	12,394,425	12,394,425	-	-	-
Deposits and placements of banks and other financial institutions	1,014,218	1,016,521	1,016,521	-	-	-
Collateral deposits received	15,649,452	17,073,034	9,232,393	129,807	5,996,424	1,714,410
Derivative financial liabilities	572,688	572,688	238,386	160,163	92,875	81,264
Lease liabilities	14,569	15,818	3,297	2,671	7,687	2,163
Other liabilities	265,021	265,021	265,021	-	-	-
	29,792,072	31,337,507	23,150,043	292,641	6,096,986	1,797,837
31.03.2023						
Liabilities						
Deposits from customers	11,965,713	12,165,519	12,161,765	3,754	-	-
Deposits and placements of banks and other financial institutions	421,595	423,917	423,917	-	-	-
Financial liabilities at FVTPL	101,619	101,619	-	-	101,619	-
Collateral deposits received	17,626,759	19,330,248	8,909,533	2,152,858	6,435,349	1,832,508
Derivative financial liabilities	468,967	468,967	182,188	95,836	130,183	60,760
Lease liabilities	688	706	651	55	-	-
Other liabilities	145,029	145,029	145,029	-	-	-
Obligation on securities sold on repurchase agreements	124,779	-	-	-	-	-
	30,855,149	32,636,005	21,823,083	2,252,503	6,667,151	1,893,268

41. 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:

31.03.2024	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	3,348,109	520,000	-	-	-	1,427,646	5,295,755
Reverse repurchase agreements	20,090	-	-	-	-		20,090
Deposits and placements with financial institutions	1,377,195	472,250	-	-	-	188,157	2,037,602
Financial assets at FVTPL	-	700,140	973,183	-	349,834		2,023,157
Financial investments at FVOCI	199,609	140,120	260,807	277,747	417,056	28,323	1,323,662
Loans, advances and financing	5,562,980	575,838	311,496	350,239	2,970,593	-	9,771,146
Embedded loans measured at FVTPL	539,937	1,654,049	762,570	941,847	8,377,571	-	12,275,974
Purchased receivables	351,705	427,783	121,409	16,623	-	-	917,520
Collateral deposits placed	120	-		-	-	-	120
Derivative financial assets	53,815	48,272	52,516	38,188	344,614	-	537,405
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	352	352
Other assets	-	-	-	-	-	56,213	56,213
	11,453,560	4,538,452	2,481,981	1,624,644	12,459,668	1,700,691	34,258,996
Liabilities							
Deposits from customers	5,614,283	1,475,808	77,961	72,379	-	5,035,693	12,276,124
Deposits and placements of banks and other financial institutions	652,770	276,547	71,577	-	-	13,324	1,014,218
Collateral deposits received	5,477,028	1,722,320	401,453	862,950	6,477,326	708,375	15,649,452
Other liabilities	-	-	-	-	-	265,021	265,021
Lease liabilities	483	446	673	1,303	11,664	-	14,569
	11,744,564	3,475,121	551,664	936,632	6,488,990	6,022,413	29,219,384
Derivative financial liabilities							
Forward exchange contract (gross settled)							
Outflow	63,472	43,707	365,418	474,163	2,216,336	-	3,163,096
Inflow	(19,087)	(6,544)	(327,526)	(372,280)	(2,052,309)	-	(2,777,746)
	44,385	37,163	37,892	101,883	164,027	-	385,350
Interest rate related contract (gross settled)							
Outflow	9,635	8,239	25,925	47,684	709,416	-	800,899
Inflow	(8,575)	(8,217)	(22,214)	(35,995)	(539,141)	-	(614,142)
	1,060	22	3,711	11,689	170,275	-	186,757
Other derivatives							
Currency options	-	563	18	-	-	-	581
	45,445	37,748	41,621	113,572	334,302	-	572,688
	11,790,009	3,512,869	593,285	1,050,204	6,823,292	6,022,413	29,792,072
Commitments and contingencies	13,734,584	10,680,712	12,657,726	12,765,207	34,400,830	-	84,239,059

41. 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)

31.03.2023	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	6,555,776	150,000	-	-	-	327,476	7,033,252
Reverse repurchase agreements	-	-	-	130,439	-	-	130,439
Deposits and placements with financial institutions	1,811,564	-	-	-	-	31,771	1,843,335
Financial assets at FVTPL	-	-	-	-	48,825	-	48,825
Financial investments at FVOCI	-	66,345	-	-	774,769	28,094	869,208
Loans, advances and financing	4,827,443	326,850	254,506	519,896	2,633,438	-	8,562,133
Embedded loans measured at FVTPL	1,588,418	397,907	1,080,691	2,724,679	9,164,554	-	14,956,249
Purchased receivables	329,936	564,583	141,105	59,556	23,690	-	1,118,870
Collateral deposits placed	814	-	-	-	-	-	814
Derivative financial assets	45,287	37,376	21,804	17,759	275,848	-	398,074
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,319	2,319
Other assets	-	-	-	-	-	13,570	13,570
	15,159,238	1,543,061	1,498,106	3,452,329	12,921,124	403,230	34,977,088
Liabilities							
Deposits from customers	4,625,504	2,359,996	193,097	133,701	2,150	4,651,265	11,965,713
Deposits and placements of banks and other financial institutions	182,548	125,307	57,834	55,906	-	-	421,595
Financial liabilities at FVTPL	-	-	101,619	-	-	-	101,619
Collateral deposits received	5,436,078	332,630	997,328	1,229,314	8,792,559	838,850	17,626,759
Other liabilities	-	-	-	-	-	145,029	145,029
Lease liabilities	273	96	120	145	54	-	688
Obligation on securities sold on repurchase agreements	-	-	-	124,779	-	-	124,779
	10,244,403	2,818,029	1,349,998	1,543,845	8,794,763	5,635,144	30,386,182
Derivative financial liabilities							
Forward exchange contract (gross settled)							
Outflow	56,782	25,489	53,278	524,410	1,671,228	-	2,331,187
Inflow	(10,065)	-	-	(477,740)	(1,564,737)	-	(2,052,542)
	46,717	25,489	53,278	46,670	106,491	-	278,645
Interest rate related contract (gross settled)							
Outflow	10,512	15,739	36,398	55,026	641,326	-	759,001
Inflow	(9,031)	(13,382)	(33,657)	(52,718)	(461,039)	-	(569,827)
	1,481	2,357	2,741	2,308	180,287	-	189,174
Other derivatives							
Currency options	-	1,148	-	-	-	-	1,148
	48,198	28,994	56,019	48,978	286,778	-	468,967
	10,292,601	2,847,023	1,406,017	1,592,823	9,081,541	5,635,144	30,855,149
Commitments and contingencies	14,522,893	9,401,080	14,323,018	17,108,825	34,848,949	-	90,204,765

41. 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.

42. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
31.03.2024	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	Total Fair Value RM'000	Carrying Amount RM'000
Financial assets										
Fair Value through Profit or Loss										
● Financial assets measured at FVTPL	-	2,023,157	-	2,023,157	-	-	-	-	2,023,157	2,023,157
● Embedded loans measured at FVTPL	-	12,275,974	-	12,275,974	-	-	-	-	12,275,924	12,275,924
● Loans, advances and financing	-	316,461	-	316,461	-	-	-	-	316,461	316,461
● Derivative financial assets	-	537,405	-	537,405	-	-	-	-	537,405	537,405
Fair Value through Other Comprehensive Income										
● Financial investments at FVOCI	-	1,295,339	28,323	1,323,662	-	-	-	-	1,323,662	1,323,662
Amortised cost										
● Loans, advances and financing *	-	-	-	-	-	9,479,143	-	9,479,143	9,479,143	9,479,143
● Purchased receivables *	-	-	-	-	-	-	917,843	917,843	917,843	917,843
● Cash and short-term funds	-	-	-	-	-	-	5,295,755	5,295,755	5,295,755	5,295,755
● Deposits and placements with financial institutions	-	-	-	-	-	-	2,037,602	2,037,602	2,037,602	2,037,602
● Collateral deposits placed	-	-	-	-	-	-	120	120	120	120
● Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	352	352	352	352
● Other assets	-	-	-	-	-	-	56,213	56,213	56,213	56,213
	-	16,448,336	28,323	16,476,659	-	9,479,143	8,307,885	17,787,028	34,263,687	34,263,687
Financial liabilities										
Fair Value through Profit or Loss										
● Financial liabilities measured at FVTPL	-	-	-	-	-	-	-	-	-	-
● Derivative financial liabilities	-	572,688	-	572,688	-	-	-	-	572,688	572,688
Amortised cost										
● Deposits from customers	-	-	-	-	-	-	12,276,124	12,276,124	12,276,124	12,276,124
● Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	1,014,218	1,014,218	1,014,218	1,014,218
● Collateral deposits received	-	-	-	-	-	-	14,679,075	14,679,075	14,679,075	15,649,452
● Other liabilities	-	-	-	-	-	-	265,021	265,021	265,021	265,021
	-	572,688	-	572,688	-	-	28,234,438	28,234,438	28,807,126	29,777,503

* Stated at gross

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

31.03.2023	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total Fair Value RM'000	Carrying Amount RM'000
	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		
Financial assets										
Fair Value through Profit or Loss										
• Financial assets measured at FVTPL	-	48,825	-	48,825	-	-	-	-	48,825	48,825
• Embedded loans measured at FVTPL	-	14,956,249	-	14,956,249	-	-	-	-	14,956,249	14,956,249
• Loans, advances and financing	-	339,392	-	339,392	-	-	-	-	339,392	339,392
• Derivative financial assets	-	398,074	-	398,074	-	-	-	-	398,074	398,074
Fair Value through Other Comprehensive Income										
• Financial investments at FVOCI	-	841,114	28,094	869,208	-	-	-	-	869,208	869,208
Amortised cost										
• Loans, advances and financing *	-	-	-	-	-	8,244,582	-	8,244,582	8,244,582	8,244,582
• Purchased receivables *	-	-	-	-	-	-	1,119,499	1,119,499	1,119,499	1,119,499
• Cash and short-term funds	-	-	-	-	-	-	7,033,252	7,033,252	7,033,252	7,033,252
• Deposits and placements with financial institutions	-	-	-	-	-	-	1,843,335	1,843,335	1,843,335	1,843,335
• Collateral deposits placed	-	-	-	-	-	-	814	814	814	814
• Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	2,319	2,319	2,319	2,319
• Other assets	-	-	-	-	-	-	13,570	13,570	13,570	13,570
	-	16,583,654	28,094	16,611,748	-	8,244,582	10,012,789	18,257,371	34,869,119	34,869,119
Financial liabilities										
Fair Value through Profit or Loss										
• Financial liabilities measured at FVTPL	-	101,619	-	101,619	-	-	-	-	101,619	101,619
• Derivative financial liabilities	-	468,967	-	468,967	-	-	-	-	468,967	468,967
Amortised cost										
• Deposits from customers	-	-	-	-	-	-	11,965,713	11,965,713	11,965,713	11,965,713
• Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	421,595	421,595	421,595	421,595
• Collateral deposits received	-	-	-	-	-	-	16,386,709	16,386,709	16,386,709	17,626,759
• Other liabilities	-	-	-	-	-	-	145,029	145,029	145,029	145,029
• Obligation on securities sold on repurchase agreement	-	-	-	-	-	-	124,779	124,779	124,779	124,779
	-	570,586	-	570,586	-	-	29,043,825	29,043,825	29,614,411	30,854,461

* Stated at gross.

NOTES TO THE FINANCIAL STATEMENTS

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

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.

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.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

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 (2023: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

MRMD and the Financial 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

For 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.

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

42. 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.

43. 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.

43. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD)

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	
31.03.2024						
Financial assets						
Reverse repurchase agreements	20,090	-	20,090	(20,090)	120	120
Derivative financial assets						
- Foreign exchange related contracts	483,258	-	483,258	(810,916)	(1,059,941)	(1,387,599)
- Interest rate related contracts	53,496	-	53,496	(68,152)	(87,332)	(101,988)
- Currency options	651	-	651	(71)	-	580
	557,495	-	557,495	(899,229)	(1,147,153)	(1,488,887)
Financial liabilities						
Derivative financial liabilities						
- Foreign exchange related contracts	385,350	-	385,350	(810,916)	-	(425,566)
- Interest rate related contracts	186,757	-	186,757	(68,152)	-	118,605
- Currency options	581	-	581	(71)	-	510
	572,688	-	572,688	(879,139)	-	(306,451)
31.03.2023						
Financial assets						
Reverse repurchase agreements	130,439	-	130,439	(130,439)	814	814
Derivative financial assets						
- Foreign exchange related contracts	333,987	-	333,987	(436,466)	(468,733)	(571,212)
- Interest rate related contracts	63,124	-	63,124	(28,001)	(78,612)	(43,489)
- Currency options	963	-	963	(185)	-	778
	528,513	-	528,513	(595,091)	(546,531)	(613,109)
Financial liabilities						
Obligation on securities sold on repurchase agreements	124,779	-	124,779	(124,779)	-	-
Derivative financial liabilities						
- Foreign exchange related contracts	278,646	-	278,646	(436,466)	-	(157,820)
- Interest rate related contracts	189,173	-	189,173	(28,001)	-	161,172
- Currency options	1,148	-	1,148	(185)	-	963
	593,746	-	593,746	(589,431)	-	4,315

44. THE OPERATIONS OF ISLAMIC BANKING WINDOW

The financial statements as at 31 March 2024 and for the financial year ended on the date are summarised as follows:

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

		31.03.2024 RM'000	31.03.2023 RM'000
ASSETS			
Cash and short-term funds	(a)	186,000	116,000
Deposits and placements with financial institutions	(b)	1,909	1,188
Other assets		46	9
TOTAL ASSETS		187,955	117,197
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	73,459	14,355
Other liabilities	(d)	14,176	24,090
TOTAL LIABILITIES		87,635	38,445
CAPITAL FUNDS		25,000	25,000
RESERVE		75,320	53,752
ISLAMIC BANKING FUNDS		100,320	78,752
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		187,955	117,197

Islamic financing based on Commodity Murabahah (Tawarruq) of RM2,807,047,000 (2023: RM5,986,749,000) and Ijarah of RM110,896,000 (2023: RM118,194,000) 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.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

		Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Income derived from investment of Islamic Banking capital funds	(e)	4,189	2,831
Expenses derived from financing		(5)	(3)
Other operating income	(f)	17,716	21,015
Total net income		21,900	23,843
Other operating expenses	(g)	(332)	(289)
Profit for the year		21,568	23,554

44. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	Capital Funds RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 April 2023	25,000	118	53,634	78,752
Profit for the year	-	-	21,568	21,568
At 31 March 2024	25,000	118	75,202	100,320
At 1 April 2022	25,000	118	30,080	55,198
Profit for the year	-	-	23,554	23,554
At 31 March 2023	25,000	118	53,634	78,752

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Cash flows from operating activities		
Profit before tax	21,568	23,554
(Increase)/Decrease in operating assets:		
Deposits and placements with financial institutions	(721)	(664)
Other assets	(37)	(4)
	20,810	22,886
(Decrease)/Increase in operating liabilities:		
Deposits from customers	59,104	(6,443)
Other liabilities	(9,914)	(3,443)
Net cash generated from operating activities	70,000	13,000
Net increase in cash and cash equivalents	70,000	13,000
Cash and cash equivalents at beginning of the year	116,000	103,000
Cash and cash equivalents at end of the year	186,000	116,000

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 2024, the committee comprises: Assoc. Prof. Dr. Said Bouheraoua, Y.Bhg. Prof. Emeritus Dato' Dr. Mohd Azmi bin Omar and Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria.

44. 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 2024.

(a) Cash and short-term funds

	31.03.2024 RM'000	31.03.2023 RM'000
Cash and balances with banks and other financial institutions	186,000	116,000

(b) Deposits and placements with financial institutions

	31.03.2024 RM'000	31.03.2023 RM'000
At amortised cost		
Licensed bank		
• Malaysia	1,909	1,188

(c) Deposits from customers

(i) By type of deposits:

	31.03.2024 RM'000	31.03.2023 RM'000
At amortised cost		
Current accounts - Qard	73,286	14,185
Fixed deposits - Tawarruq	173	170
	73,459	14,355

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

	31.03.2024 RM'000	31.03.2023 RM'000
Due within six months	173	170

(iii) By type of customer:

	31.03.2024 RM'000	31.03.2023 RM'000
Domestic business enterprises	13,804	13,871
Foreign entities	59,482	314
Domestic other entities	173	170
	73,459	14,355

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.

44. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(d) Other liabilities

	31.03.2024 RM'000	31.03.2023 RM'000
Accruals and provisions for operational expenses	14,176	24,090

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

	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Money at call and placements with financial institutions	4,189	2,831

(f) Other operating income

	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Other fee income	17,716	21,015

(g) Other operating expenses

	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Personnel expenses	257	210
Other expenses	75	79
	332	289

The total remuneration of the Shariah Committee members are as follows:

	Year ended 31.03.2024 RM'000	Year ended 31.03.2023 RM'000
Y.Bhg. Prof. Emeritus Dato' Dr. Mohd Azmi bin Omar	68	64
Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria	68	65
Assoc. Prof. Dr. Said Bouheraoua	84	60
Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi (Term ended on 31 May 2022)	-	12
Assoc. Prof. Dr. Abdul Karim bin Ali (Term ended on 31 May 2022)	-	14
	220	215

NOTES TO THE FINANCIAL STATEMENTS

44. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(h) 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:

	31.03.2024 %	31.03.2023 %
Common equity Tier 1 ("CET 1") capital ratio	264.336	294.730
Tier 1 capital ratio	264.336	294.730
Total capital ratio	264.336	294.730

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

	31.03.2024 RM'000	31.03.2023 RM'000
CET 1 and Tier 1 capital		
• Capital funds	25,000	25,000
• Retained profits	75,202	53,634
• Other reserves	118	118
	100,320	78,752
Less : Regulatory reserve	(118)	(118)
Total capital	100,202	78,634

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

	31.03.2024 RM'000	31.03.2023 RM'000
Operational risk	37,907	26,680

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.

44. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(h) Capital adequacy (Contd)

The components of risk-weighted assets of Bank's Islamic Banking business are as follows:

	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
31.03.2024				
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	187,955	187,955	-	-
Total On-Balance Sheet Exposures	187,955	187,955	-	-
(ii) Operational Risk			37,907	3,033
Total RWA and Capital Requirements	187,955	187,955	37,907	3,033
31.03.2023				
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	117,197	117,197	-	-
Total On-Balance Sheet Exposures	117,197	117,197	-	-
(ii) Operational Risk			26,680	2,134
Total RWA and Capital Requirements	117,197	117,197	26,680	2,134

NOTES TO THE FINANCIAL STATEMENTS

44. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(i) 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
31.03.2024						
Liabilities						
Deposits from customers	73,459	73,459	73,459	-	-	-
Other liabilities	14,176	14,176	14,176	-	-	-
	87,635	87,635	87,635	-	-	-
31.03.2023						
Liabilities						
Deposits from customers	14,355	14,355	14,355	-	-	-
Other liabilities	24,090	24,090	24,090	-	-	-
	38,445	38,445	38,445	-	-	-

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
31.03.2024							
Asset							
Cash and short-term funds	186,000	-	-	-	-	-	186,000
Deposits and placements with financial institutions	-	-	-	-	-	1,909	1,909
Other assets	-	-	-	-	-	46	46
	186,000	-	-	-	-	1,955	187,955
Liabilities							
Deposits from customers	-	-	173	-	-	73,286	73,459
Other liabilities	-	-	-	-	-	14,176	14,176
	-	-	173	-	-	87,462	87,635

44. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(i) 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
31.03.2023							
Assets							
Cash and short-term funds	116,000	-	-	-	-	-	116,000
Deposits and placements with financial institutions	-	-	-	-	-	1,188	1,188
Other assets	-	-	-	-	-	9	9
	116,000	-	-	-	-	1,197	117,197
Liabilities							
Deposits from customers	-	-	170	-	-	14,185	14,355
Other liabilities	-	-	-	-	-	24,090	24,090
	-	-	170	-	-	38,275	38,445

45. 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:

	31.03.2024 RM'000	31.03.2023 RM'000
At amortised cost		
Term financing		
• Syndicated Islamic financing	560,731	576,195
• Islamic term financing loan	28,993	45,065
Revolving credit	4,330,246	3,322,413
Gross financing and advances at amortised cost	4,919,970	3,943,673
Impairment allowances financing and advances		
• Stage 1 - 12-month ECL	(369)	(989)
Net financing and advances at amortised cost	4,919,601	3,942,684
At fair value		
Syndicated Islamic financing	344,816	339,391
Net financing and advances	5,264,417	4,282,075
Gross financing and advances		
At amortised cost	4,919,970	3,943,673
At fair value	344,816	339,391
	5,264,786	4,283,064

(ii) By contract:

	31.03.2024 RM'000	31.03.2023 RM'000
Murabahah Financing-i	4,770,521	3,734,132
Ijarah Financing-i	120,456	164,476
Istina Financing-i	28,993	45,065
Wakalah Financing-i	344,816	339,391
	5,264,786	4,283,064

(b) Deposits from customers

(i) By type and contract:

	31.03.2024 RM'000	31.03.2023 RM'000
At amortised cost		
Fixed deposits - Tawarruq	239,338	-

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 2024

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.

Motohide Okuda

Date: 27 June 2024

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:

	31.03.2024		31.03.2023	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk	10,598,132	847,851	9,626,021	770,082
Market Risk	1,218,205	97,456	1,090,688	87,255
Operational Risk	1,193,216	95,457	952,984	76,239
	13,009,553	1,040,764	11,669,693	933,576

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:

	31.03.2024 %	31.03.2023 %
Common equity Tier 1 ("CET 1") capital ratio	33.569	33.925
Tier 1 capital ratio	33.569	33.925
Total capital ratio	34.587	34.956

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 44(h) for Islamic Banking operation capital adequacy.

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

	31.03.2024 RM'000	31.03.2023 RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	4,208,019	3,819,899
• Other reserves	121,473	136,301
	4,529,492	4,156,200
Less: Deferred tax assets	(10,215)	(5,636)
Intangible assets	(41,787)	(63,506)
55% of fair value reserve	(13,916)	(15,169)
Regulatory reserve	(96,383)	(112,975)
	4,367,191	3,958,914
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	132,477	120,325
Total capital	4,499,668	4,079,239

PILLAR 3 DISCLOSURES

2. CAPITAL MANAGEMENT (CONTD)

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

31.03.2024 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	6,891,452	6,891,452	395,200	31,616
Banks, Development Financial Institutions & MDBs	4,597,095	3,875,477	1,039,393	83,151
Corporates	21,765,285	7,266,810	7,067,235	565,379
Regulatory Retail	744	744	744	60
Residential Mortgages	10,762	10,762	4,689	375
Equity Exposures	28,323	28,323	28,323	2,266
Other Assets	360,122	360,122	137,532	11,003
Defaulted Exposures	1,754	1,754	1,754	140
Total On-Balance Sheet Exposures	33,655,537	18,435,444	8,674,870	693,990
Off-Balance Sheet Exposures:				
Credit-Related Exposures	728,900	728,900	705,524	56,442
Securitisation Exposures	3,000	3,000	2,250	180
Derivatives Financial Instruments	1,930,517	1,930,517	1,215,488	97,239
Total Off-Balance Sheet Exposures	2,662,417	2,662,417	1,923,262	153,861
Total On and Off-Balance Sheet Exposures	36,317,954	21,097,861	10,598,132	847,851

(ii) 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	72,414,767	(70,200,988)	1,183,421	94,674
Foreign Currency Risk	4,509	(34,786)	34,784	2,783
	72,419,276	(70,235,774)	1,218,205	97,456

	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
(iii) Operational Risk			1,193,216	95,457
Total RWA and Capital Requirements	36,317,954	21,097,861	13,009,553	1,040,764

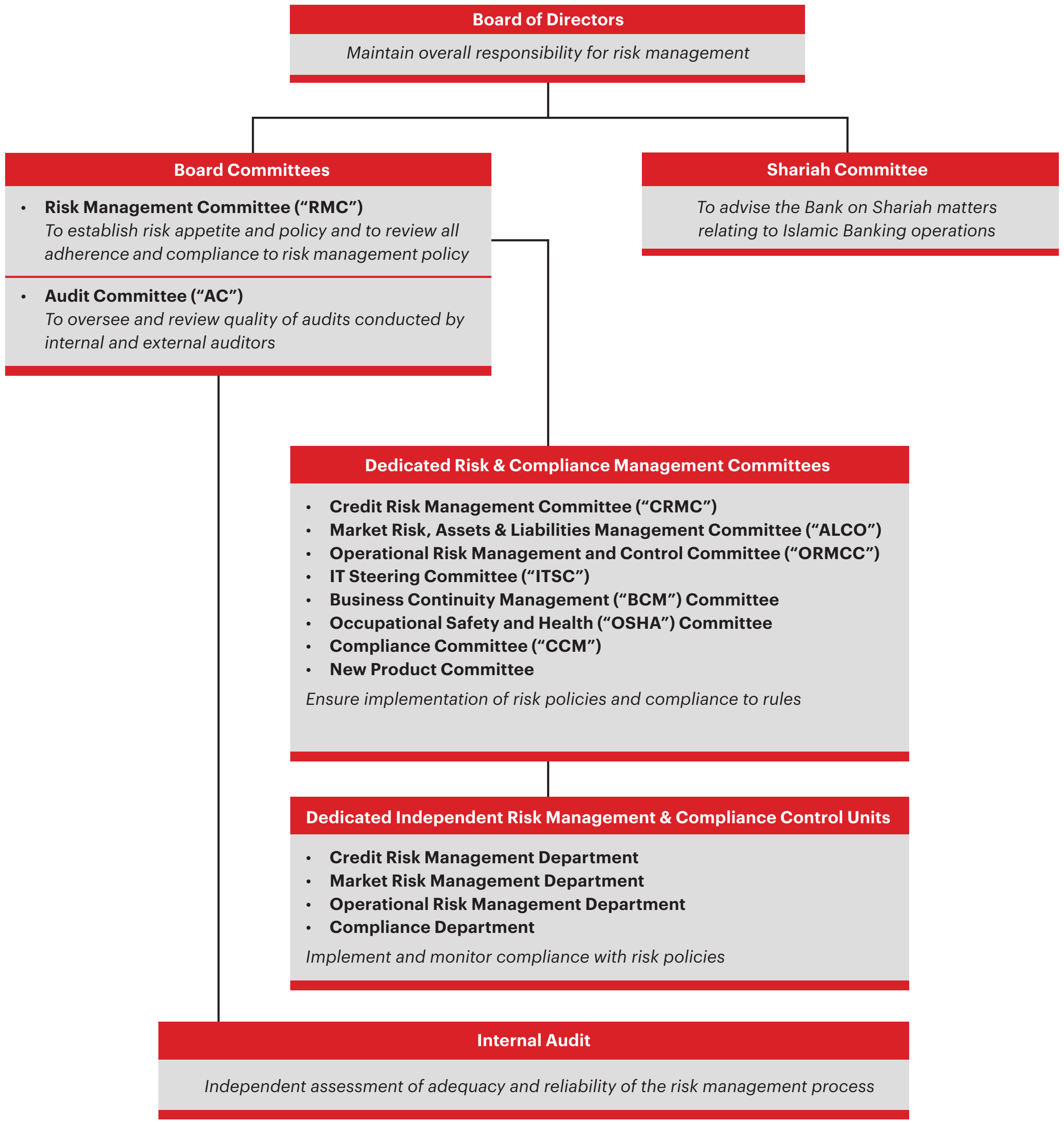
2. CAPITAL MANAGEMENT (CONTD)

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

31.03.2023 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	8,484,838	8,484,838	409,023	32,722
Banks, Development Financial Institutions & MDBs	2,439,085	1,454,140	634,493	50,759
Corporates	23,127,209	6,675,003	6,393,242	511,459
Regulatory Retail	757	757	757	61
Residential Mortgages	11,691	11,691	5,073	406
Equity Exposures	28,094	28,094	28,094	2,248
Other Assets	345,290	345,290	102,735	8,219
Defaulted Exposures	1,899	1,899	1,899	152
Total On-Balance Sheet Exposures	34,438,863	17,001,712	7,575,316	606,026
Off-Balance Sheet Exposures:				
Credit-Related Exposures	462,321	462,321	435,515	34,841
Securitisation Exposures	3,000	3,000	2,250	180
Derivatives Financial Instruments	2,757,330	2,757,330	1,612,940	129,035
Total Off-Balance Sheet Exposures	3,222,651	3,222,651	2,050,705	164,056
Total On and Off-Balance Sheet Exposures	37,661,514	20,224,363	9,626,021	770,082
(ii) Market Risk				
	Long Position RM'000	**Short Position RM'000**		
Interest Rate Risk	77,718,145	(77,559,045)	1,039,825	83,186
Foreign Currency Risk	3,028	(50,868)	50,863	4,069
	77,721,173	(77,609,913)	1,090,688	87,255
(iii) Operational Risk			952,984	76,239
Total RWA and Capital Requirements	37,661,514	20,224,363	11,669,693	933,576

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.

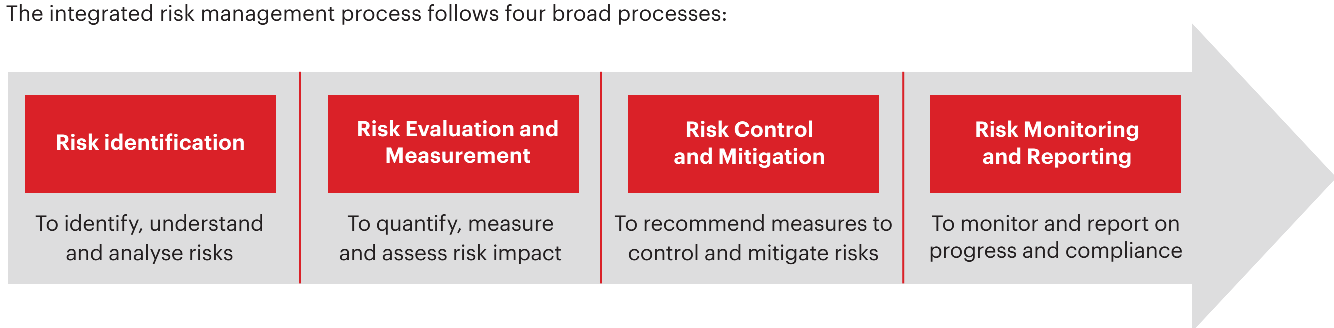
The Shariah Committee ("SC") advises the Bank on Shariah matters relating to the Islamic banking operations. The Committee ensures that the operations of Islamic banking, its products, processes and legal documentation are in line with Shariah principles.

The CRMC, the ALCO, 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:



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 methodologies, 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.

PILLAR 3 DISCLOSURES

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:

31.03.2024	Cash and Short-Term Funds RM'000	Reverse Repurchase Agreements RM'000	Deposits and Placement with Financial Institutions RM'000	Financial Investments 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	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitments and Contingencies* RM'000
Agricultural	-	-	-	-	-	-	-	-	-	671	-	-	671	297,225
Mining and quarrying	-	-	-	-	-	357,423	58,594	-	-	13,259	-	-	429,276	248,325
Manufacturing	-	-	-	-	-	1,668,400	172,317	119,115	-	89,798	-	-	2,049,630	5,243,825
Electricity, gas and water	-	-	-	-	-	224,311	-	-	-	2,816	-	-	227,127	1,117,870
Construction	-	-	-	-	-	409,660	668,345	-	-	362	-	-	1,078,367	1,077,063
Wholesale and retail trade and restaurants and hotels	-	-	-	-	-	807,471	98,989	786	-	15,215	-	-	922,461	3,320,362
Transport, storage and communication	-	-	-	-	-	1,065,700	283,835	-	-	23	-	-	1,349,558	865,350
Finance, insurance and business services	3,667,755	-	131,964	-	28,323	4,678,293	10,992,761	797,942	-	399,656	-	-	20,696,694	2,630,755
Government and government agencies	1,628,000	20,090	1,905,638	2,023,157	1,295,337	-	-	-	120	15,605	352	-	6,888,299	-
Households	-	-	-	-	-	13,581	-	-	-	-	-	-	13,581	-
Others	-	-	-	-	2	570,765	1,133	-	-	-	-	-	571,900	1,681
	5,295,755	20,090	2,037,602	2,023,157	1,323,662	9,795,604	12,275,974	917,843	120	537,405	352	-	34,227,564	14,802,456
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-	56,213	56,213	-
	5,295,755	20,090	2,037,602	2,023,157	1,323,662	9,795,604	12,275,974	917,843	120	537,405	352	56,213	34,283,777	14,802,456

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)

31.03.2023	Cash and Short-Term Funds RM'000	Reverse Repurchase Agreements RM'000	Deposits and Placement with Financial Institutions RM'000	Financial Investments 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	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitments and Contingencies* RM'000
Agricultural	-	-	-	-	-	200,300	-	-	-	100	-	-	200,400	94,150
Mining and quarrying	-	-	-	-	-	389,542	-	-	-	9,808	-	-	399,350	4,364,742
Manufacturing	-	-	-	-	-	1,173,583	517,799	98,672	-	29,686	-	-	1,819,740	1,175,870
Electricity, gas and water	-	-	-	-	-	236,946	2,552,613	-	-	2,978	-	-	2,792,537	57,388
Construction	-	-	-	-	-	485,315	402,930	-	-	80	-	-	888,325	789,083
Wholesale and retail trade and restaurants and hotels	-	-	-	-	-	546,685	193,999	-	-	17,107	-	-	757,791	2,823,760
Transport, storage and communication	-	-	-	-	-	1,142,031	284,855	-	-	29,887	-	-	1,456,773	823,600
Finance, insurance and business services	1,317,652	-	99,583	-	28,094	3,982,664	11,001,418	1,020,827	-	308,428	-	-	17,758,666	2,676,431
Government and government agencies	5,715,600	130,439	1,743,752	48,825	841,113	-	-	-	814	-	2,319	-	8,482,862	-
Households	-	-	-	-	-	14,670	-	-	-	-	-	-	14,670	701
Others	-	-	-	-	1	412,238	2,635	-	-	-	-	-	414,874	168,270
	7,033,252	130,439	1,843,335	48,825	869,208	8,583,974	14,956,249	1,119,499	814	398,074	2,319	-	34,985,988	12,973,995
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-	13,570	13,570	-
	7,033,252	130,439	1,843,335	48,825	869,208	8,583,974	14,956,249	1,119,499	814	398,074	2,319	13,570	34,999,558	12,973,995

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)

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

	31.03.2024		31.03.2023	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Cash and short-term funds	3,868,109	1,427,646	6,705,776	327,476
Reverse repurchase agreements	20,090	-	130,439	-
Deposits and placement with financial institutions	1,912,782	124,820	1,743,846	99,489
Financial assets at FVTPL	2,023,157	-	48,825	-
Financial investments at FVOCI	1,073,907	249,755	536,573	332,635
Loans, advances and financing	8,413,428	1,382,176	7,163,277	1,420,697
Embedded loans measured at FVTPL *	12,221,963	54,011	14,905,529	50,720
Purchased receivables	142,934	774,909	138,697	980,802
Collateral deposits placed	120	-	814	-
Derivative financial assets	467,756	69,649	318,597	79,477
Statutory deposits with Bank Negara Malaysia	352	-	2,319	-
Other assets	56,213	-	13,570	-
On-Balance Sheet Exposures	30,200,811	4,082,966	31,708,262	3,291,296
Off-Balance Sheet Exposures	2,428,142	234,275	2,950,652	271,999
	32,628,953	4,317,241	34,658,914	3,563,295

* The credit balances are exposure after netting off with the identified cover deals.

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 59% (2023: 62%) of the Bank's exposures to customers are short-term, having contractual maturity of one year or less:

31.03.2024	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	3,348,109	520,000	-	-	-	1,427,646	5,295,755
Reverse repurchase agreements	20,090	-	-	-	-	-	20,090
Deposits and placement with financial institutions	1,377,195	472,250	-	-	-	188,157	2,037,602
Financial assets at FVTPL	-	700,140	973,183	-	349,834	-	2,023,157
Financial investments at FVOCI	199,609	140,120	538,554	417,056	-	28,323	1,323,662
Loans, advances and financing	5,573,996	576,703	662,210	2,144,734	837,961	-	9,795,604
Embedded loans measured at FVTPL	539,937	1,654,049	1,704,417	7,710,639	666,932	-	12,275,924
Purchased receivables	351,742	427,940	138,161	-	-	-	917,843
Collateral deposits placed	120	-	-	-	-	-	120
Derivative financial assets	53,815	48,272	90,704	276,857	67,757	-	537,405
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	352	352
Other assets	-	-	-	-	-	56,213	56,213
	11,464,613	4,539,474	4,107,229	10,549,286	1,922,484	1,700,691	34,283,777

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 59% (2023: 62%) of the Bank's exposures to customers are short-term, having contractual maturity of one year or less: (Contd)

31.03.2023	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	6,555,776	150,000	-	-	-	327,476	7,033,252
Reverse repurchase agreements	-	-	130,439	-	-	-	130,439
Deposits and placement with financial institutions	1,811,564	-	-	-	-	31,771	1,843,335
Financial assets at FVTPL	-	-	-	-	48,825	-	48,825
Financial investments at FVOCI	-	66,345	-	774,769	-	28,094	869,208
Loans, advances and financing	4,835,749	328,248	779,006	1,982,777	658,194	-	8,583,974
Embedded loans measured at FVTPL	1,588,418	397,907	3,805,370	7,961,624	1,202,930	-	14,956,249
Purchased receivables	329,973	564,863	200,934	23,729	-	-	1,119,499
Collateral deposits placed	814	-	-	-	-	-	814
Derivative financial assets	45,287	37,376	39,563	219,519	56,329	-	398,074
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,319	2,319
Other assets	-	-	-	-	-	13,570	13,570
	15,167,581	1,544,739	4,955,312	10,962,418	1,966,278	403,230	34,999,558

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(i) Off-Balance Sheet Exposures

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

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

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

(ii) Counterparty Credit Risk on Derivative Financial Instruments

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

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

(iii) Risk Management Approach

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

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

(iv) Credit Rating Downgrade

In the event of a one-notch downgrade of rating for the Bank, based on the terms of the existing CSA of ISDA, the estimated additional collateral to be posted was RM1,889,000 for 31 March 2024 (2023: RM1,766,000).

PILLAR 3 DISCLOSURES

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:

31.03.2024	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	337,424		337,424	326,975
Transaction related contingent items	633,660		316,830	301,653
Short-term self liquidating trade-related contingencies	85,062		17,013	19,304
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	24,835		4,967	4,967
• exceeding one year	105,332		52,666	52,625
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	13,601,143		-	-
Securitisation exposures	15,000		3,000	2,250
	14,802,456		731,900	707,774
Embedded Loans				
Foreign exchange related contracts				
• one year or less	4,657,107	214,599	130,128	66,345
• over one year to five years	12,055,329	580,468	671,540	386,891
• over five years	724,290	8,585	6,585	3,292
Interest rate related contracts				
• one year or less	3,452,672	8,226	7,896	3,127
• over one year to five years	7,357,010	69,485	111,289	49,102
• over five years	-	-	-	-
	28,246,408	881,363	927,438	508,757
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	22,159,864	185,187	427,215	321,998
• over one year to five years	3,366,268	245,398	292,376	212,700
• over five years	590,245	52,673	111,827	83,521
Interest rate related contracts				
• one year or less	4,920,313	6,952	6,274	2,383
• over one year to five years	8,813,980	31,460	106,846	52,252
• over five years	1,195,118	15,084	55,724	31,060
Currency options *				
• one year or less	144,407	651	2,817	2,817
	41,190,195	537,405	1,003,079	706,731
	84,239,059	1,418,768	2,662,417	1,923,262

* 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)

31.03.2023	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	104,290		104,271	91,701
Transaction related contingent items	652,459		326,019	311,179
Short-term self liquidating trade-related contingencies	91,937		18,362	18,413
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	110,166		21,833	21,833
• exceeding one year	700		350	263
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	11,999,443		(8,514)	(7,874)
Securitisation exposures	15,000		3,000	2,250
	12,973,995		465,321	437,765
Embedded Loans				
Foreign exchange related contracts				
• one year or less	7,437,406	227,470	286,358	116,937
• over one year to five years	11,603,245	290,929	881,984	466,805
• over five years	1,628,780	68,877	226,851	147,939
Interest rate related contracts				
• one year or less	5,484,262	4,637	7,388	2,939
• over one year to five years	7,905,563	104,525	205,880	86,703
• over five years	348,000	9,249	18,876	9,438
	34,407,256	705,687	1,627,337	830,761
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	22,156,272	109,396	345,510	263,464
• over one year to five years	4,057,495	181,547	366,026	252,716
• over five years	1,125,207	43,044	180,195	139,364
Interest rate related contracts				
• one year or less	7,322,417	11,867	9,668	3,883
• over one year to five years	6,776,940	37,973	132,698	65,132
• over five years	1,210,707	13,284	92,316	54,041
Currency options *				
• one year or less	174,476	963	3,580	3,580
	42,823,514	398,074	1,129,993	782,180
	90,204,765	1,103,761	3,222,651	2,050,706

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

PILLAR 3 DISCLOSURES

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. A bankruptcy remote special purpose vehicles, Merdeka Kapital Bhd ("MKB") and Ziya Capital Berhad ("Ziya") or (collectively "SPVs") was 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. To-date, only MKB transaction left as Ziya's transaction has matured in July 2021.

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:

	31.03.2024 RM'000	31.03.2023 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
31.03.2024				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180
31.03.2023				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180

4. CREDIT RISK (CONTD)

Credit Risk Mitigation

The Bank's approach in granting credit facilities is based on the credit standing of the customer, source of repayment and debt servicing ability rather than placing primary reliance on Credit Risk Mitigants ("CRM"). Depending on 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.

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.

31.03.2024 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	6,891,452	-	-	-
Banks, Development Financial Institutions & MDBs	4,597,095	721,618	-	-
Corporates	21,765,285	1,009,297	13,489,178	-
Regulatory Retail	744	-	-	-
Residential Mortgages	10,762	-	-	-
Equity Exposures	28,323	-	-	-
Other Assets	360,122	-	-	-
Defaulted Exposures	1,754	-	-	-
Total On-Balance Sheet Exposures	33,655,537	1,730,915	13,489,178	-
Off-Balance Sheet Exposures:				
Credit-related exposures	728,900	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	1,930,517	-	-	-
Total Off-Balance Sheet Exposures	2,662,417	-	-	-
Total Credit Exposures	36,317,954	1,730,915	13,489,178	-

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)

31.03.2023 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	8,484,838	-	-	-
Banks, Development Financial Institutions & MDBs	2,439,085	984,945	-	-
Corporates	23,127,209	591,421	15,860,785	-
Regulatory Retail	757	-	-	-
Residential Mortgages	11,691	-	-	-
Equity Exposures	28,094	-	-	-
Other Assets	345,290	-	-	-
Defaulted Exposures	1,899	-	-	-
Total On-Balance Sheet Exposures	34,438,863	1,576,366	15,860,785	-
Off-Balance Sheet Exposures:				
Credit-related exposures	462,321	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	2,757,330	-	-	-
Total Off-Balance Sheet Exposures	3,222,651	-	-	-
Total Credit Exposures	37,661,514	1,576,366	15,860,785	-

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)

31.03.2024 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	6,891,452	-	-	-	-	-	6,891,452

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	4,563,224	1,179,216	-	76,324	4,585	-	5,823,349

Credit Exposure	<------------- Ratings of Corporate by Approved ECAIs ------------->					Total
	1	2	3	4	Unrated	
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	28,933	28,933
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	33,115	33,115
Corporates	6,916,028	893,208	-	-	15,326,999	23,136,235
Regulatory Retail	-	-	-	-	744	744
Residential Mortgages	-	-	-	-	12,681	12,681
Other Assets	-	-	-	-	360,122	360,122
Securitisation Exposure	-	-	-	-	3,000	3,000
Equity Exposure	-	-	-	-	28,323	28,323
	6,916,028	893,208	-	-	15,793,917	23,603,153

4. CREDIT RISK (CONTD)

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

31.03.2023 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	8,484,838	-	-	-	-	-	8,484,838

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	2,366,146	1,448,056	-	35,882	26,711	-	3,876,795

Credit Exposure	<------------- Ratings of Corporate by Approved ECAIs ------------->					Total
	1	2	3	4	Unrated	
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	24,174	24,174
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	161,065	161,065
Corporates	1,055,140	2,275	-	-	23,666,146	24,723,561
Regulatory Retail	-	-	-	-	757	757
Residential Mortgages	-	-	-	-	13,940	13,940
Other Assets	-	-	-	-	345,290	345,290
Securitisation Exposure	-	-	-	-	3,000	3,000
Equity Exposure	-	-	-	-	28,094	28,094
	1,055,140	2,275	-	-	24,242,466	25,299,881

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:

31.03.2024	<----------------------------- 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%	4,915,452	-	-	-	400,246	-	-	-	-	214,301	5,529,999	-
20%	1,976,000	-	4,037,887	-	71,291	-	-	-	-	10,361	6,095,539	1,526,035
35%	-	-	-	-	-	-	7,858	-	-	-	7,858	2,750
50%	-	-	982,936	-	4,652	-	1,575	-	-	-	989,163	592,722
75%	-	-	-	-	-	-	875	3,000	-	-	3,875	2,906
100%	-	28,933	76,324	33,115	8,161,571	744	2,372	-	28,323	135,460	8,466,842	8,466,842
150%	-	-	4 ,585	-	-	-	-	-	-	-	4,585	6,877
Total Exposures	6,891,452	28,933	5,101,732	33,115	8,637,760	744	12,680	3,000	28,323	360,122	21,097,861	10,598,132
Risk-Weighted Assets by Exposures	395,200	28,933	1,585,454	33,115	8,380,015	744	6,567	2,250	28,323	137,531	10,598,132	
Average Risk Weight	6%	100%	31%	100%	97%	100%	52%	75%	100%	38%	50%	
Deduction from Total Capital			-					-	-		-	

PILLAR 3 DISCLOSURES

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)

31.03.2023	<----------------------------- 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%	6,439,721	-	-	-	400,045	-	-	-	-	236,736	7,076,502	-
20%	2,045,117	-	1,685,640	-	463,719	-	-	-	-	7,274	4,201,750	1,094,735
35%	-	-	-	-	-	-	8,208	-	-	-	8,208	2,873
50%	-	-	1,170,227	-	2,275	-	2,286	-	-	-	1,174,788	726,308
75%	-	-	-	-	-	-	908	3,000	-	-	3,908	2,931
100%	-	24,174	35,882	161,066	7,405,315	757	2,538	-	28,094	101,280	7,759,106	7,759,107
150%	-	-	101	-	-	-	-	-	-	-	101	40,067
Total Exposures	8,484,838	24,174	2,891,850	161,066	8,271,354	757	13,940	3,000	28,094	345,290	20,224,363	9,626,021
Risk-Weighted Assets by Exposures	409,023	24,174	1,273,206	161,066	7,617,481	757	7,235	2,250	28,094	102,735	9,626,021	
Average Risk Weight	5%	100%	44%	100%	92%	100%	52%	75%	100%	30%	48%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans, Advances and Financing

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

	31.03.2024				31.03.2023			
	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	9,192,560	40,020	-	9,232,580	6,485,450	1,506,391	-	7,991,841
• Close watch	-	244,398	-	244,398	-	249,966	-	249,966
Past due but not credit-impaired								
• Normal grades	-	1,364	-	1,364	1	1,253	-	1,254
Credit-impaired								
• Past due	-	-	797	797	-	-	1,511	1,511
• Not past due	-	-	4	4	-	-	10	10
	9,192,560	285,782	801	9,479,143	6,485,451	1,757,610	1,521	8,244,582

	31.03.2024 RM'000	31.03.2023 RM'000
Gross credit-impaired loans as a percentage of gross loans, advances and financing	0.02%	0.02%

(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 41(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 2024 was 0.01% (2023: 0.02%).

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

	31.03.2024 RM'000	31.03.2023 RM'000
Household	1,364	1,254

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

	31.03.2024		31.03.2023	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Past due but not credit-impaired	1,364	-	1,254	-

PILLAR 3 DISCLOSURES

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 41(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 8(i), the movements in impairment allowances are set out in Note 8(j) and the amount of impaired loans, advances and financing broken down by economic sector and geographical location are set out in Note 8(g) and Note 8(h) to the financial statement.

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

	31.03.2024		31.03.2023	
	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	-	-	830	-
Mining and quarrying	96	-	201	-
Manufacturing	17,335	-	12,486	-
Electricity, gas and water	21	-	50	-
Construction	3,299	-	1,301	-
Wholesale, retail trade, restaurants and hotels	480	-	1,113	-
Transport, storage and communication	916	-	927	-
Finance, insurance, real estate and business services	1,174	-	3,916	-
Households	195	265	295	273
Others	677	-	449	-
	24,193	265	21,568	273

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

	Stage 3 Lifetime ECL Credit-Impaired 31.03.2023 RM'000	Allowance for the Year RM'000	Stage 3 Lifetime ECL Credit-Impaired 31.03.2024 RM'000
Household	273	(8)	265

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 is as per table below:

Impairment allowances by geographical location:

	31.03.2024 RM'000	31.03.2023 RM'000
Malaysia		
• Stage 1 - 12-month ECL	8,155	8,071
• Stage 2 - lifetime ECL not credit-impaired	15,122	12,632
• Stage 3 - lifetime ECL credit-impaired	265	272
	23,542	20,975
Other countries		
• Stage 1 - 12-months ECL	916	866
• Stage 2 - lifetime ECL not credit-impaired	-	-
	916	866

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
31.03.2024				
Interest rate risk - general interest rate risk	72,414,767	(70,200,988)	1,183,421	94,674
Foreign exchange risk	4,509	(34,786)	34,784	2,783
	72,419,276	(70,235,774)	1,218,205	97,456
31.03.2023				
Interest rate risk - general interest rate risk	77,718,145	(77,559,045)	1,039,825	83,186
Foreign exchange risk	3,028	(50,868)	50,863	4,069
	77,721,173	(77,609,913)	1,090,688	87,255

Risk Governance

The Bank has established Trading Book and Hedging Policy as guidance for market risk management framework and policies. The ALCO supports 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 ALCO 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 41(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 2024, the Bank had an overall positive interest rate gap of RM8,104,293,000 (2023:RM8,545,708,000), 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:

	31.03.2024	31.03.2023
	Increase / (Decrease)	
Impact on earnings from 200 bps parallel shift	RM'000	RM'000
MYR	66,295	149,797
USD	(33,518)	(57,392)
SGD	(285)	(286)
Others	(6,131)	(4,493)
Total	26,361	87,626

Impact on economic value from 200 bps parallel shift	RM'000	RM'000
MYR	27,159	28,163
USD	6,352	15,381
SGD	910	820
Others	8,253	528
Total	42,675	44,892

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 ALCO 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 2024, the NOP of the Bank stood at RM30,277,305 (short position) (2023: RM47,840,159 (short position)).

The table in Note 41(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 2024, potential maximum loss computed for Scenario 1 to be RM427,348,000 (2023: RM398,967,000), Scenario 2 to be RM434,926,000 (2023: RM409,823,000) and Scenario 3 to be RM474,272,000 (2023: RM467,433,000).

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 RM28,323,000 (2023: RM28,094,000) 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 2024 (2023: 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 ALCO is the primary party responsible for liquidity management based on guidelines approved by the RMC. Liquidity policies and frameworks are reviewed by the ALCO 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. NSFR compliance became effective from 1 July 2020. 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 2024, the Bank holds a sizeable balance of government securities, the information is available under table in Note 6 and 7 to the financial statements on page 60.

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 ALCO 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 2023, 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 2024 (2023: 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:

	31.03.2024		31.03.2023	
	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	1,193,216	95,457	952,984	76,239

Risk Governance

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

Operational Risk Management Framework

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

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

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

7. OPERATIONAL RISK (CONTD)

Operational Risk Management Framework (Contd)

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 2024, 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.

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

	31.03.2024		31.03.2023	
	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	37,907	3,033	26,680	2,134

PILLAR 3 DISCLOSURES

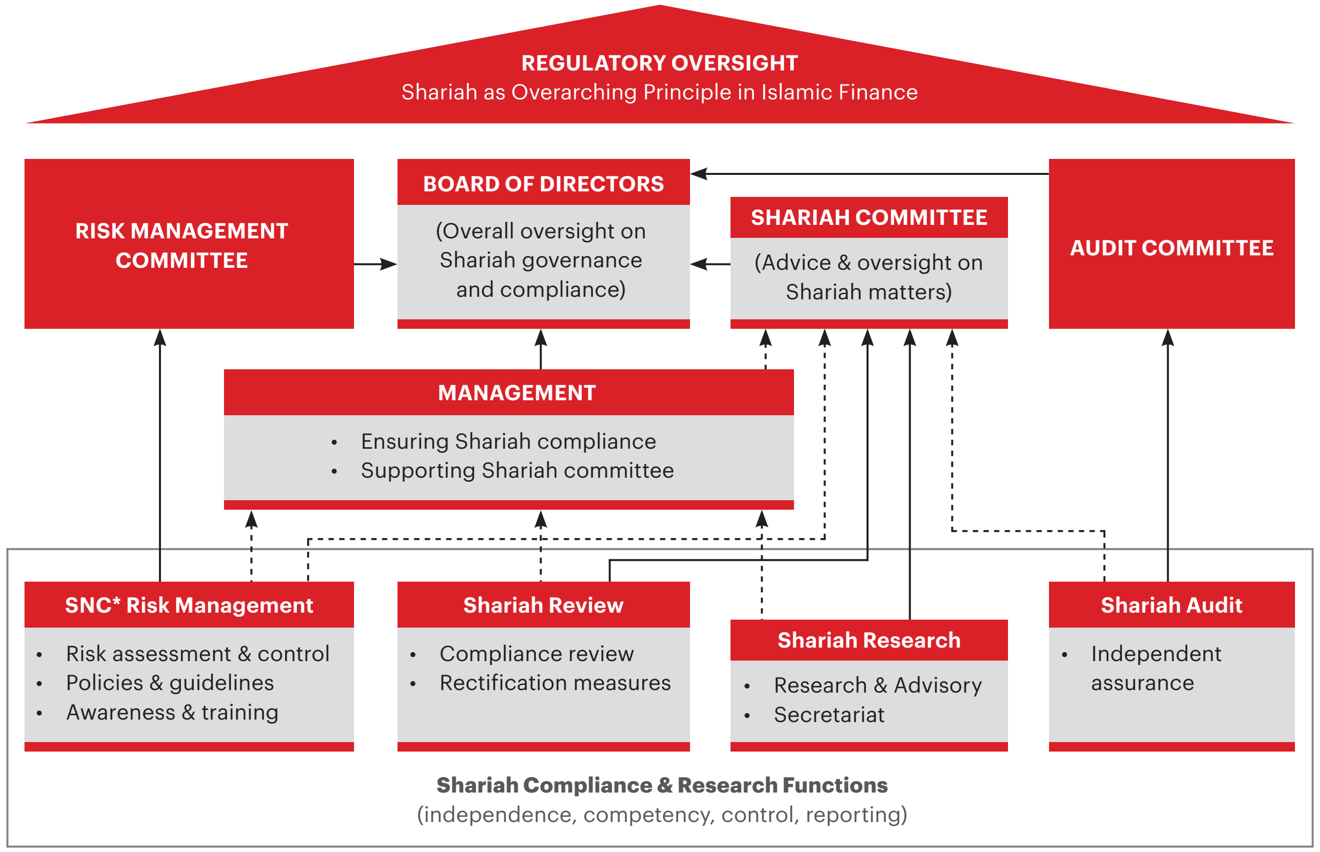
8. PROFIT SHARING INVESTMENT ACCOUNTS

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:



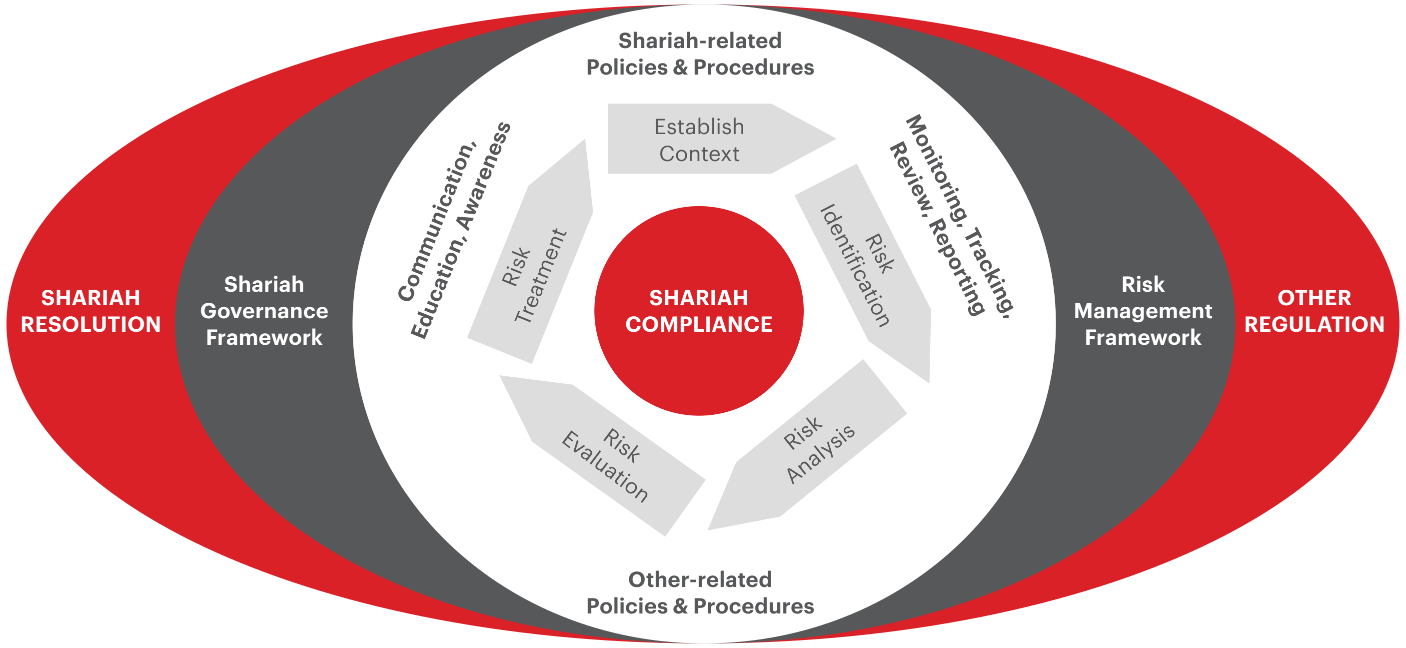
* SNC: Shariah Non-Compliance

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.

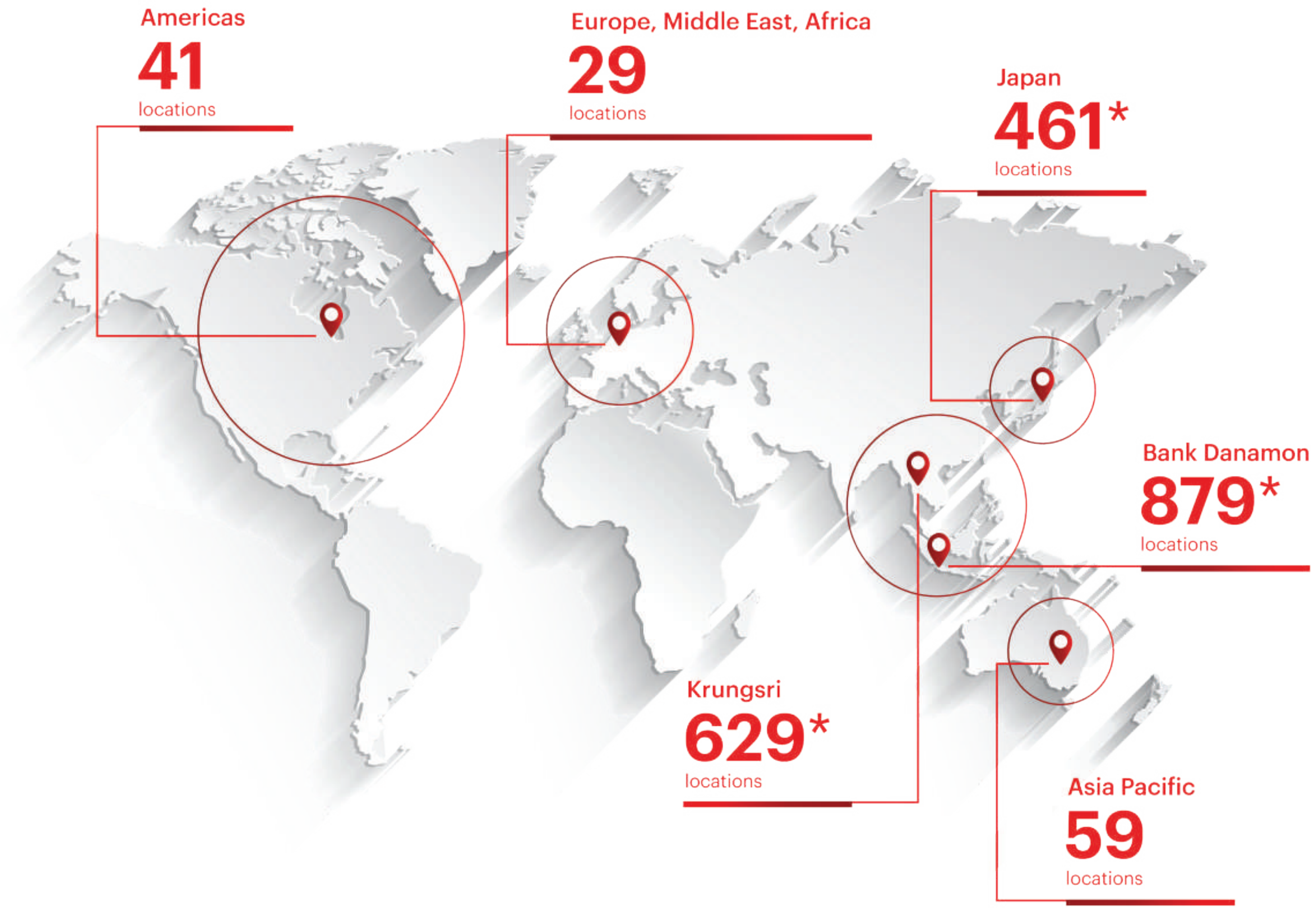
In ensuring controllable development (ex-ante) and implementation (ex-post) infrastructure, the respective risk factors are being observed as described herein:

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 2024, 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



as of Jan 2023 (*as of Sep 2022)

MUFG MUFG Bank (Malaysia) Berhad

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	880-2-48119366
India	Bengaluru	Bengaluru Branch	Unit No 701A, 7th Floor, World Trade Center Bengaluru, Brigade Gateway Campus, 26/1 , Dr. Rajkumar Road, Malleshwaram West, Bengaluru 560 055, India	91-80-6758-0000
		MUFG Global Services Pvt Ltd	9th Floor, South Wing, Block 1, Milestone Buildcon IT SEZ, Bhartiya Centre of Information Technology – BCIT, Thanisandra Main Road, Bengaluru – 560 064, India	91-80-6848-3801
	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
	Gujarat	GIFT Branch	Unit no. 604, 6th floor, Brigade International Financial Center (BIFC), GIFT SEZ Zone 1 GIFT City, Gandhinagar Gujarat 382355, India	91-79-6903-9000
Indonesia	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
		Deltamas Service Point	Ruko El Premio No.7 Deltamas Boulevard Kota Deltamas, Jl. Tol Jakarta-Cikampek KM 37, Desa Sukamchi Kec. 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
		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

Country	City	Office/Affiliates	Address	Tel. No.
Malaysia	Kuala Lumpur	MUFG Bank (Malaysia) Berhad	Level 22, 23 & 24, Plaza Conlay, No. 18, Jalan Conlay, 50450, Kuala Lumpur, Malaysia	60-3-2034-8000 60-3-2034-8008
		Kuala Lumpur Co-Located Office	Level 22, Plaza Conlay, No. 18, Jalan Conlay, 50450, Kuala Lumpur, Malaysia	60-3-2034-8080
	Labuan	Labuan Branch	Level 12 (A), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000, Federal Territory of Labuan, East Malaysia	60-87-410-487
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, Shahrah-e-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	63-2-8886-7371
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
		BOT Lease (Thailand) Co.,Ltd.	4th Floor, Harindhorn Tower, 54 North Sathorn Road, Bangrak, Bangkok 10500, Kingdom of Thailand	66-2-266-3060
		MUFG Participation (Thailand) Co.,Ltd.	898 Ploenchit Tower, 9th Floor Zone B1, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	66-2-263-0856
Vietnam	Hanoi	Hanoi Branch	10th Floor, Tower 1, Capital Place, 29 Lieu Giai Street, Ba Dinh 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

Country	City	Office/Affiliates	Address	Tel. No.
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, Shenmao Building, 147 Zhongshan Road, Xigang District, Dalian, Liaoning Province 116011, People's Republic of China	86-411-8360-6000
	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	17-19F and 15F 01, 04 Unit, New Bund Times Square, No 399, Haiyang West Road, Pudong New District, Shanghai 200126, People's Republic of China	86-21-6888-1666
		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	18F, T2, Kerry Business Centre Qianhai, Block 1, Unit 7, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen 518066, Guangdong, People's Republic of China	86-755-8256-0808

GLOBAL NETWORK

Country	City	Office/Affiliates	Address	Tel. No.
	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	Unit 3301-3308, 33/F, Office Tower 2, Center 66, No.139 Renmin Zhong Road, Liangxi District, Wuxi 214000, People's Republic of China	86-510-8521-1818
Hong Kong	Hong Kong	Hong Kong Branch / Kowloon Sub Branch	9F, AIA Central, 1 Connaught Road Central, Hong Kong, People's Republic of China / 18/F & 19/F, Airside, No.2 Concorde Road, Kai Tak, Kowloon, Hong Kong	852-2823-6666
Japan	Tokyo	MUFG Bank, Ltd.	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan	81-3-3240-1111
Korea	Seoul	Seoul Branch	14 Sejong-daero (253 Namdaemun-ro 5ga) Jung-gu Seoul, Grand Central 26F, Republic of Korea	82-2-751-2700
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	9th Floor, Union Enterprise Plaza, 109 Min Sheng East Road Sec.3, Taipei 105402, Taiwan	886-2-2514-0598
Oceania				
Australia	Melbourne	Melbourne Branch	Level 20, 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

Country	City	Office/Affiliates	Address	Tel. No.
THE AMERICAS				
North America				
Canada	Toronto	Canada Branch	Royal Bank Plaza, South Tower, 200 Bay Street, Suite 1800, Toronto, Ontario M5J 2J1, Canada	1-416-865-0220
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	Manuel J. Clouthier 304-piso 4 Suite 439, Jardines del Campestre, Leon, Guanajuato, C.P. 37128, Mexico	52-55-1102-7101
U.S.A.	Arizona (Tempe)	Tempe Representative Office	410 North Scottsdale Road, Tempe, AZ 85288 U.S.A.	-
	California (Los Angeles)	Los Angeles Branch	445 South Figueroa Street, Los Angeles, CA 90071 U.S.A.	-
		Century City Representative Office	10100 Santa Monica Boulevard, Los Angeles, CA 90067 U.S.A.	1-212-782-6800
	California (San Diego)	San Diego High Bluff Drive Representative Office	12760 High Bluff Drive, San Diego, CA 92130 U.S.A.	1-212-782-6800
	California (San Francisco)	San Francisco Representative Office	350 California Street, San Francisco, CA 94104 U.S.A.	-
	California (Silicon Valley)	Menlo Park Representative Office	2882 Sand Hill Road, Menlo Park, CA 94025 U.S.A.	1-212-782-6800
		Redwood City Representative Office	303 Twin Dolphin Drive, Redwood City, CA 94605 U.S.A.	-
	Connecticut (Danbury)	Danbury Representative Office	83 Wooster Heights Road, Danbury, CT 06810 U.S.A.	1-212-782-6800
	Florida (Tampa)	Tampa Representative Office	4050 W.Boy Scout Blvd., Tampa, FL 33607 U.S.A.	-
	Georgia (Atlanta)	Atlanta Representative Office	3475 Piedmont Road, NE, Suite 500, Atlanta, GA 30305 U.S.A.	1-404-577-2960
	Illinois (Chicago)	Chicago Branch	227 West Monroe Street, Suite 1550, Chicago IL 60606 U.S.A..	1-312-696-4500

GLOBAL NETWORK

Country	City	Office/Affiliates	Address	Tel. No.
	Kentucky	Kentucky Representative Office.	50 East Rivercenter Boulevard, Covington, KY 41011 U.S.A.	1-859-568-1400
	Massachusetts (Boston)	Boston Representative Office	100 High Street, Boston, MA 02110 U.S.A.	1-212-782-6800
	New York	New York Branch	1251 Avenue of the Americas, New York, NY 10020, 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
	Texas (Dallas)	Dallas Agency	500 North Akard Street, Dallas, TX 75201, U.S.A.	1-214-954-1200
	Texas (Houston)	Houston Agency.	1100 Louisiana Street, Suite 4850, Houston, TX 77002-5216 U.S.A.	1-713-658-1160
	Texas (Irving)	Irving Representative Office	901 West Walnut Hill Lane, Irving, TX 75038 U.S.A.	-
	Washington (Seattle)	Seattle Representative Office	1420 5th Avenue, Seattle, WA 98101 U.S.A.	-
	Washington	Washington D.C. Representative Office	401 9th Street N.W., Washington, DC 20004 U.S.A.	1-202-463-0477
Latin America				
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	Lima	Representative Office in Peru	Av. Victor Andres Belaunde 214, Oficina 302 San Isidro, Lima, Peru	51-1-213-6900
Venezuela	Caracas	Representative Office in Venezuela	c/o MUFG Bank, Ltd., Representative Office in Colombia	-

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
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
Rusia	Moscow	AO MUFG Bank (Eurasia)	Building 2, Romanov per. 4, Moscow 125009, Russian Federation	7-495-225-8999
	Vladivostok	AO MUFG Bank (Eurasia) Vladivostok Sub-Branch	17 Okeanskiy Prospect, “Fresh Plaza”, Vladivostok, 690091, Russian Federation	7-423-201-1995
Spain	Madrid	MUFG Bank (Europe) N.V. Spain Branch	C/ Jose Ortega y Gasset 29, 28006, Madrid, Spain	34-91-432-8500

GLOBAL NETWORK

Country	City	Office/Affiliates	Address	Tel. No.
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				
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	13th floor,East Wing Al Nakhlah Tower, King Fahd Road, As Sahafah Dist. Riyadh 13315, 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