MUFG

Committed To Empowering A Brighter Future

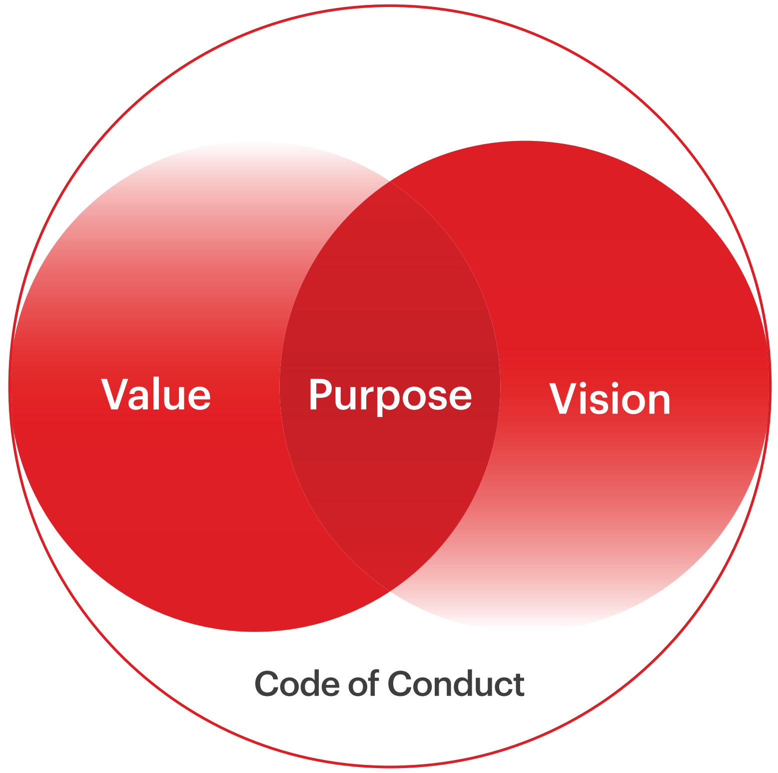
Annual Report 2025

Contents

MUFG Way

The MUFG Way serves as the underlying principle in how we conduct our business activities, and provides guidelines for all group activities.

MUFG Way is also 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 Ourselves and Grow

VISION
Be the worlds's most trusted financial group

Corporate Information

Senior Management

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

Mr. Shingo Usuda
Managing Director / Deputy Head

Mr. Foo See Hee
Managing Director / Deputy Head

Mr. Goh Kiat Seng
Managing Director, Global Corporates

En. Nik Azhar Abdullah
Managing Director, Global Markets

Mr. Kenneth Ong Thai Kee
Chief Risk Officer

En. Mohd Khairil Ezane Azman
Chief Compliance Officer

Mr. Thana Balan
Chief Internal Auditor

Company Secretary

Ms. 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
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Fax : +603 - 3010 5331

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

Bank's History

MUFG Bank (Malaysia) Berhad, celebrated its 65th anniversary in 2022 marking a remarkable journey of growth and meaningful contributions to Malaysia's economic development.

The Bank's legacy began in October 1957, when The Bank of Tokyo, Ltd. established its first representative office in Malaya. In June 1959, it obtained a banking license becoming the first Japanese bank to offer a full range of banking services in the country.

The Bank of Tokyo, Ltd (Kuala Lumpur Branch) played a vital role in strengthening economic ties between Malaysia and Japan, supporting Malaysia's economic development by facilitating Japanese foreign direct investment into the country's emerging economy. Following the Malaysian Government's "Look East Policy" in the 1980's, the Bank's International Trade and Investment Bureau, established in 1979, assumed a greater role in disseminating key information to attract additional Japanese investors into Malaysia.

On June 1, 1994, Bank of Tokyo (Malaysia) Berhad was locally incorporated under the provisions of the Banking and Financial Institutions Acts, 1989 (BAFIA 1989). The locally incorporated entity commenced banking operations on July 1, 1994 as a wholly 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, which led to the renaming of the Bank's name 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.

On January 1, 2006, The Bank of Tokyo-Mitsubishi UFJ, Ltd was established 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 Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad ("BTMU (M)").

In 2008, BTMU (M) further strengthened its foothold in Malaysia by establishing its Islamic banking arm, the first Japanese bank to do so, marking a significant milestone in the development of the Islamic finance industry and reinforcing Malaysia position as a global hub in this sector.

On April 2, 2018, in line with the Group's strategy to unify its global brand and provide a clear defining roles and functions of each of the subsidiaries under the Mitsubishi UFJ Financial Group ("MUFG"), the Bank adopted its current name, 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.

Today, MUFG Bank (Malaysia) Berhad continues to leverage the strong support of its Parent Bank and MUFG Group, with its over 360 year tradition of pioneer-ship in international and domestic banking. It's global network, comprising over 2,000 locations in more than 40 markets, combined with deep expertise in treasury and international trade, enables MUFG Bank (Malaysia) Berhad to provide innovative financial solutions and long term value to its customers.

Banking Services

1. Cash Management Services

1.1 Channels
- GCMS Plus (Corporate Internet Banking)
- Cash Forecasting Service
- COMSUITE Forex
- Global Payment Hub (Host to Host)

1.2 Payment Services
- Domestic High Value Transfe (RENTAS)
- Domestic Low Value Transfer (GIRO)
- Foreign Remittance
- Cheque Issuance
- Bill Payment (JomPAY)
- Book Transfer
- DuitNow Transfer
- Standing Order / Recurring Payment Services

1.3 Collection Services
- Inward High Value Transfer (RENTAS)
- Inward Low Value Transfer (GIRO)
- Inward Foreign Remittance
- DuitNow AutoDebit

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

1.5 Liquidity Services
- Domestic Actual Pooling
- Cross Border Actual Pooling
- Escrow Service
- Interest Optimization

2. Trade Finance & Supply Chain Solutions

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

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

2.2 Payment Services
- DA/DP Collection
- Negotiation / Export Bills without L/C

2.3 Supply Chain Finance
- Non-recourse Account Receivable Purchase Scheme
- With recourse Account Receivable Purchase Scheme
- Non-recourse ARPS backed by Credit Insurance ("Client Policy")
- Payable Finance Scheme – Account Receivable
- Payable Finance Scheme with Bill of Exchange
- Payable Finance Scheme with Promissory Notes

2.4 Traditional Trade Finance
- Bank Guarantee
- Banker Acceptance
- Onshore Foreign Currency Loan – Trade
- Revolving Credit - Trade
- Shipping Guarantee
- Standby Letter of Credit

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

2.6 Financial Institutions (FI) Trade Finance
- FI Trade Loan

2.7 Trade Channels
- Comsuite Payable Finance
- EssDocs Databridge

3. Debt Capital Market
- Advising on Private Debt Securities (both Conventional and Islamic)
- Advising on Asset Securitisation

4. Global Markets
- Derivatives and Options
- Foreign Exchange: Spot and Forward
- Malaysia Government Bond (MGS) and Government Investment issue (GII)
- Money Market

5. Housing Loan
- Housing Loan

6. Islamic Banking
- **Deposit**
  - Commodity Murabahah Deposit-i
  - Current Account-i
  - Fixed Deposit-i
  - Foreign Currency Account-i
- **Financing**
  - Commodity Murabahah Financing-I
  - Ijarah Financing-i
  - Invoice Financing-i
  - Mudarabah Financing-i
  - Murabahah Working Capital Financing-i
  - Wakalah Financing-i
- **Global Markets**
  - Islamic FX-i: Bai'al-Sarf (Spot) and Wa'd (Forward)
  - Conventional Derivatives and Options
  - Cross Currency Swap-i
  - Islamic Interbank Money Market-i
  - Profit Rate Swap-i
- **Guarantee**
  - Bank Guarantee-i
  - Letter of Credit-i
  - Standby Letter of Credit-i
- **Service**
  - Shariah Advisory Business

7. Strategic Research
- Strategic Research

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

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
Member

En. Amin Siru bin Abdul Rahman
Member

Risk Management Committee

En. Amin Siru bin Abdul Rahman
Chairman

En. Rashid bin Ismail
Member

Y.Bhg Dato' Noorazman bin Abd Aziz
Member

Nomination Committee

En. Rashid bin Ismail
Chairman

Mr. Motohide Okuda
Member

Y.Bhg Dato' Noorazman bin Abd Aziz
Member

En. Amin Siru bin Abdul Rahman
Member

Remuneration Committee

En. Amin Siru bin Abdul Rahman
Chairman

En. Rashid bin Ismail
Member

Y.Bhg Dato' Noorazman bin Abd Aziz
Member

Shariah Committee

Prof. Dr. Said Bouheraoua
Chairman

Prof. Emeritus Dato' Dr. Mohd Azmi bin Omar
Member

Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria
Member

Leadership Statement: Chairman and Chief Executive Officer

Y.Bhg Dato' Noorazman bin Abd Aziz
Chairman

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

DEAR VALUED STAKEHOLDERS,

On behalf of the Board of Directors,we are pleased to report that despite a challenging economic landscape, MUFG Bank (Malaysia) Berhad ('the Bank") delivered a resilient financial performance for the year under review, 31 March 2025.

TOTAL OPERATING PROFIT
RM 848.62 million

PRE-TAX PROFIT
RM 599.50 million

NET PROFIT AFTER TAX
RM 414.46 million

These results underscore our continued focus on sustainable growth, operational efficiency, and prudent risk management, enabling us to navigate uncertainties while creating long term value for our stakeholders.

Message from Our Leadership

Over the past 12 months, Malaysia's economy showed steady growth supported by strong domestic demand, a rebound in trade and sustained investment activity. While the global environment remained uncertain with trade tensions and geopolitical risks, Malaysia's economic fundamentals remained resilient.

Looking ahead, we remain cautiously optimistic. The Malaysian financial system's stability, coupled with ongoing reforms and innovation, position us well to navigate external uncertainties and continue delivering long term value to our stakeholders.

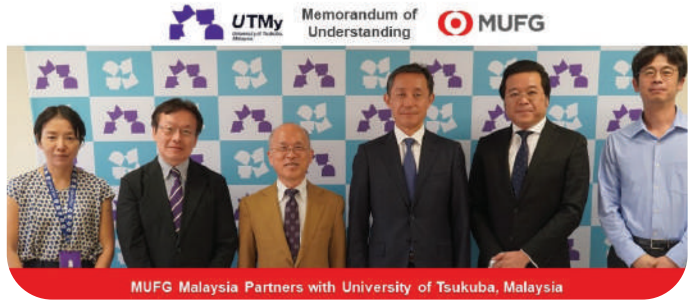
BUSINESS

Our bank's business strategy closely aligns with the broader vision of Japan-Malaysia collaboration, focusing on sustainable growth, green transformation, digital transformation, and supply chain development. Building on a strong bilateral partnership established in 2023, rooted in decades of trust and economic cooperation, the bank continues to support the growth of japanese and government-linked companies and large conglomerates both locally and internationally. Leveraging our global network and strong ties with Japanese corporations, we are committed to providing innovative financial solutions, including Shariah-compliant options to drive investment in priority sectors such as green infrastructure, renewable energy, digitalization, and cross border supply chain across the ASEAN region.

Building on this strategic vision, in March 2025, the Bank and AFFIN Bank formalized a Memorandum of Understanding (MoU) to deepen collaboration and jointly explore opportunities in key sectors. This partnership leverages AFFIN Bank's strong local expertise alongside MUFG's extensive global network to support innovative financial solutions and sustainable growth initiatives.

TALENT

At the heart of our long-term success is our belief that people are our most valuable asset. Guided by this principle, we continued to invest in talent development and engagement throughout the year. A notable highlight was the signing of a Memorandum of Understanding (MoU) with Tsukuba University, one of Japan's top-ranked research institutions. Founded in 1973 and tracing its heritage back to 1872, Tsukuba University has distinguished itself through interdisciplinary education. Through this collaboration, we aim to provide undergraduates with practical exposure to the financial industry. By offering structured internships and training, we are not only contributing to financial literacy among students but also building lasting academic partnerships that support our talent pipeline for the future.



In ensuring our people thrive in a supportive environment, we placed strong emphasis on health, wellness, and holistic development. Through initiatives led by our Human Resources department and the Bank's Sports and Recreational Club, we rolled out wellness programs designed to promote physical and mental well-being, while reinforcing the importance of work-life balance. These efforts reflect our ongoing commitment to caring for our people – not just as employees, but as individuals.

Aligned with our broader people agenda, we have also introduced initiatives to broaden employees' skillsets and professional experiences. By promoting job mobility, cross-functional exposure, and continuous learning, we are cultivating a workforce that is agile, empowered, and well prepared to meet the evolving needs of our industry. Complementing this, team-building activities were carried out to strengthen collaboration and cohesion across departments, with 56% of our workforce having participated in these programs to date. These collective efforts support our vision of fostering a dynamic, inclusive, and future-ready organization.

We are proud to have been honored with the Employee Care and Wellbeing Award at the Life at Work Awards (LAWA) in November 2024, recognizing our ongoing commitment to creating a supportive and inclusive workplace. This achievement is a testament to the dedication and hard work of our Human Resources team in fostering a culture that prioritizes the health, safety and overall well-being of our employees. The award reinforces our belief that investing in our people is key to driving sustainable growth and delivering excellence to our customers and stakeholders.

SUSTAINABILITY

As part of our continued commitment to sustainability, the Bank actively engages in connecting the public and private sectors to advance the green transformation agenda across the region. A key example of this is MUFG NOW (Net Zero World), our flagship regional networking and thought leadership platform which has been held for two consecutive years. Held in Sarawak, the event convenes over 100 business leaders, policymakers, and industry experts to exchange ideas, share insights, and explore collaborative opportunities that support sustainable growth and transition strategies. MUFG NOW has become a cornerstone initiative that underscores our strategic focus on green agenda and our role as a trusted financial partner for cross-sector engagement in addressing climate and environmental challenges.

In Malaysia, we continue to align with MUFG's global sustainability agenda through a range of local initiatives aimed at conserving natural capital and support biodiversity. Our Corporate Social Responsibility (CSR) programmes include environmental conservation efforts such as mangrove trees planting in Kuala Lumpur and Labuan Island, partnerships with community organizations campaigns, and environmental awareness and recycling education at the Bank's adopted school that promote responsible environmental stewardship. These initiatives reflect our long-term commitment to creating shared value and contribution to Malaysia's broader green economy objectives, in line with the "Drive Social & Environmental Progress" pillar of MUFG's mid-term business plan introduced in 2024.

In addition to our external efforts, we are also committed to driving sustainability within our Bank. We believe that every individual has a role to play in driving collective action toward a more sustainable future. Through a homegrown initiative – DNA project (Decarbonization, Net Zero awareness) was introduced, we placed a strong emphasis on enhancing education and communication around recycling projects, ensuring that it is embedded in our corporate culture. These initiatives are designed to engage and empower our people at all levels, fostering a deeper understanding of environmental issues and encouraging our people to adopt sustainable practices both at work and in their personal lives.

Message from Our Leadership

GOING FORWARD

Over the next three to five years, the Bank will focus on strengthening its position as a resilient and forward-looking Bank, able to adapt to evolving market conditions and stakeholder expectations. We remain committed to supporting Malaysia's sustainable development agenda by deepening our capabilities across key areas such as green finance, Islamic finance and digital innovation.

Our approach will emphasize sustainable growth by leveraging regulatory support and industry collaboration to enhance our product offerings and services. We will continue to foster partnerships that drive innovation and improve financial inclusion, ensuring that our solutions meet the diverse needs of our customers and contribute to the broader economic ecosystem.

Maintaining robust risk management and compliance frameworks remains a top priority. We will continue to strengthen our controls and governance to meet evolving regulatory requirements and safeguard the interests of our stakeholders. In parallel, we recognize the transformative potential of artificial intelligence (AI) and advanced analytics to enhance decision-making, improve operational efficiency, and deliver more personalised customer experiences. Our commitment is to adopt responsible AI practices that complement human expertise, uphold ethical standards, data privacy, and transparency, ensuring that technology supports our strategic objectives while managing associated risks effectively.

Through these efforts, we are confident in our ability to deliver long-term value for our shareholders, customers, employees, and the communities we serve.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, we extend our sincere appreciation to Bank Negara Malaysia, Perbadanan Insurans Deposit Malaysia and other regulatory authorities for your continued guidance and support. Your efforts in maintaining a strong and stable financial system are deeply appreciated, and we remain committed to upholding the standards you set.

To our valued stakeholders, including clients, business partners, and the communities we serve – thank you for your trust and continued support. Your confidence in us drives everything we do and keeps us focused on delivering long-term, meaningful value.

We would like to thank our fellow Board members for their dedication, strategic insight, and governance leadership. Their oversight and commitment have been key to our ability to navigate challenges and stay aligned with our strategic goals.

Lastly, a heartfelt thank you to our management team and employees across the Bank. Your resilience, hard work, and doing the right thing continue to strengthen the foundation of our bank, and it's through your efforts that we continue to grow and evolve.

As we look ahead, we do so with confidence, grounded in strong governance, clear purpose, and a shared commitment to sustainable growth.

Thank you.

Y.Bhg Dato' Noorazman bin Abd Aziz
Chairman

Motohide Okuda
CEO/ Country Head for Malaysia and Executive Director

Awards & Accolades

2025

The Asset Triple A, Best Islamic Trade Finance and Best Sukuk
Quasi-Sovereign

2024

IFN Singapore Deal of the Year 2024
Olam Agri's US$625 million commodity Murabahah facility

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

DNA Project's "MUFG Recycles" Contest: A Step Towards Sustainability

MUFG Malaysia has reaffirmed its commitment to sustainability and environmental responsibility through the successful execution of two in-house recycling contests. These initiatives, part of the Decarbonization Net-Zero Awareness (DNA) Project, were meticulously planned and executed by a dedicated team of 10 volunteers from across the bank. Collectively, these efforts resulted in the collection of over 4 metric tons of materials that were re-used, re-purposed, or recycled, thereby significantly reducing landfill contributions.

Each contest spanned 12 weeks, with the first focusing on paper, plastic, and metal, and the second on fabric and textiles. The contests exceeded initial targets, collecting 2.6 metric tons of paper, plastic, and metal, and 1.4 metric tons of fabric and textiles. This remarkable achievement underscores the dedication of our staff and highlights the potential for substantial environmental impact through collective action.

Post-contest, volunteers diligently sorted the collected materials, identifying items for re-use. Plastic containers were donated to soup kitchens, egg cartons to small-scale farmers, and children's books to our adopted school, SK (P) Jalan Batu. Other items were made available at a "Re-Love" corner within the office. Only residual materials were sent for recycling, ensuring minimal waste.

Participation from the bank's departments transformed the contest into an educational platform, raising awareness about waste potential, recycling importance, and sustainable practices.

Looking ahead, MUFG remains steadfast in its commitment to fostering a culture of sustainability within the organization and the communities it serves. The success of these recycling contests serves as a foundation for future initiatives aimed at promoting environmental stewardship.

Environmental Awareness and Recycling Education at SK (P) Jalan Batu

In response to the challenge of low environmental awareness in Malaysia, MUFG has initiated a specialized environmental education program at SK (P) Jalan Batu, aligning with MUFG's priority areas such as "Nurturing Next Generation and Supporting Children," "Environmental Conservation," and "Financial and Economic Education." This program aims to equip primary school students, particularly those from low-income families, with essential knowledge and skills for environmental sustainability, fostering a culture akin to Japan's environmental consciousness.

The program is designed to instill environmental values in students through interactive learning sessions, cultural and financial education, and community engagement. Activities include simulations of rising sea levels, visits to recycling facilities, and lessons on the economic benefits of recycling. The program also emphasizes the cultural importance of environmental stewardship, drawing parallels with Japanese practices.

MUFG staff actively participate as volunteers and mentors, enhancing awareness among employees and encouraging them to share their experiences, thereby amplifying the program's impact.

The program is currently being trialed with Primary 3 to 5 students to determine the optimal year for introduction. The long-term goal is to present the program's outcomes to Bank Negara Malaysia (BNM) and advocate for similar initiatives across other banks, potentially leading to broader adoption of environmental education in schools across Malaysia.

This initiative not only addresses environmental awareness but also supports the holistic development of students, preparing them to be environmentally conscious citizens.

Global Volunteer Month: MUFG Gives Back - Mangrove Tree Planting

Over 1,000 mangrove saplings were planted at Kuala Selangor Nature Park and Kina Benuwa Wetland & Mangrove Forest, Labuan, reflecting MUFG's commitment to drive biodiversity conservation, carbon reduction, and protection against coastal erosion.

Our commitment to restore coastal ecosystems was greatly supported by more than 80 dedicated volunteers, who spent half a day planting the "first line of defense".

The Directors have pleasure in submitting their report and the audited financial statements of the Bank for the financial year ended 31 March 2025.

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

	31.03.2025 RM'000
Profit after tax for the year	414,463

In the opinion of the Directors, the results of the operations of the Bank for the financial year ended 31 March 2025 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 2025.

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
Mr. Motohide Okuda
En. Rashid bin Ismail
En. Amin Siru bin Abdul Rahman

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	330
Remuneration	1,132
Estimated money value of other benefits	226
	1,688

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

None of the other Directors holding office at 31 March 2025 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

MUFG Malaysia's ("the Bank") business strategy is deeply aligned with the broader vision of Japan–Malaysia collaboration, focusing on three key pillars of sustainable growth: green transition, digital transformation, and supply chain resilience especially in areas of semiconductor, healthcare and energy infrastructure etc.

Japan and Malaysia have already deepened bilateral collaboration through a Comprehensive Strategic Partnership agreed in 2023, focusing on key sectors that align with shared priorities as above. This enhanced partnership is built on decades of trust, investment and technology exchange, and now evolving to address global challenges such as climate change, energy transition, stable supply chain and economic security.

Additionally, the Bank will continue to support the growth and expansion of Government-linked companies, both domestically and abroad, including large conglomerates. The Bank also seeks to play a pivotal role in providing innovative financial solutions-including Shariah-compliant options -to support complex and capital-intensive projects in priority sectors. The Bank envisages to support Malaysian corporates in deepening joint ventures and capital market linkages with Japanese partners to access funding, technology, expertise and global network.

Leveraging on MUFG's global network and strong Japanese corporate base, the Bank aims to facilitate investment and innovation in green infrastructure and renewable energy, support digitalisation initiatives and enhance cross-border supply chain connectivity across key ASEAN corridors.

Through strategic financing, financial advisory services & solution and ecosystem building, the Bank is committed to playing a catalytic role in advancing bilateral economic ties and supporting Malaysia's transition into a high-tech, sustainable economy.

This includes strengthening our capabilities in both conventional and Islamic finance to ensure financing inclusivity and alignment with diverse market needs.

Going forward, the Bank is poised to become a key enabler of Japan–Malaysia collaboration in driving sustainable economic transformation.

BUSINESS STRATEGY AND OUTLOOK (CONTD)

Over the next 3–5 years, the Bank anticipates:

Accelerating green finance growth, as regulatory support and ESG-focused capital drive expansion in renewables, energy-efficiency projects and climate-resilient infrastructure, and expand our balance sheet growth in sustainable manner.

The Bank also aims to further develop its Islamic finance capabilities to meet the growing demand for Shariah-compliant financing, particularly for large-scale green transformation (GX) projects and other capital-intensive initiatives by leveraging on Malaysia's global leadership in Islamic finance.

Strengthening supply chain ecosystems through tailored financing and integration platforms that connect Japanese manufacturers with Malaysia's growing green-tech and digital manufacturing clusters.

Malaysia's economic growth in 2025 is forecasted to expand by between 4.5% and 5.5%. While domestic demand and government initiatives are expected to drive this growth, global uncertainties and market volatilities continue to be a potential risk. The Bank will remain vigilant of the evolving global developments, particularly on implications of trade tariffs on Malaysia's economy and the Bank's business.

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, shareholder and employees as well as foster shareholder confidence, ensuring long-term sustainability, resilience and value creation. 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 2024 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.

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. After three years, he transitioned on an illustrious 25-year career with Citigroup in areas of corporate banking, investments, treasury and financial markets. During this time, he was seconded to Malaysia's Ministry of Finance ("MOF"), serving as the Director-General of Labuan Offshore Financial Services Authority ("LOFSA") and Chief Operating Officer of Kuala Lumpur Stock Exchange Berhad. Following his 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 before later taking on the role of the MD/CEO at 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. He later joined Khazanah Nasional Berhad as Executive Director, Investments, a position he held until his retirement in June 2019.

Dato' Noorazman holds a Bachelor of Science in Finance from Louisiana State University, USA. He is also a member of several professional bodies, including 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.

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Director's Profile (Contd)

Dato' Noorazman bin Abd Aziz
(Independent Director)

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. He has ceased as the Non-Executive Board Member in Audit Oversight Board ("AOB") of the Securities Commission ("SC") with effect from 30 July 2025.

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 holds a Bachelor Degree in Economics from Kwansei Gakuin University, Japan and later earned 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, and strategic planning within the realms of corporate and transaction banking.

Before joining the Bank, Mr. Okuda served as the Managing Director, Deputy Head of Transaction Banking Division of MUFG Bank, Ltd. in Tokyo, Japan. In this role, he spent nearly six (6) years overseeing the operations of strategic planning, human resources, risk management, financial control, corporate affairs, and communications.

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 holds a Diploma in Accountancy from Universiti Teknologi MARA ("UiTM") and a Bachelor Degree in Business (Accounting) from Edith Cowan University, Perth, Western Australia. He is a Chartered Accountant (CA) with the Malaysian Institute of Accountants ("MIA") as well as a member of CPA Australia.

From 2006 to 2010, En. Rashid served 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. Additionally, he held the position of CEO of MIDF Property Berhad from July 2007 to July 2010.

En. Rashid served as CEO and Executive Director of BIMB Securities Sdn Bhd ("BIMB Securities") from January 2011 to January 2020. He was elected as Chairman of the Association of Stockbroking Companies Malaysia ("ASCM") from December 2015 to December 2017 and was also appointed as an independent member of Market Participants Committee, Bursa Malaysia Berhad from July 2015 to June 2018. Additionally, from January 2012 to January 2020, he was a member of Board of Trustee for the 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 was nominated and accepted as an Independent member of Regulatory and Conflicts Committee ("RACC") under Bursa Malaysia Berhad. He also currently serves as Panel of Subject Matter Expert at the Islamic Banking and Finance Institute Malaysia ("IBFIM").

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Director's Profile (Contd)

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 the Chairman of Risk Management Committee and Remuneration Committee, and also member of the Audit Committee and Nomination Committee.

He holds a Bachelor's Degree in Economics from University Malaya, Kuala Lumpur.

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

He has extensive experience in senior management positions and leadership roles within international Islamic banks. Since 2008, he served as the Chief Credit Officer at Kuwait Finance House (Malaysia) Berhad before being appointed the Chief Risk Officer ("CRO") in 2010. He later became the CRO of HSBC Amanah Malaysia Berhad in 2013 and was promoted to Chief Executive Officer in 2017. Additionally, he held the position of the Acting CRO of Warba Bank (K.S.C), Kuwait from April 2017 to August 2019.

En. Amin Siru has resigned as a board member of Grand Signet Sdn Bhd in April 2025, an oil & gas holding company, and still serves as a Director of Risk and Compliance at CPRO Solutions Sdn Bhd, an e-payment solution enterprise.

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 public/public listed and private sector, regulatory bodies 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's key responsibilities and matters reserved for its consideration and approval are outlined in the Board Charter, which is also published in the Bank's website. The Board Charter is periodically reviewed to ensure its continued relevance and effectiveness.

To oversee critical and major functional areas of the Bank, the Board established various Board Committees.

To enhance the effectiveness of its oversight roles, the Board has delegated the independent oversight responsibilities 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 TORs.

The function, TORs, and delegated authority of the Board Committees have been approved by the Board and are periodically reviewed to ensure that they remain relevant and are up-to-date.

The Chairman of the Board Committees provide report at Board meetings, highlighting key recommendations and matters requiring the Board's attention or direction to Management.

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

The Board is supported by a qualified and competent Company Secretary who provides advice on governance matters, Board policies and procedures as well as requirements to be observed by the Bank and the Directors. The Company Secretary also facilitates timely communication of decisions made and policies set by the Board at Board meetings, to the Senior Management for action.

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(a) Roles and Responsibilities of the Board

- to review and approve strategies, business plans and 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, IT and cybersecurity plan, significant policies and monitor Senior Management's performance in implementing them;
- to ensure that the Bank establishes comprehensive risk management policies, processes, infrastructure and resources, to manage the various types of risks;
- to 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;
- to establish periodic review on quantity and quality of the Risk Management reporting;
- to set up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit functions, covering the financial and management audit;
- to establish a rigorous process for the appointment and removal of Directors;
- to 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;
- to establish a written policy to address Directors' actual and potential conflict of interest;
- to establish and ensure the effective functioning of various Board committees;
- to 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;
- to ensure the effective management of the Bank's capital and capital adequacy levels to ensure fulfillment of regulatory and internal requirements;
- to ensure that the relevant stakeholders discharge their responsibilities for the development and effective implementation of the Bank's capital management policies and processes;
- to approve credit transactions to connected parties based on Guidelines on Credit Transactions and Exposures with Connected Parties;
- to 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;
- to provide the CCO with direct and unimpeded access to the Board;
- to ensure that the CCO is supported with sufficient resources, including competent officers, to perform his/her duties effectively;
- to 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;
- to promote, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;
- to promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

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

- to promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank;
- to 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;
- to 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");
- to undertake and exercise the Board's duties, responsibilities and oversight functions as stipulated in BNM's Risk Management in Technology ("RMiT") Policy Documents;
- to 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
- to provide board veto clearance for large exposures based on Credit Policy of the Bank. Where such veto clearance was obtained via circulation, the loan/financing exposures to be collectively deliberated and ratified in the subsequent Board meeting.

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

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

(c) Directors' Training

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

During the financial year ended 31 March 2025, 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	Directors' Masterclass in Corporate Governance 2024: Boardroom Dynamics on Climate talks	Dato' Noorazman
2	Sharing Session on e-Invoice	Dato' Noorazman
3	FIDE Forum – CGM Masterclass: What Directors Must Know: Recent Developments in Climate Science	Dato' Noorazman
4	Understanding the "S" in ESG – Recent Developments in the EU	Dato' Noorazman
5	Sun Life Corporate Security Updates & Cybersecurity Awareness Training	Dato' Noorazman
6	Kuala Lumpur International Sustainability Conference	Dato' Noorazman
7	The Future of Cybersecurity with AI	Dato' Noorazman
8	Data Innovation to Drive Financial Inclusion - Pushing New Frontiers	Dato' Noorazman

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(c) Directors' Training (Contd)

No.	Training Programmes	Attended by
9	STEP Malaysia Conference : Navigating Succession and Estate Planning in Malaysia and Labuan IBFC	Dato' Noorazman
10	ASPAC Board Leadership Centre (BLC) Webinar 2024 – The Risk Landscape : Navigating Climate Transition Risks in a Circular Economy	Dato' Noorazman
11	SLM Y2024 Cyber Drill exercise	Dato' Noorazman
12	EY FSO Insurance Forum 2024	Dato' Noorazman
13	INCEIF Discourse Series 17 – Reach & Relevance : How Social Finance Makes Islamic Finance More Meaningful Globally	Dato' Noorazman
14	KWAP Inspire Conference 2024 – Advancing Circular Transformation for a Climate- Smart Malaysia	Dato' Noorazman
15	Preventing Fraud: The Board's Roles and Responsibilities.	Dato' Noorazman
16	ISSB IFRS S1 and S2 Sustainability Implementation	Dato' Noorazman
17	Masterclass I Boardroom Climate Essentials	Dato' Noorazman
18	Leading the Way: Developing Credible Transition Plans for Financial Institutions	Dato' Noorazman
19	Growing Concerns From New Technology, Stakeholders Interests & Conflict of Interest	Dato' Noorazman
20	ASPAC Board Leadership Centre (BLC) Webinar 2024 – Geopolitical Risks and the Strategic Imperatives for Boards and C-suite	Dato' Noorazman
21	Board's Role in Value Creation	Dato' Noorazman
22	Empowering Communities through Innovative Waqf (Islamic Social Finance)	Dato' Noorazman
23	Launch of the Directors' Remuneration Report 2024	Dato' Noorazman En. Rashid En. Amin Siru
24	Dark Web, AI & Deepfakes	Dato' Noorazman
25	Competition Act Compliance Review Report Presentation and Training on Artificial Intelligence (AI) Legal Framework and Cyber Security Act 2024	Dato' Noorazman
26	Economic Outlook & Post-Budget 2025 Forum	Dato' Noorazman En. Rashid En. Amin Siru
27	Cybersecurity Awareness Session – Building Cyber Resilience	Dato' Noorazman En. Rashid En. Amin Siru
28	Annual Financial Crime Compliance Awareness session for Board of Directors	Dato' Noorazman En. Rashid En. Amin Siru Mr. Okuda
29	Shariah Committee and Board of Directors' Engagement Session	Dato' Noorazman En. Rashid En. Amin Siru Mr. Okuda

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

(c) Directors' Training (Contd)

No.	Training Programmes	Attended by
30	Anti-Money Laundering, Anti-Bribery & Anti-Corruption	Dato' Noorazman
31	Essential Director Update 2024 : Generative Artificial Intelligence (GenAI)	Dato' Noorazman
32	Strategic Data and Frameworks in Board Governance	Dato' Noorazman
33	Sustainability Leadership Forum	Dato' Noorazman
34	Boardroom Insights 2025 : Navigating Governance, Risk and Strategic Foresight	Dato' Noorazman
35	How Global Events Will Affect the Outlook for the Financial Industry in 2025	En. Rashid En. Amin Siru
36	Mandatory Accreditation Programme Part II : Leading for Impact (LIP) Building High-impact Boards for Sustainable Growth	Dato' Noorazman
37	Engagement with Chairpersons and CEOs of Insurers and Takaful Operators & Associations	Dato' Noorazman
38	Preventing Fraud: The Board's Roles and Responsibilities	En. Rashid
39	Distinguished Board Leadership Series 2024: Digital Transformation in the World's Best Bank	En. Rashid En. Amin Siru
40	Khazanah Megatrends Forum 2024	En. Rashid Mr. Okuda
41	SC-World Bank Conference 2024 Empowering MSMEs: Cultivating Compassionate Growth through Capital Market	En. Rashid
42	Audit Oversight Board of Securities Commission Malaysia	En. Rashid
43	63rd World Federation of Exchanges Annual Meeting	En. Rashid
44	Economic Indicators and Monetary Policy: A Guide for Business Leaders	En. Rashid
45	Board's Role in Digital Transformation: Putting Words into Action	En. Rashid
46	MUFG NOW (Net Zero World)	En. Rashid En. Amin Siru Mr. Okuda
47	FIDE Core Programme (Module A & B)	En. Amin Siru
48	Directors' Orientation Programme	Mr. Okuda
49	PayNet Engagement Forum	Mr. Okuda
50	41st JAMECA-MAJECA Joint Conference	Mr. Okuda
51	Emulating Advanced Economies or Charting a Unique Malaysia Strategy	Mr. Okuda
52	Islamic Finance for Board of Directors' Programme	Mr. Okuda
53	2025 Sarawak Budget Conference "Together Building A Prosperous Future"	Mr. Okuda
54	52nd ASEAN Banking Council Meeting	Mr. Okuda
55	Spokesperson Media Training Workshop	Mr. Okuda
56	Executive Leadership Training	Mr. Okuda
57	Career Development Seminar	Mr. Okuda

CORPORATE GOVERNANCE STATEMENT (CONTD)

THE BOARD OF DIRECTORS (CONTD)

Roles and Responsibilities (Contd)

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 shareholder ahead of other interests.

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

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

(e) Frequency and Conduct of Board Meetings

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year to enable the Directors to plan ahead and ensure their full attendance.

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. Special Board meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditous review or consideration.

Pursuant to the BNM Policy Document on Corporate Governance, the quorum for Board meetings requires at least half of the Board members, and each Director must attend at least 75% of the Board meetings held in a financial year. For the financial year ended 31 March 2025, all Directors recorded full attendance at Board meetings, except for Mr. Motohide Okuda, who was unable to attend one meeting due to a pre-arranged business trip.

A total of eight (8) Board meetings were held during the financial year ended 31 March 2025. The details of attendance of each member are as follows:

Director	Number of Meetings	
	Held	Attended
Y.Bhg. Dato' Noorazman bin Abd Aziz *Independent Chairman*	8	8
Mr. Motohide Okuda *Executive Director*	8	7
En. Rashid bin Ismail *Independent Director*	8	8
En. Amin Siru bin Abdul Rahman *Independent Director*	8	8

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)

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

During the financial year ended 31 March 2025, the NC held four (4) meetings.

The details of attendance of each member at the NC meetings held during the financial year ended 31 March 2025 are as follows:

NC Member	Number of Meetings	
	Held	Attended
En. Rashid bin Ismail *Chairman*	4	4
Y.Bhg. Dato' Noorazman bin Abd Aziz *Member*	4	4
En. Amin Siru bin Abdul Rahman *Member*	4	4
Mr. Motohide Okuda *Member*	4	4

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; the re-appointment upon the expiry of terms of appointment as approved by BNM; or the re-election of Director retires by rotation / casual vacancy; or the removal of Directors, Senior Management and Shariah Committee members if the person no longer meets the minimum requirements set out in paragraphs 10.2 to 10.5 and 17.2 to 17.4 of the 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 their responsibilities;
- to support the Board oversight, on the appointment, succession planning and performance evaluation of Senior Management, Shariah Committee ("SC") members and the resignation of Independent Director;
- to assess and recommend to the Board, the nominees for appointment; the removal of Company Secretary if the person is disqualified under Section 238 of the CA 2016 or no longer complied with the Fit and Proper requirements; and to assess on annual basis the Company Secretary's fit and propriety in accordance with the standards for "fit and proper" criteria as approved by the Board;
- 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; and to regularly review succession plans for the Board, 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 to assess the performance of the Shariah Committee, Senior Management and Company Secretary. The annual assessment to be conducted on Senior Management and Company Secretary shall be based on objective performance criteria as approved by the full Board;
- to review and monitor the training development of Directors;
- to assess on an annual basis that the Directors, Senior Management and Shariah Commitee members are not disqualified under Section 59 of the FSA 2013 and Section 68 of IFSA 2013 and they 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 assess and nominate the appointment or renewal of appointment of Expatriates Officers, ensuring consistency with the qualifications, experience and criteria applicable in BNM's guidelines;
- 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; and
- to carry out such other responsibilities as may be specified by BNM or delegated by the Board from time to time.

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 2025, the RC held two (2) meetings.

The details of attendance of each member at the RC meetings held during the financial year ended 31 March 2025 are as follows:

RC Member	Number of Meetings	
	Held	Attended
En. Amin Siru bin Abdul Rahman *Chairman*	2	2
En. Rashid bin Ismail *Member*	2	2
Y.Bhg. Dato' Noorazman bin Abd Aziz *Member*	2	2

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, *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, *Senior Management and other Material Risk Takers;
- to recommend to the Board a framework of remuneration for Directors, SC members, and *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 and Executive Directors 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 or as and when required.

During the financial year ended 31 March 2025, eleven (11) meetings were held.

The details of attendance of each member at the AC meetings held during the financial year ended 31 March 2025 are as follows:

AC Member	Number of Meetings	
	Held	Attended
En. Rashid bin Ismail *Chairman*	11	11
Y.Bhg. Dato' Noorazman bin Abd Aziz *Member*	11	11
En. Amin Siru bin Abdul Rahman *Member*	11	11

The AC's responsibilties and functions 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; 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.

CORPORATE GOVERNANCE STATEMENT (CONTD)

BOARD COMMITTEES (CONTD)

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

The AC's responsibilties and functions are: (Contd)

Matrix Reporting

- to ensure internal audit 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 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.

Financial Reporting

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTD)

BOARD COMMITTEES (CONTD)

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

The AC's responsibilties and functions are: (Contd)

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 conduct that raises questions of management integrity in ensuring that the terms and conditions of the transactions are commercially based and at arm's length.

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 and Framework 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 seven (7) meetings during the financial year ended 31 March 2025.

The details of attendance of each member at the RMC meetings held during the financial year ended 31 March 2025 are as follows:

RMC Member	Number of Meetings	
	Held	Attended
En. Amin Siru bin Abdul Rahman *Chairman*	7	7
En. Rashid bin Ismail *Member*	7	7
Dato' Noorazman bin Abd Aziz *Member*	7	7

The RMC's responsibilities and functions are:

<u>Risk Governance</u>

- to review and recommend risk management strategies, policies and risk tolerance for Board's approval;
- to review and assess adequacy of risk management and compliance policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;
- to review periodic reports from respective departments which include Risk Management, Compliance (including compliance issues), System Planning etc;
- to ensure sufficient infrastructure, resources and systems to support for risk management and compliance activities with the assurance of independency of the role from risk taking activities / operation;
- to oversee the formal development of policies (including credit, market, operational and 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;

DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTD)

BOARD COMMITTEES (CONTD)

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

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

<u>Risk Governance (Contd)</u>

- 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 support the Board in the Business Continuity Management ("BCM") related matters including recommendation for risk appetite, risk management strategy for BCM Framework and approval for respective framework and policies;
- to support the Board in outsourcing related matters and recommendation to the Board on outsourcing risk appetite, outsourcing plan, respective framework and policies, etc. with assurance on effective oversight 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.

<u>Risk Strategy</u>

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

CORPORATE GOVERNANCE STATEMENT (CONTD)

BOARD COMMITTEES (CONTD)

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

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

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 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, corporate risk, market risk, liquidity risk and operational risk and climate 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) Market Risk, Assets and Liabilities Management 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 & CLIMATE 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 scenario and potential vulnerable areas;
- Under ICAAP, the material risk assessment is conducted annually and perform the Bank's internal capital adequacy assessment process, under both normal and stress scenario, over the next 3 years.
- Responsible for the development, review, approval and ongoing maintenance of Bank's recovery plan. Initiate the re-assessment of key attributes, assess the feasibility and appropriateness of the recovery plan annually and see whether any maintenance and update are required; and
- Identify and measure the impact of physical risk and transition risk to Bank's credit portfolio through various climate risk transimission channels.

(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;
- Periodic monitoring and reporting of Risk Appetite Statements ("RAS") limits/thresholds set on key risk exposures;
- Periodic monitoring and reporting of recovery planning thresholds set on early warning and recovery stage for key risk exposures. Act as a key coordinator in the implementation of recovery plan and options when the plan is activated; and
- Undertakes climate-related scenario analysis risk assessments, monitoring and periodical reporting.

CORPORATE GOVERNANCE STATEMENT (CONTD)

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTD)

Overall Risk Management Policy (Contd)

(b) MARKET RISK MANAGEMENT

(i) Risk Identification, Assessment and Measurement

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

(ii) Risk Control, Mitigation and Monitoring

- The market risk limits are set after taking into consideration the risk appetite of the Bank and the risk-return relationship;
- Market risk exposures of both the trading and banking book positions are monitored against pre-determined market risk limits;
- Both the utilisation and compliance status of market risk limits are regularly reported to Market Risk, Assets and Liabilities Management Committee ("ALCO") 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 Market Risk, Assets and Liabilities Management Committee ("ALCO");
- 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 to identify and assess risks via the robust application of the Bank's risk framework, policies and procedures.
- Review of new policy or procedure, and revision of the existing policy and procedure are deliberated at the Operational Risk Management Control Committee ("ORMCC") platform prior to implementation and approval;
- Collecting Loss Event Data ("LED") with causal 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 is established to ensure continuity of the business before, during and after a disruptive event. The program is reviewed and assessed annually to be able to identify and address emerging risk associated with business continuity.
- 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;
- A proactive Self-Identified Issue framework was established to instill risk ownership among first line of defenses (1LOD) and encourage 1LOD to identify and manage risks within their business function.
- 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;
- The three lines of defense model to define roles and responsibilities and ensure accountabilities to manage risks;
- 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 processes;
- Rigorous risk assessment methodologies to evaluate the potential impact and likelihood of identified IT risks; and
- Centralised security operation center at Head Office to provide detection and alert for a risk event.

(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 and unified procedural documentations at regional office to manage IT processes;
- 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.

DIRECTORS' REPORT

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 2025.

The details of attendance of each member at the SC meetings held during the financial year ended 31 March 2025 are as follows:

SC Member	Number of Meetings	
	Held	Attended
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.

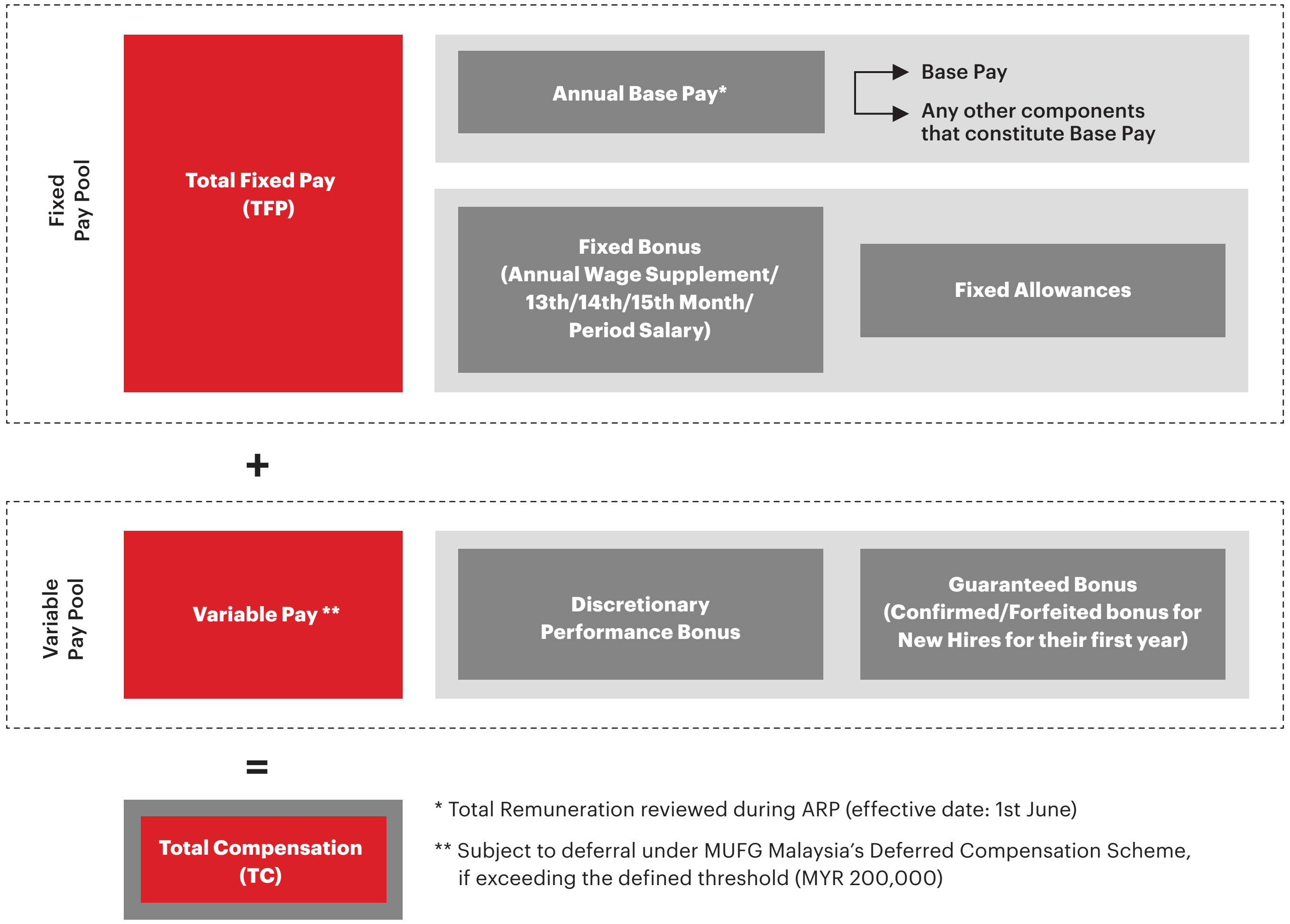
- **Support Prudent Risk Taking**
  Ensure that remuneration arrangements are designed to appropriately balance risk and financial results in a manner that does not encourage employees to expose the firm to excessive or imprudent risk.

- **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)

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 Fixed Pay and Total Compensation philosophy targets market median (P50) benchmark, to ensure a competitive and sustainable financial performance; • 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. Special considerations to be given to Key Resources and Retention Risks; ii. Consistent Exceptional Performer and key resources can be paid at upper level of the Market Range, and; iii. Consistent Poor Performer 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 achievements 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 33 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 2025			31 March 2024		
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	5,544	-	9	5,808	-	10
• Others	1,172	-	10	1,193	-	8
Variable remuneration						
• Cash based	3,116	566	9	3,214	402	10
• Others	120	-	1	365	-	3
Sub total	9,952	566		10,580	402	
Other Material Risk Takers						
Fixed remuneration						
• Cash based	5,105	-	14	5,021	-	13
• Others	955	-	14	925	-	13
Variable remuneration						
• Cash based	2,206	36	13	2,044	-	13
Sub total	8,266	36		7,990	-	
Total	18,218	602		18,570	402	

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 26 of the financial statements.

RATING BY EXTERNAL RATING AGENCIES

On 6 February 2025, RAM Rating Services Berhad has assigned the Bank a long-term rating of AAA 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 Policy Document 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 (2024: 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 2025 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 27 August 2025.

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 58 to 151 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 2025 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 27 August 2025.

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 58 to 151 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 27 August 2025.

Motohide Okuda

Director

Before me:

PESURUHJAYA SUMPAH
No. : W958
Nama : MOHD AIZUDDIN BIN SALIM
1 Januari 2025
Hingga
31 Disember 2027
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 2025.

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 2025, 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 have obtained all the information and explanations which we considered are 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 2025 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 2025 have 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.

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: 27 August 2025

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 2025, 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 60 to 153.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2025, 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 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 other information 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, 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.

Deloitte PLT
(LLP0010145-LCA & AF0080)
Chartered Accountants

Mak Wai Kit
Approval Number: 03546/12/2026 J
Chartered Accountant

27 August 2025

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2025

	Note	31.03.2025 RM'000	31.03.2024 RM'000
ASSETS			
Cash and short-term funds	3	6,425,755	5,295,755
Reverse repurchase agreements	4	-	20,090
Deposits and placements with financial institutions	5	569,089	2,037,602
Financial assets at fair value through profit or loss ("FVTPL")	6	292,508	2,023,157
Financial investments at fair value through other comprehensive income income ("FVOCI")	7	1,741,768	1,323,662
Loans, advances and financing	8	7,491,482	9,771,146
Embedded loans measured at fair value through profit or loss	9	13,963,724	12,275,974
Purchased receivables	10	811,540	917,520
Collateral deposits placed	11	35,809	120
Derivative financial assets	12	362,271	537,405
Statutory deposits with Bank Negara Malaysia	13	9,017	352
Other assets	14	43,781	58,660
Property, plant and equipment	15	23,458	27,262
Intangible assets	16	22,364	41,787
Right-of-use assets	17	13,525	16,564
Current tax assets		8,428	-
Deferred tax assets	18	19,404	10,215
TOTAL ASSETS		31,833,923	34,357,271
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	19	11,508,897	12,276,124
Deposits and placements of banks and other financial institutions	20	3,039,508	1,014,218
Collateral deposits received	11	11,808,046	15,649,452
Derivative financial liabilities	12	308,190	572,688
Other liabilities	21	208,295	288,505
Lease liabilities	22	12,466	14,569
Current tax liabilities		-	12,223
TOTAL LIABILITIES		26,885,402	29,827,779
SHARE CAPITAL	23	200,000	200,000
RESERVES	24	4,748,521	4,329,492
SHAREHOLDER'S FUNDS		4,948,521	4,529,492
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		31,833,923	34,357,271
COMMITMENTS AND CONTINGENCIES	25	98,161,347	84,239,059

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 2025

	Note	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Operating revenue	27	848,616	814,558
Interest income	28	768,056	827,456
Interest expense	29	(373,468)	(465,091)
Net interest income		394,588	362,365
Net income from embedded loans measured at FVTPL	30	68,845	88,212
Net income from Islamic Banking operations	42	18,298	21,900
Other operating income	31	366,885	342,081
Operating income		848,616	814,558
Other operating expenses	32	(236,082)	(245,385)
Operating profit before allowance for impairment		612,534	569,173
Allowance for impairment on financial instruments	34	(13,033)	(16,406)
Profit before tax		599,501	552,767
Tax expense	35	(185,038)	(181,239)
Profit after tax for the year		414,463	371,528
Other comprehensive income/(loss), net of tax			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	36	-	4,043
Change in fair value reserve:			
- Equity instruments designated at FVOCI	36	90	174
Items that may be reclassified subsequently to profit or loss			
Change in fair value reserve:			
- Debt instruments measured at FVOCI	36	2,748	(2,453)
Change in expected credit loss reserve	36	1,728	-
Other comprehensive income for the year, net of tax		4,566	1,764
Total comprehensive income for the year		419,029	373,292
Profit attributable to:			
Owner of the Bank		414,463	371,528
Total comprehensive income attributable to:			
Owner of the Bank		419,029	373,292
Basic earnings per share (sen)	37	207.23	185.76

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	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 2023		200,000	112,975	(4,254)	-	27,580	3,819,899	4,156,200
Remeasurement of defined benefit liability	36	-	-	4,043	-	-	-	4,043
Change in fair value of financial assets at fair value through other comprehensive income	36							
- 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	24(b)	-	(16,592)	-	-	-	16,592	-
At 31 March 2024		200,000	96,383	(211)	-	25,301	4,208,019	4,529,492
At 1 April 2024		200,000	96,383	(211)	-	25,301	4,208,019	4,529,492
Change in fair value of financial assets at fair value through other comprehensive income	36							
- Equity investments designated at FVOCI		-	-	-	-	90	-	90
- Debt investments measured at FVOCI		-	-	-	-	2,748	-	2,748
Change in expected credit loss of financial assests at fair value throught other comprehensive income	7	-	-	-	1,728	-	-	1,728
Total other comprehensive income for the year		-	-	-	1,728	2,838	-	4,566
Profit for the year		-	-	-	-	-	414,463	414,463
Total comprehensive income for the year		-	-	-	1,728	2,838	414,463	419,029
At 31 March 2025		200,000	96,383	(211)	1,728	28,139	4,622,482	4,948,521
		Note 23						

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	Note	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Cash Flows From Operating Activities			
Profit before tax		599,501	552,767
Adjustments for:			
Depreciation of property, plant and equipment	15	5,535	4,639
Amortisation of intangible assets	16	24,897	25,524
Gain on lease derecognition		(3)	(3)
(Gain)/Loss on disposal of property, plant and equipment		(29)	349
Intangible assets written off		-	13
Depreciation of right-of-use assets	17	4,389	4,127
Allowance for impairment on financial instruments	34	13,033	16,406
Defined benefit plan	32	2,322	3,352
Dividend income	31	(148)	(148)
Interest income from financial investments at fair value through other comprehensive income	28	(56,724)	(36,140)
Net (accretion of discount)/amortisation of premium on financial investments at fair value through other comprehensive income	28	(2,856)	3,521
Net loss from sale and redemption of financial investments at fair value through other comprehensive income		25,542	17,333
Finance cost on lease liabilities	32	442	184
Accretion expense on asset retirement obligation	32	11	-
Net gain from sale of financial assets at fair value through profit or loss	31	(1,352)	(4,145)
Unrealised (gain)/loss on changes in financial assets at fair value through profit or loss	31	(2,319)	2,299
Unrealised loss/(gain) on changes in fair value of embedded loans measured at fair value through profit or loss	30	69,679	(29,662)
Unrealised gain on changes in fair value of derivative financial instruments	31	(25,384)	(95,992)
Unrealised (gain)/loss on changes in fair value of loans designated at fair value	31	(1,409)	4,233
Operating profit before working capital changes		655,127	468,657
(Increase)/Decrease in operating assets:			
Reverse repurchase agreements		20,090	110,349
Financial assets at fair value through profit or loss		1,734,320	(1,972,486)
Loans, advances and financing		2,270,246	(1,215,699)
Embedded loans measured at fair value through profit or loss		(1,757,429)	2,709,936
Collateral deposits placed		(35,689)	694
Purchased receivables		105,956	201,656
Derivative financial instruments		(63,980)	60,383
Statutory deposits with Bank Negara Malaysia		(8,665)	1,967
Other assets		14,243	(36,013)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		(767,227)	310,411
Deposits and placements of banks and other financial institutions		2,025,290	592,623
Financial liabilities at fair value through profit or loss		-	(101,619)
Collateral deposits received		(3,841,406)	(1,977,307)
Other liabilities		(82,275)	103,565
Obligation on securities sold on repurchase agreement		-	(124,779)
Cash generated from /(used in) operations		268,601	(867,662)
Income tax paid		(215,775)	(203,850)
Payment of staff benefits	21(i)	(722)	(2,331)
Net cash generated from /(used in) operating activities		52,104	(1,073,843)

	Note	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	15	(1,761)	(12,639)
Purchase of intangible assets	16	(5,474)	(3,818)
Proceeds from disposals of property, plant and equipment		59	-
Proceeds from redemption and sales of financial assets at fair value through other comprehensive income		911,894	559,004
Purchase of financial assets at fair value through other comprehensive income		(1,348,951)	(1,037,311)
Interest received from financial assets at fair value through other comprehensive income		57,360	29,395
Dividend received	31	148	148
Net cash used in investing activities		(386,725)	(465,221)
Cash Flows From Financing Activities			
Payment of lease liabilities		(3,450)	(3,982)
Interest paid in relation to lease liabilities		(442)	(184)
Net cash used in financing activities		(3,892)	(4,166)
Net decrease in cash and cash equivalents		(338,513)	(1,543,230)
Cash and cash equivalents at beginning of year	3	7,333,357	8,876,587
Cash and cash equivalents at end of year	3	6,994,844	7,333,357
Cash and cash equivalents comprise of:			
Cash and short-term funds	3	6,425,755	5,295,755
Deposits and placements with financial institutions	5	569,089	2,037,602
		6,994,844	7,333,357

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 2024 RM'000	Net change from financing cash flows RM'000	Other changes RM'000	At 31 March 2025 RM'000
Lease liabilities	14,569	(3,892)	1,789	12,466
	14,569	(3,892)	1,789	12,466

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 27 August 2025.

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 16	Lease Liability in a Sale and Leaseback
MFRS 7 and MFRS 107	Supplier Finance Arrangements
MFRS 101	Classification of Liabilities as Current or Non-current Non-current Liabilities with Covenants

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 ^
MFRS 19	Subsidiaries without Public Accountability: Disclosures ^

Amendments to:	
MFRS 121	Lack of Exchangeability *
MFRS 9 and MFRS 7	Classification and Measurement of Financial Instruments ** Contracts Referencing Nature-dependent Electricity **
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate of Joint Venture #

^ Effective for annual periods beginning on or after 1 January 2027
** Effective for annual periods beginning on or after 1 January 2026
* Effective for annual periods beginning on or after 1 January 2025
# Effective date deferred to a date to be announced by Malaysian Accounting Standards Board

The Bank will adopt the above accounting standard and amendments when they become effective. The adoption of these standards and amendments is not expected to result in any significant financial impact on the financial statements of the Bank.

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTD)

(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")

Fair valuation of these instruments require the use of valuation models and inputs such as discounted future cash flows, credit risk spreads, and correlation assumptions between underlying variables, as disclosed in Note 40.

The use of these models and inputs involves management judgement and estimation due to complex nature of the embedded derivative features, contingent terms that may not be reflected in the market inputs and significant assumptions required when applying them. While the fair values are based on the best information available at the reporting date, actual outcomes may differ, resulting in adjustments to the fair values in future periods.

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;
- Internal credit grading model, which assigns Probability of Defaults ("PD") to the individual grades;
- Development of ECL models, including the choice of inputs relating to macroeconomic variables;
- Determination of associations between macroeconomic scenarios and economic inputs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings;
- Determination of loss given default ("LGD") in the ECL model; and

In early 2025, the United States of America initiated a series of tariffs, including a 25% tariff on goods from Canada and Mexico and a 10% tariff on goods from China, before temporarily postponing the Canada and Mexico tariffs. The tariff on China was subsequently revised to 20%. Tariff was also imposed on steel and aluminium imports. The Bank has considered the tariff impact in its forward-looking macroeconomic model. However, the impact cannot be reliably estimated as the final details of the tariffs including extent, duration and retaliatory measures remain uncertain.

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTD)

(d) Critical judgement and estimation (Contd)

(ii) Key sources of estimation uncertainty (Contd)

Management overlays on impairment allowance and fair value estimation

Management overlays are applied by adjusting the internal credit grading of borrowers to capture additional qualitative factors to reflect the borrowers' risk profile. The additional qualitative factors are disclosed in Note 39 (b).

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 income on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest and financing income 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, net income from embedded loans measured at FVTPL and net income from Islamic Banking operations.

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

(b) Recognition of Fees and Other Income

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

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

(c) Investment Income

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

2. MATERIAL ACCOUNTING POLICIES (CONTD)

(d) Dividend Income

Dividend income is recognised in profit or loss on the date that the Bank's right to receive payment is established.

(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

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**

  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**

  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.

(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 only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another entity.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the financial asset and and associated liability for amounts it may have to pay.

If the Bank retains substantially all the risk and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 implied credit risk on a financial asset has increased significantly if the implied credit ratings downgraded by two notches or more as compared to the initial credit rating on origination date. Implied credit ratings reflects the risk of default occuring on the financial asset as at the reporting date, taking into consideration reasonable and supportable information, including forward looking information, that is available without undue cost or effort.

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: 12-month ECL is measured for Stage 1 financial assets and life time ECL is measured for Stage 2 financial assets;

(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 further differentiated by Stage 1 and Stage 2; 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, but not limited to 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;

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

(f) when there is observable data indicating that there is a measurable decrease in the estimated future cash flows from the asset since the initial recognition, although the decrease cannot be identified with the individual financial assets in the group, including national or local economic conditions that correlate with defaults on the assets in the group; or

(g) adverse news report on the company or the sub sector.

A loan/financing that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless, it is not more than 90 days past due, 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.

NOTES TO THE FINANCIAL STATEMENTS

2. MATERIAL ACCOUNTING POLICIES (CONTD)

(g) Impairment (Contd)

(i) Financial assets (Contd)

- **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. 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.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 are 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.

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) 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.

(o) 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.

2. MATERIAL ACCOUNTING POLICIES (CONTD)

(p) 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.

(q) 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.

(r) 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

	31.03.2025 RM'000	31.03.2024 RM'000
Amortised cost		
Cash and balances with banks and other financial institutions	492,820	1,409,060
Money at call and deposit placements maturing within three months	5,932,935	3,886,695
	6,425,755	5,295,755

4. REVERSE REPURCHASE AGREEMENTS

	31.03.2025 RM'000	31.03.2024 RM'000
Money market instruments:		
Malaysian Government Securities	-	20,090

5. DEPOSIT AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31.03.2025 RM'000	31.03.2024 RM'000
Amortised cost		
Licensed banks		
• Malaysia	451,237	1,912,782
• Other countries	117,852	124,820
	569,089	2,037,602

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

	31.03.2025 RM'000	31.03.2024 RM'000
Money market instruments:		
Malaysian Government Securities	-	1,852,708
Government Investment Issues	292,508	170,449
	292,508	2,023,157

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

	31.03.2025 RM'000	31.03.2024 RM'000
Money market instruments:		
Malaysian Government Securities	513,513	843,898
Government Investment Issues	261,751	201,686
Japan Government Bonds	58,821	249,755
Corporate Bond	300,275	-
Sukuk	578,966	-
	1,713,326	1,295,339
Non-money market instruments:		
Unquoted shares	28,442	28,323
Total	1,741,768	1,323,662

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

	31.03.2025 RM'000	31.03.2024 RM'000
12-Month ECL Stage 1		
At 1 April	-	-
New financial assets originated	1,728	-
At 31 March	1,728	-

8. LOANS, ADVANCES AND FINANCING

(a) By type:

	31.03.2025 RM'000	31.03.2024 RM'000
At amortised cost		
Term loans		
• Housing loans	6,823	7,795
• Other term loans	4,195,422	2,987,715
Revolving credits	3,038,723	6,401,702
Overdrafts	2,265	2,321
Bills receivable	-	7,545
Claims on customers under acceptance credits	21,732	66,279
Staff loans	6,773	5,786
Gross loans, advances and financing at amortised cost	7,271,738	9,479,143
Impairment allowances on loans, advances and financing		
• Stage 1 - 12-month ECL	(14,858)	(9,070)
• Stage 2 - lifetime ECL not credit-impaired	(18,920)	(15,123)
• Stage 3 - lifetime ECL credit-impaired	(175)	(265)
Net loans, advances and financing at amortised cost	7,237,785	9,454,685
At fair value		
Other term loans	253,697	316,461
Net loans, advances and financing	7,491,482	9,771,146
Gross loans, advances and financing		
At amortised cost	7,271,738	9,479,143
At fair value	253,697	316,461
	7,525,435	9,795,604

8. LOANS, ADVANCES AND FINANCING (CONTD)

(b) By maturity structure:

	31.03.2025 RM'000	31.03.2024 RM'000
Maturing within one year	3,555,683	6,812,908
More than one year to three years	1,833,409	1,221,563
More than three years to five years	1,066,144	923,172
More than five years	1,070,199	837,961
	7,525,435	9,795,604

(c) By type of customer:

	31.03.2025 RM'000	31.03.2024 RM'000
Domestic non-bank financial institutions	258,198	1,560,236
Domestic business enterprises		
• Small medium enterprises	73,995	153,169
• Others	3,075,203	4,084,877
Individuals	13,596	13,581
Foreign entities	4,104,443	3,983,741
	7,525,435	9,795,604

(d) By interest/profit rate sensitivity:

	31.03.2025 RM'000	31.03.2024 RM'000
Variable rates	7,523,049	9,793,220
Fixed rate		
• Staff loans	2,386	2,384
	7,525,435	9,795,604

NOTES TO THE FINANCIAL STATEMENTS

8. LOANS, ADVANCES AND FINANCING (CONTD)

(e) By economic sector:

	31.03.2025 RM'000	31.03.2024 RM'000
Mining and quarrying	303,720	357,423
Manufacturing	1,420,999	1,668,400
Electricity, gas and water	202,699	224,311
Construction	258,772	409,660
Wholesale, retail trade, restaurants and hotels	423,859	807,471
Transport, storage and communication	837,654	1,065,700
Finance, insurance, real estate and business services	4,064,136	4,678,293
Households	13,596	13,581
Others	-	570,765
	7,525,435	9,795,604

(f) By geographical location:

	31.03.2025 RM'000	31.03.2024 RM'000
Malaysia	4,773,319	8,413,428
Other countries	2,752,116	1,382,176
	7,525,435	9,795,604

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

	31.03.2025 RM'000	31.03.2024 RM'000
Household	720	801

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

	31.03.2025 RM'000	31.03.2024 RM'000
Malaysia	720	801

8. LOANS, ADVANCES AND FINANCING (CONTD)

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

	31.03.2025 RM'000	31.03.2024 RM'000
At 1 April	801	1,521
Classified as credit-impaired during the year	371	269
Amount recovered	(224)	(178)
Reclassified as performing	(228)	(811)
At 31 March	720	801

(j) Movements in impairment allowances on 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 2024	9,070	15,123	265	24,458
Transfer to lifetime ECL not credit-impaired (Stage 2)	(82)	82	-	-
Transfer to lifetime ECL credit-impaired (Stage 3)	(1)	(20)	21	-
New financial assets originated	14,340	18,391	-	32,731
Financial assets derecognised (other than write-off)	(8,262)	(15,019)	(1)	(23,282)
Net remeasurement due to changes in credit risk	(207)	363	(110)	46
At 31 March 2025	14,858	18,920	175	33,953
At 1 April 2023	8,936	12,632	273	21,841
Transfer to lifetime ECL not credit-impaired (Stage 2)	(51)	51	-	-
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	(186)	418	(17)	215
At 31 March 2024	9,070	15,123	265	24,458

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 2024	9,192,560	285,782	801	9,479,143
Transfer to 12-month ECL (Stage 1)	7	(7)	-	-
Transfer to lifetime ECL not credit-impaired (Stage 2)	(115,199)	115,427	(228)	-
Transfer to lifetime ECL credit-impaired (Stage 3)	(87)	(263)	350	-
New financial assets originated	5,427,234	982,631	21	6,409,886
Financial assets derecognised (other than write-off)	(8,326,508)	(290,559)	(224)	(8,617,291)
At 31 March 2025	6,178,007	1,093,011	720	7,271,738
At 1 April 2023	6,486,685	1,756,376	1,521	8,244,582
Transfer to 12-month ECL (Stage 1)	850	(106)	(744)	-
Transfer to lifetime ECL not credit-impaired (Stage 2)	(1,360)	1,427	(67)	-
Transfer to lifetime ECL credit-impaired (Stage 3)	(238)	(4)	242	-
New financial assets originated	7,690,465	217,645	27	7,908,137
Financial assets derecognised (other than write-off)	(4,983,842)	(1,689,556)	(178)	(6,673,576)
At 31 March 2024	9,192,560	285,782	801	9,479,143

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

	31.03.2025 RM'000	31.03.2024 RM'000
At fair value		
Embedded loans with term loans nature	9,467,759	11,262,396
Embedded loans with revolving credits nature	4,495,965	1,013,578
	13,963,724	12,275,974

Loans measured at FVTPL included RM13,583,582,000 (2024: RM11,850,531,000) of outstanding balance for loans, advances and financing, and net fair value for derivative financial assets and liabilities of RM238,681,000 (2024: RM201,820,000).

Included in embedded loans are net fair value from derivative financial assets and derivative financial liabilities transacted with the immediate holding company and related companies amounting to RM4,871,000 (2024: RM178,000) and RM199,000 (2024: RM707,000) respectively.

(a) By maturity structure:

	31.03.2025 RM'000	31.03.2024 RM'000
Maturing within one year	6,362,008	3,898,403
More than one year to three years	5,174,514	4,060,249
More than three years to five years	2,427,202	3,650,390
More than five years	-	666,932
	13,963,724	12,275,974

(b) By type of customer:

	31.03.2025 RM'000	31.03.2024 RM'000
Domestic non-bank financial institutions	10,532,888	9,426,072
Domestic business enterprises		
• Others	3,225,163	2,032,403
	13,758,051	11,458,475
Domestic financial institutions	201,002	817,499
Foreign entities	4,671	-
	13,963,724	12,275,974

(c) By interest rate sensitivity:

	31.03.2025 RM'000	31.03.2024 RM'000
Variable rates	13,963,724	12,275,974

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

(d) By economic sector:

	31.03.2025 RM'000	31.03.2024 RM'000
Mining and quarrying	60,675	58,593
Manufacturing	26,304	172,317
Electricity, gas and water	1,521,512	-
Construction	701,405	668,345
Wholesale, retail trade, restaurants and hotels	-	98,989
Transport, storage and communication	843,666	283,835
Finance, insurance, real estate and business services	10,810,162	10,992,762
Others	-	1,133
	13,963,724	12,275,974

(e) By geographical location:

	31.03.2025 RM'000	31.03.2024 RM'000
Malaysia	13,959,053	12,221,963
Other countries	4,671	54,011
	13,963,724	12,275,974

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

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

	31.03.2025			31.03.2024		
	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	7,884,571	203,429	201,122	8,324,421	21,375	651,426
Interest rate swaps	1,168,189	7,949	597	2,161,212	11,121	2,895
	9,052,760	211,378	201,719	10,485,633	32,496	654,321
Embedded loans with revolving credits nature:						
Foreign currency swaps	4,471,250	69,944	46,594	1,010,775	7,149	1,003
	4,471,250	69,944	46,594	1,010,775	7,149	1,003
Cover deals:						
Foreign currency forwards	4,987,950	89,286	10,598	-	-	-
Foreign currency swaps	7,240,596	234,494	126,777	8,101,530	775,128	14,179
Interest rate swaps	12,049,745	35,910	16,643	8,648,470	66,590	10,040
	24,278,291	359,690	154,018	16,750,000	841,718	24,219
	37,802,301	641,012	402,331	28,246,408	881,363	679,543
Set off		(402,331)	(402,331)		(679,543)	(679,543)
Net assets		238,681	-		201,820	-

10. PURCHASED RECEIVABLES

	31.03.2025 RM'000	31.03.2024 RM'000
At amortised cost		
Purchased receivables	811,887	917,843
Impairment allowances on purchased receivables		
• Stage 1 - 12-month ECL	(347)	(323)
	811,540	917,520

Purchased receivables relate to receivables acquired by the Bank under the account receivables purchasing and vendors financing product. Included in purchased receivables are non-recourse bills receivables amounting to RM690,597,000 (2024: RM797,942,000).

NOTES TO THE FINANCIAL STATEMENTS

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 Stage 1 RM'000	Lifetime ECL Not credit-impaired Stage 2 RM'000	Lifetime ECL Credit-impaired Stage 3 RM'000	Total RM'000
At 1 April 2024	323	-	-	323
New financial assets originated	347	-	-	347
Financial assets derecognised (other than write-off)	(323)	-	-	(323)
At 31 March 2025	347	-	-	347
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

11. COLLATERAL DEPOSITS

	31.03.2025 RM'000	31.03.2024 RM'000
At amortised cost		
Cash collaterals placed	35,809	120

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.

At amortised cost		
Cash collaterals received	11,808,046	15,649,452

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 Cash Collateral Scheme entered into with a branch of the holding company amounting to RM11,456,483,000 (2024: RM14,502,179,000). The remaining balances are received from 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 39 to the financial statements.

	31.03.2025			31.03.2024		
	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	22,593,412	136,699	96,010	21,038,496	144,113	120,404
• Swaps	4,157,778	177,832	98,939	5,077,882	339,145	264,946
Interest rate related contracts						
• Swaps	15,162,815	46,449	112,498	14,929,411	53,496	186,757
Other derivatives						
• Currency options	340,696	1,291	743	288,815	651	581
	42,254,701	362,271	308,190	41,334,604	537,405	572,688

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the immediate holding company and related companies amounting to RM42,335,000 (2024: RM69,432,000) and RM154,076,000 (2024: RM318,292,000) 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

	31.03.2025 RM'000	31.03.2024 RM'000
Accrued interest receivable	16,993	18,782
Other receivables, deposits and prepayments	26,828	39,918
	43,821	58,700
Impairment allowances on other assets		
• Stage 3 - lifetime ECL credit-impaired	(40)	(40)
	43,781	58,660

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

	31.03.2025 RM'000	31.03.2024 RM'000
Lifetime Credit-impaired ECL Stage 3		
At 1 April/31 March	40	40

NOTES TO THE FINANCIAL STATEMENTS

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
31.03.2025							
Cost							
At 1 April 2024	2,963	14,414	43,378	6,749	1,532	-	69,036
Additions	-	21	1,481	259	-	-	1,761
Disposals	-	-	(5,885)	(246)	(417)	-	(6,548)
At 31 March 2025	2,963	14,435	38,974	6,762	1,115	-	64,249
Accumulated Depreciation							
At 1 April 2024	-	2,808	34,052	3,382	1,532	-	41,774
Charge for the year	-	916	3,854	765	-	-	5,535
Disposals	-	-	(5,855)	(246)	(417)	-	(6,518)
At 31 March 2025	-	3,724	32,051	3,901	1,115	-	40,791
Carrying Amount	2,963	10,711	6,923	2,861	-	-	23,458
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

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
31.03.2025			
Cost			
At 1 April 2024	209,448	418	209,866
Additions	5,474	-	5,474
Reclassification	418	(418)	-
At 31 March 2025	215,340	-	215,340
Accumulated Depreciation			
At 1 April 2024	168,079	-	168,079
Charge for the year	24,897	-	24,897
At 31 March 2025	192,976	-	192,976
Carrying Amount	22,364	-	22,364
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
At 31 March 2024	168,079	-	168,079
Carrying Amount	41,369	418	41,787

17. RIGHT-OF-USE ASSETS

	31.03.2025 RM'000	31.03.2024 RM'000
Buildings and leasehold improvements		
At 1 April	16,564	657
Addition	1,240	16,665
Modification	381	3,514
Depreciation	(4,389)	(4,127)
Derecognition	(271)	(145)
At 31 March	13,525	16,564

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 2.36 years (2024: 2.33 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.

	31.03.2025 RM'000	31.03.2024 RM'000
Amounts recognised in profit and loss		
Payment relating to short-term leases	1,030	673
Payment relating to leases of low-value assets	483	591
Interest paid in relation to lease liabilities	442	184
Payment of lease liabilities	3,450	3,982
	5,405	5,430

18. DEFERRED TAX ASSETS

	31.03.2025 RM'000	31.03.2024 RM'000
At 1 April	10,215	5,636
Recognised in profit or loss (Note 35)	10,086	4,982
Recognised in other comprehensive income (Note 36)	(897)	(403)
At 31 March	19,404	10,215

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)	
	31.03.2025 RM'000	31.03.2024 RM'000	31.03.2025 RM'000	31.03.2024 RM'000	31.03.2025 RM'000	31.03.2024 RM'000
Fair value reserve	-	-	(7,218)	(6,321)	(7,218)	(6,321)
Defined benefit reserve	-	-	(219)	(219)	(219)	(219)
ECL reserve	415	-	-	-	415	-
Property, plant & equipment	-	-	(3,517)	(7,508)	(3,517)	(7,508)
Right-of-use assets	-	-	(3,246)	(3,975)	(3,246)	(3,975)
Lease liabilities	2,991	3,496	-	-	2,991	3,496
Provisions	20,056	17,124	-	-	20,056	17,124
Allowance for expected credit losses	10,142	7,618	-	-	10,142	7,618
Tax assets/(liabilities)	33,604	28,238	(14,200)	(18,023)	19,404	10,215
Set off of tax	(14,200)	(18,023)	14,200	18,023	-	-
Net tax assets	19,404	10,215	-	-	19,404	10,215

18. DEFERRED TAX ASSETS (CONTD)

Movement in temporary differences during the year:

	At 01.04.2023 RM'000	Recognised in profit or loss (Note 35) RM'000	Recognised in other comprehensive income (Note 36/ Note 7) RM'000	At 31.03.2024 RM'000	Recognised in profit or loss (Note 35) RM'000	Recognised in other comprehensive income (Note 36/ Note 7) RM'000	At 31.03.2025 RM'000
Fair value reserve	(7,041)	-	720	(6,321)	-	(897)	(7,218)
Defined benefit reserve	904	-	(1,123)	(219)	-	-	(219)
ECL reserve	-	-	-	-	415	-	415
Property, plant & equipment	(10,629)	3,121	-	(7,508)	3,991	-	(3,517)
Right-of-use assets	(158)	(3,817)	-	(3,975)	729	-	(3,246)
Lease liabilities	164	3,332	-	3,496	(505)	-	2,991
Provisions	17,124	-	-	17,124	2,932	-	20,056
Allowance for expected credit losses	5,272	2,346	-	7,618	2,524	-	10,142
Total	5,636	4,982	(403)	10,215	10,086	(897)	19,404

19. DEPOSITS FROM CUSTOMERS

	31.03.2025 RM'000	31.03.2024 RM'000
At amortised cost		
Demand deposits	4,766,870	5,035,693
Money market deposits	1,142,114	1,434,546
Savings deposits	59	51
Fixed deposits	5,599,854	5,805,834
	11,508,897	12,276,124

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

	31.03.2025 RM'000	31.03.2024 RM'000
Due within six months	4,208,453	5,736,901
More than six months to one year	1,391,401	68,933
	5,599,854	5,805,834

19. DEPOSITS FROM CUSTOMERS (CONTD)

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

	31.03.2025 RM'000	31.03.2024 RM'000
Domestic non-bank financial institutions	100,307	339,560
Business enterprises	10,966,956	11,582,727
Individuals	1,278	1,264
Foreign entities/individuals	384,038	298,111
Others	56,318	54,462
	11,508,897	12,276,124

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.03.2025 RM'000	31.03.2024 RM'000
At amortised cost		
Licensed banks	3,039,508	1,014,218

21. OTHER LIABILITIES

		31.03.2025 RM'000	31.03.2024 RM'000
Provision for retirement benefits	(i)	25,084	23,484
Impairment allowances on commitments and contingencies	(ii)		
• Stage 1 - 12-month ECL		11,504	6,344
• Stage 2 - lifetime ECL not credit-impaired		12,178	16,883
Accrued interest payable		52,006	25,541
Bills payable		-	23,133
Other payables and accruals	(iii)	107,523	193,120
		208,295	288,505

(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.

21. OTHER LIABILITIES (CONTD)

(i) Provision for retirement benefits (Contd)

Movements in provision for retirement benefits are as follows:

	31.03.2025 RM'000	31.03.2024 RM'000
At 1 April	23,484	27,629
Included in profit or loss (Note 33)		
Current service cost	1,396	2,184
Interest cost	926	1,168
	2,322	3,352
Included in other comprehensive income (Note 36)		
Remeasurement loss		
Actuarial loss arising from experience adjustments	-	(5,166)
Others		
Benefits paid	(722)	(2,331)
At 31 March	25,084	23,484

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

	31.03.2025 %	31.03.2024 %
Discount rate	4.1	4.1
Expected rate of salary increment	5.0	5.0

At 31 March 2025, the duration of the defined benefit obligation was 6.8 years (2024: 6.8 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
31.03.2025		
Discount rate (1% movement)	(1,391)	1,545
Rate of salary (1% movement)	1,788	(1,634)
31.03.2024		
Discount rate (1% movement)	(1,457)	1,628
Rate of salary (1% movement)	1,625	(1,483)

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 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.

21. 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 2024	6,344	16,883	-	23,227
Transfer to lifetime ECL not credit-impaired (Stage 2)	(1)	1	-	-
New financial assets originated	11,217	12,090	-	23,307
Financial assets derecognised (other than write-off)	(6,126)	(16,769)	-	(22,895)
Net remeasurement due to changes in credit risk	70	(27)	-	43
At 31 March 2025	11,504	12,178	-	23,682
At 1 April 2023	3,398	5,570	-	8,968
Transfer to lifetime ECL not credit-impaired (Stage 2)	(3)	3	-	-
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	(28)	34	-	6
At 31 March 2024	6,344	16,883	-	23,227

(iii) **Other payables and accruals**

A total of RM Nil (2024: RM1,380) of gharamah funds were allocated for refurbishment of impaired infrastructure for school of special needs.

22. 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
31.03.2025			
Less than 1 year	3,221	(327)	2,894
1 - 2 years	2,767	(245)	2,522
2 - 5 years	7,355	(305)	7,050
	13,343	(877)	12,466
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

23. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	31.03.2025 '000	31.03.2024 '000	31.03.2025 RM'000	31.03.2024 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.

24. RESERVES

		31.03.2025 RM'000	31.03.2024 RM'000
Non-distributable			
Fair value reserve		28,139	25,301
Expected credit loss reserve		1,728	-
Defined benefit reserve	(a)	(211)	(211)
Regulatory reserve	(b)	96,383	96,383
Distributable			
Retained profits		4,622,482	4,208,019
		4,748,521	4,329,492

(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 21(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 2023, 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.

25. COMMITMENTS AND CONTINGENCIES

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

31.03.2025	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	649,111		649,111	642,279
Transaction related contingent items	954,098		477,049	432,077
Short-term self liquidating trade-related contingencies	117,482		23,496	23,496
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	94,169		18,834	18,834
• exceeding one year	48,425		24,213	24,199
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	16,411,408		-	-
	18,274,693		1,192,703	1,140,885
Embedded Loans				
Foreign exchange related contracts				
• one year or less	12,843,312	232,021	356,959	132,126
• over one year to five years	11,741,055	365,132	734,109	458,530
Interest rate related contracts				
• one year or less	6,336,554	15,418	16,390	6,711
• over one year to five years	6,881,380	28,441	96,295	39,135
	37,802,301	641,012	1,203,753	636,502
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	24,577,606	167,706	509,611	367,102
• over one year to five years	1,583,339	110,526	141,568	98,717
• over five years	590,245	36,299	110,477	79,598
Interest rate related contracts				
• one year or less	5,030,565	5,301	6,888	3,004
• over one year to five years	9,212,542	28,426	181,222	76,549
• over five years	919,708	12,722	39,347	24,078
Currency options *				
• one year or less	170,348	1,291	3,846	3,846
	42,084,353	362,271	992,959	652,894
	98,161,347	1,003,283	3,389,415	2,430,281

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

25. COMMITMENTS AND CONTINGENCIES (CONTD)

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

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
	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.

26. 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:

	31.03.2025			31.03.2024		
	Immediate Holding Company RM'000	Related Companies RM'000	Total RM'000	Immediate Holding Company RM'000	Related Companies RM'000	Total RM'000
Income						
Interest on deposits and placements	12,818	89	12,907	15,523	28	15,551
Other operating income	75,915	4	75,919	115,619	2	115,621
	88,733	93	88,826	131,142	30	131,172
Expenditure						
Interest on deposits and placements	680,272	-	680,272	787,162	-	787,162
Other fee expenses	3,059	119	3,178	3,097	139	3,236
Other operating expenses	131,974	-	131,974	175,530	-	175,530
	815,305	119	815,424	965,789	139	965,928
Amount due from						
Cash and short-term funds	117,952	-	117,952	124,929	-	124,929
Deposits and placements with financial institutions	460,910	31,910	492,820	1,370,275	38,785	1,409,060
Derivative assets	42,335	-	42,335	69,412	20	69,432
Embedded loans	4,871	-	4,871	178	-	178
	626,068	31,910	657,978	1,564,794	38,805	1,603,599
Amount due to						
Deposits and placements of banks	3,031,579	7,929	3,039,508	1,002,674	11,544	1,014,218
Deposits from customers	413	42,663	43,076	112	17,102	17,214
Accrued interest payable	6,333	-	6,333	3,113	-	3,113
Cash collaterals	11,456,483	-	11,456,483	14,502,179	-	14,502,179
Derivative liabilities	154,076	-	154,076	318,292	-	318,292
Embedded loans	199	-	199	707	-	707
	14,649,083	50,592	14,699,675	15,827,077	28,646	15,855,723

26. 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

Intercompany transactions were conducted at rates consistent to those of market commercial rates.

(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.

	31.03.2025 RM'000	31.03.2024 RM'000
Outstanding credit exposures with connected parties	384,185	383,294
Total credit exposures	35,143,671	36,908,763
Percentage of outstanding credit exposures to connected parties		
• as a proportion of total credit exposures	1.1%	1.0%
• as a proportion of total capital	7.8%	8.5%

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.

27. 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.

28. INTEREST INCOME

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Loans, advances and financing measured at amortised cost	459,395	484,541
Loans, advances and financing designated at fair value	23,502	29,044
Money at call and deposit placements with financial institutions	187,316	247,791
Financial assets at FVTPL	38,263	33,461
Financial investments at FVOCI		
• Interest income	56,724	36,140
• Net accretion of discount/(amortisation of premium)	2,856	(3,521)
	768,056	827,456

29. INTEREST EXPENSE

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Deposits and placements of banks and other financial institutions	264,456	357,599
Deposits from customers	109,012	107,492
	373,468	465,091

30. NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Interest income	691,691	765,338
Interest expense	(591,960)	(677,840)
Unrealised (loss)/gain in fair value of embedded loans	(69,679)	29,662
Realised gain/(loss) in fair value of embedded loans	38,793	(28,948)
	68,845	88,212

31. OTHER OPERATING INCOME

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Fee income		
Commission	8,114	2,917
Guarantee fees	4,452	3,846
Service charges and fees	2,393	2,380
Commitment fees	3,841	1,160
Other fee income	38,281	22,189
	57,081	32,492
Net investment (loss)/income		
Gross dividends	148	148
Realised loss in fair value of derivative financial instruments	(28,657)	(30,348)
Realised gain in fair value of financial assets at FVTPL	1,352	4,145
Unrealised gain in fair value of derivative financial instruments	25,384	95,992
Unrealised gain/(loss) in fair value of financial assets at FVTPL	2,319	(2,299)
Unrealised gain/(loss) in fair value of loans designated at fair value	1,409	(4,233)
Foreign exchange gain	282,467	212,865
Net premium paid for options	(121)	(142)
	284,301	276,128
Other income		
Other operating income	25,503	33,461
	366,885	342,081

32. OTHER OPERATING EXPENSES

		Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Personnel expenses	(i)	105,417	100,996
Establishment related expenses	(ii)	37,488	36,542
Promotion and marketing related expenses	(iii)	2,981	1,817
Administrative and other expenses	(iv)	90,196	106,030
		236,082	245,385

(i)	**Personnel expenses**		
	Wages, salaries and bonuses	84,918	78,988
	Defined benefit plan (Note 21(i))	2,322	3,352
	Defined contribution plan	10,820	10,026
	Other employee benefits	7,357	8,630
		105,417	100,996
(ii)	**Establishment related expenses**		
	Depreciation of property, plant and equipment	5,535	4,639
	Amortisation of intangible assets	24,897	25,524
	Depreciation of right-of-use assets	4,389	4,127
	Repair and maintenance	318	332
	Expenses relating to short-term leases and leases of low- value assets	1,513	1,264
	Interest expenses on lease liabilities	442	184
	Accretion expense on asset retirement obligation	11	-
	Others	383	472
		37,488	36,542
(iii)	**Promotion and marketing related expenses**		
	Advertising and publicity	164	117
	Others	2,817	1,700
		2,981	1,817
(iv)	**Administrative and other expenses**		
	Cash collateral fees on CSA	27,059	51,763
	Communication expenses	1,044	1,043
	Legal and professional fees	1,253	571
	Auditors' remuneration		
	• Statutory audit	410	410
	Others	60,430	52,243
		90,196	106,030

33. 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 31.03.2025						Year ended 31.03.2024					
	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. Motohide Okuda	531	-	234	208	-	973	-	-	-	-	-	-
Mr. Fumio Takamatsu *(resigned on 28 March 2024)*	8	-	-	18	-	26	577	-	278	232	-	1,087
	539	-	234	226	-	999	577	-	278	232	-	1,087
Non-Executive Directors												
Dato' Noorazman bin Abd Aziz (Chairman)	-	110	-	-	145	255	-	100	-	-	139	239
En. Amin Siru bin Abdul Rahman	-	110	-	-	99	209	-	75	-	-	70	145
En. Rashid bin Ismail	-	110	-	-	115	225	-	100	-	-	116	216
En. Ismail Bin Mahbob *(resigned on 30 September 2023)*	-	-	-	-	-	-	-	50	-	-	56	106
Y.Bhg. Dato' Mohd Sallehuddin bin Othman *(resigned on 30 June 2023)*	-	-	-	-	-	-	-	25	-	-	45	70
	-	330	-	-	359	689	-	350	-	-	426	776
Senior Management	5,544	-	3,116	120	1,172	9,952	5,808	-	3,214	365	1,193	10,580
Other Material Risk Takers	5,105	-	2,206	-	955	8,266	5,021	-	2,044	-	925	7,990
	11,188	330	5,556	346	2,486	19,906	11,406	350	5,536	597	2,544	20,433

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

34. ALLOWANCE FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
(a) Allowance for/(Reversal of) impairment on loans, advances and financing		
Stage 1 and 2 expected credit losses made during the year	33,176	18,383
Stage 1 and 2 expected credit losses written back	(23,591)	(15,758)
Stage 3 expected credit losses made during the year	21	9
Stage 3 expected credit losses written back	(111)	(17)
Other movements	1,331	(164)
	10,826	2,453
(b) Allowance for/(Reversal of) impairment on purchased receivables		
Stage 1 and 2 expected credit losses made during the year	347	304
Stage 1 and 2 expected credit losses written back	(323)	(610)
	24	(306)
(c) Allowance for/(Reversal of) impairment on off-balance sheet exposures		
Stage 1 and 2 expected credit losses made during the year	23,378	23,164
Stage 1 and 2 expected credit losses written back	(22,923)	(8,905)
	455	14,259
(d) Allowance for impairment on financial investments at FVOCI		
Stage 1 and 2 expected credit losses made during the year	1,728	-
	13,033	16,406

NOTES TO THE FINANCIAL STATEMENTS

35. TAX EXPENSE

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Current tax		
• Malaysian income tax in respect of current financial year	198,032	188,107
• Overprovision in prior years	(2,908)	(1,886)
Total current tax recognised in profit or loss	195,124	186,221
Deferred tax (Note 18)		
• Relating to origination and reversal of temporary differences	(10,189)	(7,110)
• Underprovision in prior years	103	2,128
Total deferred tax recognised in profit or loss	(10,086)	(4,982)
Total tax expense	185,038	181,239

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 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Profit before tax	599,501	552,767
Taxation at Malaysian statutory tax rate of 24%	143,880	132,664
Income not subject to tax	(35)	(35)
Expenses not deductible for tax purposes	43,998	48,368
Underprovision of deferred tax in prior years	103	2,128
Overprovision of current tax expense in prior years	(2,908)	(1,886)
Tax expense for the year	185,038	181,239

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

36. OTHER COMPREHENSIVE INCOME/(LOSS)

	31.03.2025			31.03.2024		
	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	118	(28)	90	229	(55)	174
- Debt investments measured at FVOCI	3,617	(869)	2,748	(3,228)	775	(2,453)
Change in ECL reserve of financial investments at FVOCI	1,728	-	1,728	-	-	-
Remeasurement of defined benefit liability	-	-	-	5,166	(1,123)	4,043
	5,463	(897)	4,566	2,167	(403)	1,764

37. EARNINGS PER SHARE

The earnings per ordinary share of the Bank have been calculated based on the profit for the year of RM414,463,000 (2024: RM371,528,000) and the weighted average number of ordinary shares in issue during the year of 200,000,000 (2024: 200,000,000).

There is no dilutive potential in the ordinary shares as at 31 March 2025 and 31 March 2024.

38. CAPITAL ADEQUACY

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

	31.03.2025 %	31.03.2024 %
Common equity Tier 1 ("CET 1") capital ratio	29.116	33.569
Tier 1 capital ratio	29.116	33.569
Total capital ratio	30.063	34.587

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 Business 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	%

38. CAPITAL ADEQUACY (CONTD)

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

		31.03.2025 RM'000	31.03.2024 RM'000
CET 1 and Tier 1 capital			
• Paid-up ordinary share capital		200,000	200,000
• Retained profits		4,622,482	4,208,019
• Other reserves		124,311	121,473
		4,946,793	4,529,492
Less:	Deferred tax assets	(19,404)	(10,215)
	Intangible assets	(22,364)	(41,787)
	55% of fair value reserve	(15,476)	(13,916)
	Regulatory reserve	(96,383)	(96,383)
		4,793,166	4,367,191
Tier 2 capital			
• Stage 1 and 2 ECL and regulatory reserve		155,918	132,477
Total Capital		4,949,084	4,499,668

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 immediate 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:

	31.03.2025 RM'000	31.03.2024 RM'000
Credit risk	13,673,134	10,598,132
Market risk	1,334,208	1,218,205
Operational risk	1,455,118	1,193,216
	16,462,460	13,009,553

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.

39. FINANCIAL RISK MANAGEMENT

(a) INTRODUCTION

The Bank has exposure to the following risks:

- 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")

39. 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:

31.03.2025	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	6,425,755	-	-	-	6,425,755
Deposits and placement with financial institutions	569,089	-	-	-	569,089
Financial assets at FVTPL	-	292,508	-	-	292,508
Financial investments at FVOCI	-	-	1,713,326	28,442	1,741,768
Loans, advances and financing	7,237,785	253,697	-	-	7,491,482
Embedded loans measured at FVTPL	-	13,963,724	-	-	13,963,724
Purchased receivables	811,540	-	-	-	811,540
Collateral deposits placed	35,809	-	-	-	35,809
Derivative financial assets	-	362,271	-	-	362,271
Statutory deposits with Bank Negara Malaysia	9,017	-	-	-	9,017
Other assets*	40,337	-	-	-	40,337
Financial Liabilities					
Deposits from customers	11,508,897	-	-	-	11,508,897
Deposits and placements of banks and other financial institutions	3,039,508	-	-	-	3,039,508
Collateral deposits received	11,808,046	-	-	-	11,808,046
Derivative financial liabilities	-	308,190	-	-	308,190
Other liabilities**	183,211	-	-	-	183,211
Lease liabilities	12,466	-	-	-	12,466

39. 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)

31.03.2024	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
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

* Other assets exclude prepayments of RM3,444,000 (2024: RM2,447,000).
** Other liabilities exclude provision for retirement benefits of RM25,084,000 (2024: RM23,484,000).

Risk Management Process

A sound risk management is essential to ensure the Bank's asset quality is maintained to the level and expectation of shareholder as well as to the satisfaction of regulators. This is to ensure that the shareholder's 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.

39. FINANCIAL RISK MANAGEMENT (CONTD)

(a) INTRODUCTION (CONTD)

Risk Management Process (Contd)

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 measured at FVTPL 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 measured at FVTPL 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 RM22,266,746,000 (2024: RM22,964,640,000) for on-balance sheet exposures and RM18,274,693,000 (2024: RM14,802,456,000) 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 Internal Credit Rating System is also used as a tool in establishing an integrated risk management system. The system serves to objectively evaluate the overall quality (credit risk) of each borrower and credit portfolio and to improve credit and portfolio management. The Bank is able to monitor and manage it controls and risks via the quantification of credit risk.

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.

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.

39. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

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

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.

The Banks monitors higher risks borrowers who exhibit the following qualitative factors:

(a) Big gaps between the primary and final rating in accordance with the Banks' internal credit grading model;

(b) Net loss in 2 consecutive financial years;

(c) Negative networth; and

(d) Major adverse news

Borrowers who exhibit this criteria will be subjected to closer monitoring and further consideration if management overlays shall be applied by adjusting the borrowers' final internal credit grading for ECL calculation and FV calculation.

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 financial assets.

NOTES TO THE FINANCIAL STATEMENTS

39. 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:

31.03.2025	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	-	-	-	-	-	-	-	-	-	21	-	-	21	294,310
Mining and quarrying	-	-	-	-	-	303,720	60,675	-	-	634	-	-	365,029	225,750
Manufacturing	-	-	-	-	-	1,420,999	26,304	120,202	-	54,420	-	-	1,621,925	5,307,877
Electricity, gas and water	-	-	-	-	-	202,699	1,521,512	-	-	3,804	-	-	1,728,015	1,126,500
Construction	-	-	-	-	-	258,772	701,405	-	-	2,089	-	-	962,266	963,595
Wholesale, retail trade, restaurants and hotels	-	-	-	-	-	423,859	-	1,088	-	10,003	-	-	434,950	3,757,000
Transport, storage and communication	-	-	-	-	-	837,654	843,666	-	-	10,380	-	-	1,691,700	919,129
Finance, insurance, real estate and business services	2,000,755	-	123,382	-	907,681	4,064,136	10,810,162	690,597	35,809	248,386	-	7,062	18,887,970	5,679,925
Government and government agencies	4,425,000	-	445,707	292,508	834,085	-	-	-	-	32,526	9,017	8,913	6,047,756	-
Households	-	-	-	-	-	13,596	-	-	-	-	-	-	13,596	107
Others	-	-	-	-	2	-	-	-	-	8	-	1,018	1,028	500
	6,425,755	-	569,089	292,508	1,741,768	7,525,435	13,963,724	811,887	35,809	362,271	9,017	16,993	31,754,256	18,274,693
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-	23,344	23,344	-
	6,425,755	-	569,089	292,508	1,741,768	7,525,435	13,963,724	811,887	35,809	362,271	9,017	40,337	31,777,600	18,274,693

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

39. 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)

31.03.2024	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	-	8,462	20,705,156	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	10,264	6,898,563	-
Households	-	-	-	-	-	13,581	-	-	-	-	-	-	13,581	-
Others	-	-	-	-	2	570,765	1,133	-	-	-	-	56	571,956	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	18,782	34,246,346	14,802,456
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-	37,431	37,431	-
	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.

39. 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:

	31.03.2025				31.03.2024			
	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	6,178,007	998,095	-	7,176,102	9,192,560	40,020	-	9,232,580
Close watch	-	93,973	-	93,973	-	244,398	-	244,398
Past due but not credit-impaired								
Normal grades	-	943	-	943	-	1,364	-	1,364
Credit-impaired								
Past due	-	-	720	720	-	-	797	797
Not past due	-	-	-	-	-	-	4	4
	6,178,007	1,093,011	720	7,271,738	9,192,560	285,782	801	9,479,143

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.

39. 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	
	31.03.2025 RM'000	31.03.2024 RM'000
Borrower's Ageing		
Past due 1 to 30 days	369	-
Past due 31 to 60 days	574	654
Past due 61 to 90 days	-	710
	943	1,364
Credit-impaired		
Past due more than 90 days	720	797
	720	797

Overlays and adjustments for expected credit loss and fair valuation

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.

Management overlays are applied at borrower level should management considers more stringent provisioning and/or fair valuation is required to reflect the credit risk exposure. As of 31 March 2025, the impairment allowance as disclosed in Note 8 and 21 included management overlay of RM9,080,000 (31 March 2024 : RM9,822,000), while the fair values of embedded loans as disclosed in Note 9 has been reduced by management overlay of RM49,443,000 (31 March 2024: RM49,401,000).

Financial Investments

Other than investments for social economic purpose, investments are allowed only in liquid debt 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 RM2,396,547,000 (2024: RM3,884,224,000) 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 RM7,070,990,000 (2024: RM7,409,780,000).

Risk Management Approach

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

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISK MANAGEMENT (CONTD)

(b) CREDIT RISK (CONTD)

Risk Management Approach (Contd)

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

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

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

Credit Risk Mitigation

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

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

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

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

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

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 2025 are at 49.54% (2024: 62.28%) and 10.97% (2024: 7.99%) 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 immediate holding company.

On annual basis, there will be a review for overall market risk limits including position and consultation lines 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, Assets and Liabilities Management Committee ("ALCO"), 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.

39. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Market Risk Management Oversight and Organisation (Contd)

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

MRMD is 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 ALCO 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.

39. 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:

	<---------- Non-Trading Book ---------->								
31.03.2025	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	5,375,071	550,000	-	-	-	500,684	-	6,425,755	3.11
Deposits and placements with financial institutions	559,797	-	-	-	-	9,292	-	569,089	0.40
Financial assets at FVTPL	-	-	-	-	-	-	292,508	292,508	3.38
Financial investments at FVOCI	-	879,241	209,432	624,653	-	28,442	-	1,741,768	4.65
Loans, advances and financing									
- Non-impaired	3,613,021	2,158,108	1,753,586	-	-	-	-	7,524,715	5.08
- Impaired *	545	-	-	-	-	-	-	545	
- 12-month ECL and Lifetime ECL not credit-impaired	-	-	-	-	-	(33,778)	-	(33,778)	
Embedded loans measured at FVTPL	2,483,356	11,323,624	65,300	91,444	-	-	-	13,963,724	5.18
Purchased receivables	350,011	433,333	28,543	-	-	(347)	-	811,540	3.32
Collateral deposits placed	35,809	-	-	-	-	-	-	35,809	3.94
Derivative financial assets	-	-	-	-	-	-	362,271	362,271	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	9,017	-	9,017	
Other assets	-	-	-	-	-	40,337	-	40,337	
	12,417,610	15,344,306	2,056,861	716,097	-	553,647	654,779	31,743,300	

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

39. FINANCIAL RISK MANAGEMENT (CONTD)

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

Interest Rate Risk (Contd)

31.03.2025	<---- Non-Trading Book ---- Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000 ---->	Trading Book RM'000	Total RM'000	Effective Interest Rate %
Liabilities									
Deposits from customers	5,523,975	1,100,654	1,623,445	-	-	3,260,823	-	11,508,897	3.46
Deposits and placements of banks and other financial institutions	2,518,805	406,470	102,379	-	-	11,854	-	3,039,508	3.97
Collateral deposits received	1,834,141	495,031	4,680,961	4,561,497	236,416	-	-	11,808,046	4.24
Derivative financial liabilities	-	-	-	-	-	-	308,190	308,190	
Other liabilities	-	-	-	-	-	183,211	-	183,211	
Lease liabilities	253	486	2,154	9,573	-	-	-	12,466	2.91
	9,877,174	2,002,641	6,408,939	4,571,070	236,416	3,455,888	308,190	26,860,318	
On-balance sheet interest sensitivity gap	2,540,436	13,341,665	(4,352,078)	(3,854,973)	(236,416)	(2,902,241)	346,589	4,882,982	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	586,096	586,096	
Total interest sensitivity gap	2,540,436	13,341,665	(4,352,078)	(3,854,973)	(236,416)	(2,902,241)	932,685	5,469,078	

39. FINANCIAL RISK MANAGEMENT (CONTD)

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

Interest Rate Risk (Contd)

31.03.2024	<---- Non-Trading Book ---- Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000 ---->	Trading Book RM'000	Total RM'000	Effective Interest Rate %
Financial assets									
Cash and short-term funds	3,348,109	520,000	-	-	-	1,427,646	-	5,295,755	3.21
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	2.80
Financial assets at FVTPL	-	-	-	-	-	-	2,023,157	2,023,157	3.40
Financial investments at FVOCI	199,609	140,120	538,554	417,056	-	28,323	-	1,323,662	2.85
Loans, advances and financing									
- Non-impaired	7,059,492	1,587,846	1,147,465	-	-	-	-	9,794,803	5.73
- Impaired *	536	-	-	-	-	-	-	536	
- 12-month ECL and Lifetime ECL not credit-impaired	-	-	-	-	-	(24,193)	-	(24,193)	
Embedded loans measured at FVTPL	1,200,014	10,295,738	173,908	597,730	8,584	-	-	12,275,974	6.12
Purchased receivables	351,742	427,940	138,161	-	-	(323)	-	917,520	4.18
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	
	13,556,907	13,443,894	1,998,088	1,014,786	8,584	1,676,175	2,560,562	34,258,996	

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

39. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Interest Rate Risk (Contd)

31.03.2024	<---- Non-Trading Book					---->			
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000	Effective Interest Rate %
Liabilities									
Deposits from customers	5,614,283	1,475,808	150,340	-	-	5,035,693	-	12,276,124	3.66
Deposits and placements of banks and other financial institutions	652,770	276,547	71,577	-	-	13,324	-	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
	12,452,939	3,475,121	1,488,296	5,257,620	1,231,370	5,314,038	572,688	29,792,072	
On-balance sheet interest sensitivity gap	1,103,968	9,968,773	509,792	(4,242,834)	(1,222,786)	(3,637,863)	1,987,874	4,466,924	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	2,213,779	2,213,779	
Total interest sensitivity gap	1,103,968	9,968,773	509,792	(4,242,834)	(1,222,786)	(3,637,863)	4,201,653	6,680,703	

39. 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 gross carrying amount as at the end of the financial year was:

31.03.2025	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	29,093	107,697	24,727	70,534	14,925	227,830	25,880
Deposits and placements with financial institutions	-	559,797	-	-	-	-	-
Financial investments at FVOCI	-	58,821	-	-	-	-	-
Loans, advances and financing	4,895,072	49,654	-	-	-	-	-
Embedded loans measured at FVTPL	12,374,638	400,439	-	-	-	-	-
Purchased receivables	165,340	-	-	-	-	619,670	-
Collateral deposits placed	25,257	-	-	-	-	-	-
Derivative financial assets	1,017,426	(185,683)	171,267	368	74	294	685
	18,506,826	990,725	195,994	70,902	14,999	847,794	26,565
Liabilities							
Deposits from customers	5,410,383	474,563	30,859	56,914	1,114	58,365	5,597
Deposits and placements of banks and other financial institutions	2,259,810	-	-	-	-	767,844	-
Collateral deposits received	11,002,468	697,852	-	-	-	-	-
Derivative financial liabilities	1,627,668	(642,693)	167,569	6,703	2,316	407	775
Other liabilities	84,603	16,632	-	2,325	189	6,214	576
	20,384,932	546,354	198,428	65,942	3,619	832,830	6,948
Net financial (liabilities)/ assets exposure	(1,878,106)	444,371	(2,434)	4,960	11,380	14,964	19,617

39. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Foreign Currency Risk (Contd)

The Bank's exposure to foreign currencies (a currency which is other than the functional currency of the Bank), based on carrying amount as at the end of the financial year was: (Contd)

	Denominated in						
31.03.2024	**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	-
Derivative financial assets	2,143,691	(331,665)	209,576	-	18	3	1
	20,880,197	1,309,018	314,931	59,319	27,315	692,206	36,953
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	-	-	-	-	-
Derivative financial liabilities	2,906,040	(434,785)	213,116	485	2,177	1,453	8,856
Other liabilities	74,354	17,939	4,076	1,325	210	2,801	242
	22,096,445	1,174,407	255,729	47,255	3,408	605,511	15,126
Net financial (liabilities)/ assets exposure	(1,216,248)	134,611	59,202	12,064	23,907	86,695	21,827

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.

39. FINANCIAL RISK MANAGEMENT (CONTD)

(c) MARKET RISK (CONTD)

Sensitivity of Profit

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

	31.03.2025	31.03.2024
	Increase / (Decrease)	
Impact on earnings from 200 bps parallel shift	**RM'000**	**RM'000**
MYR	124,452	66,295
USD	(23,477)	(33,518)
SGD	(356)	(285)
Others	(398)	(6,131)
Total	100,221	26,361

Impact on economic value from 200 bps parallel shift	**RM'000**	**RM'000**
MYR	17,959	27,159
USD	20,305	6,352
SGD	1,141	910
Others	10,934	8,253
Total	50,339	42,674

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: A parallel shift of ±0.75% in interest rates for interest rate derivatives, bonds, and money market positions. All FX rates will undergo a parallel shift of ±5%, impacting both foreign currency and foreign currency option positions.
2. Scenario 2: A parallel shift of ±1.0% in interest rates for interest rate derivatives, bonds, money market positions, foreign currency, and foreign currency option positions.
3. Scenario 3: A parallel shift of ±2.0% in interest rates for interest rate derivatives, bonds, and money market positions. A historical FX shock scenario is applied, replicating exchange rate movements observed during the 1997 Asian Financial Crisis (July 1997), affecting both foreign currency and foreign currency option positions.

The analysis shows that as of 31 March 2025, potential maximum loss computed for Scenario 1 to be RM217,918,000 (2024: RM427,348,000), Scenario 2 to be RM221,328,000 (2024: RM434,926,000) and Scenario 3 to be RM229,344,000 (2024: RM474,272,000).

39. 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
31.03.2025						
Non-derivative Liabilities						
Deposits from customers	11,508,897	11,703,316	11,703,316	-	-	-
Deposits and placements of banks						
and other financial institutions	3,039,508	3,039,508	3,039,508	-	-	-
Collateral deposits received	11,808,046	12,468,566	7,122,521	2,348,115	2,665,835	332,095
Derivative financial liabilities	308,190	308,190	180,098	7,221	67,912	52,959
Lease liabilities	12,466	13,343	3,221	2,767	7,355	-
Other liabilities	183,211	183,211	183,211	-	-	-
	26,860,318	27,716,134	22,231,875	2,358,103	2,741,102	385,054
31.03.2024						
Non-derivative 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

39. FINANCIAL RISK MANAGEMENT (CONTD)

(d) LIQUIDITY RISK (CONTD)

Maturity Analysis (Contd)

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: (Contd)

	Up to 1 Year RM'000	1 to 2 Years RM'000	2 to 5 Years RM'000	More than 5 Years RM'000
31.03.2025				
Derivative Liabilities				
Trading derivatives				
Interest rate related contracts				
- Outflow	(2,996,730)	(1,709,653)	(3,182,295)	(575,599)
- Inflow	2,996,730	1,709,653	3,182,295	575,599
Foreign exchange related contracts				
- Outflow	(10,896,760)	(177,027)	(461,093)	-
- Inflow	10,727,772	174,214	422,801	-
Other derivatives				
- Currency options	(170,348)	-	-	-
	(339,336)	(2,813)	(38,292)	-
31.03.2024				
Derivative Liabilities				
Trading derivatives				
Interest rate related contracts				
- Outflow	(3,446,581)	(2,572,228)	(2,533,097)	(850,585)
- Inflow	3,446,581	2,572,228	2,533,097	850,585
Foreign exchange related contracts				
- Outflow	(10,293,206)	(1,439,115)	(463,964)	(377,800)
- Inflow	10,057,587	1,288,350	400,393	324,795
Other derivatives				
- Currency options	(144,408)	-	-	-
	(380,027)	(150,765)	(63,571)	(53,005)

39. 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:

31.03.2025	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	5,375,071	550,000	-	-	-	500,684	6,425,755
Deposits and placements with financial institutions	559,797	-	-	-	-	9,292	569,089
Financial assets at FVTPL	-	-	-	-	292,508	-	292,508
Financial investments at FVOCI	-	65,162	159,217	50,215	1,438,732	28,442	1,741,768
Loans, advances and financing	2,513,591	180,341	406,638	447,545	3,943,367	-	7,491,482
Embedded loans measured at FVTPL	355,235	837,662	2,427,228	2,741,883	7,601,716	-	13,963,724
Purchased receivables	312,026	426,050	28,520	-	44,944	-	811,540
Collateral deposits placed	35,809	-	-	-	-	-	35,809
Derivative financial assets	37,233	38,610	64,251	34,203	187,974	-	362,271
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	9,017	9,017
Other assets	-	-	-	-	-	40,337	40,337
	9,188,762	2,097,825	3,085,854	3,273,846	13,509,241	587,772	31,743,300
Liabilities							
Deposits from customers	4,017,929	1,100,653	222,475	1,400,970	-	4,766,870	11,508,897
Deposits and placements of banks and other financial institutions	2,530,659	406,470	102,379	-	-	-	3,039,508
Collateral deposits received	482,686	495,031	2,174,969	2,505,992	4,797,913	1,351,455	11,808,046
Derivative financial liabilities	41,390	41,132	26,316	71,260	128,092	-	308,190
Other liabilities	-	-	-	-	-	183,211	183,211
Lease liabilities	253	486	722	1,432	9,573	-	12,466
	7,072,917	2,043,772	2,526,861	3,979,654	4,935,578	6,301,536	26,860,318
Commitments and contingencies	11,053,472	14,099,995	18,256,887	23,118,162	31,632,831	-	98,161,347

39. 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: (Contd)

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	666,094	276,547	71,577	-	-	-	1,014,218
Collateral deposits received	5,477,028	1,722,320	401,453	862,950	6,477,326	708,375	15,649,452
Derivative financial liabilities	45,445	37,748	41,621	113,572	334,302	-	572,688
Other liabilities	-	-	-	-	-	265,021	265,021
Lease liabilities	483	446	673	1,303	11,664	-	14,569
	11,803,333	3,512,869	593,285	1,050,204	6,823,292	6,009,089	29,792,072
Commitments and contingencies	13,734,584	10,680,712	12,657,726	12,765,207	34,400,830	-	84,239,059

39. 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.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Information

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.

31.03.2025	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	-	292,508	-	292,508	-	-	-	-	292,508	292,508
• Embedded loans measured at FVTPL	-	13,963,724	-	13,963,724	-	-	-	-	13,963,724	13,963,724
• Loans, advances and financing	-	253,697	-	253,697	-	-	-	-	253,697	253,697
• Derivative financial assets	-	362,271	-	362,271	-	-	-	-	362,271	362,271
Fair Value through Other Comprehensive Income										
• Financial investments at FVOCI	-	1,713,326	28,442	1,741,768	-	-	-	-	1,741,768	1,741,768
Amortised cost										
• Loans, advances and financing *	-	-	-	-	-	7,271,738	-	7,271,738	7,271,738	7,271,738
• Purchased receivables *	-	-	-	-	-	-	811,887	811,887	811,887	811,887
• Cash and short-term funds	-	-	-	-	-	-	6,425,755	6,425,755	6,425,755	6,425,755
• Deposits and placements with financial institutions	-	-	-	-	-	-	569,089	569,089	569,089	569,089
• Collateral deposits placed	-	-	-	-	-	-	35,809	35,809	35,809	35,809
• Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	9,017	9,017	9,017	9,017
• Other assets	-	-	-	-	-	-	40,337	40,337	40,337	40,337
	-	16,585,526	28,442	16,613,968	-	7,271,738	7,891,894	15,163,632	31,777,600	31,777,600
Financial liabilities										
Fair Value through Profit or Loss										
• Derivative financial liabilities	-	308,190	-	308,190	-	-	-	-	308,190	308,190
Amortised cost										
• Deposits from customers	-	-	-	-	-	-	11,508,897	11,508,897	11,508,897	11,508,897
• Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	3,039,508	3,039,508	3,039,508	3,039,508
• Collateral deposits received	-	-	-	-	-	-	11,434,338	11,434,338	11,434,338	11,808,046
• Other liabilities	-	-	-	-	-	-	183,211	183,211	183,211	183,211
• Lease liabilities	-	-	-	-	-	-	12,466	12,466	12,466	12,466
	-	308,190	-	308,190	-	-	26,178,420	26,178,420	26,486,610	26,860,318

* Stated at gross.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

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. (Contd)

31.03.2024	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	-	2,023,157	-	2,023,157	-	-	-	-	2,023,157	2,023,157
● Embedded loans measured at FVTPL	-	12,275,974	-	12,275,974	-	-	-	-	12,275,974	12,275,974
● 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										
● 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
● Lease liabilities	-	-	-	-	-	-	14,569	14,569	14,569	14,569
	-	572,688	-	572,688	-	-	28,249,007	28,249,007	28,821,695	29,792,072

* Stated at gross.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Financial investments at FVTPL and 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.

40. 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 (2024: 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 Finance 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, the carrying amounts are a reasonable estimate of the fair values because of their limited credit risk.

Movement in Level 3 financial instruments

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

	31.03.2025 RM'000	31.03.2024 RM'000
Equity instrumetn at FVOCI		
Balance at beginning of financial year	28,323	28,094
Gain recognised in other comprehensive income	119	229
Balance at end of financial year	28,442	28,323

The unquoted equity instruments at FVOCI are revalued using the net tangible assets value method. The unobservable input used, which is the net tangible assets were obtained from the published audited financial statements of the investees. The higher net tangible assets will result in higher fair value and vice versa.

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 or repricing frequency.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

Fair Value Information (Contd)

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.

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.

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.

41. 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.

41. 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	
31.03.2025						
Financial assets						
Derivative financial assets						
- Foreign exchange related contracts	314,531	-	314,531	(277,568)	(329,818)	(292,855)
- Interest rate related contracts	46,449	-	46,449	(46,989)	(21,745)	(22,285)
- Currency options	1,291	-	1,291	(547)	-	744
	362,271	-	362,271	(325,104)	(351,563)	(314,396)
Financial liabilities						
Derivative financial liabilities						
- Foreign exchange related contracts	194,949	-	194,949	(277,568)	25,247	(57,372)
- Interest rate related contracts	112,498	-	112,498	(46,989)	10,562	76,071
- Currency options	743	-	743	(547)	-	196
	308,190	-	308,190	(325,104)	35,809	18,895
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)

42. THE OPERATIONS OF ISLAMIC BANKING WINDOW

The financial statements as at 31 March 2025 and for the financial year ended on the date are summarised as follows:

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

		31.03.2025 RM'000	31.03.2024 RM'000
ASSETS			
Cash and short-term funds	(a)	120,000	186,000
Deposits and placements with financial institutions	(b)	2,148	1,909
Other assets		7,777	46
TOTAL ASSETS		129,925	187,955
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	11,649	73,459
Other liabilities	(d)	6	14,176
TOTAL LIABILITIES		11,655	87,635
CAPITAL FUNDS		25,000	25,000
RESERVE		93,270	75,320
ISLAMIC BANKING FUNDS		118,270	100,320
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		129,925	187,955
COMMITMENTS AND CONTINGENCIES		-	-

Islamic financing based on Commodity Murabahah (Tawarruq) of RM3,959,341,000 (2024: RM2,807,047,000) and Ijarah of RM103,336,000 (2024: RM110,896,000) 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 2025

		Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Income derived from investment of Islamic Banking capital funds	(e)	4,804	4,189
Profit expense attributable to depositors		(44)	(5)
Other operating income	(f)	13,538	17,716
Total net income		18,298	21,900
Other operating expenses	(g)	(348)	(332)
Profit for the year		17,950	21,568

42. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	Capital Funds RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 April 2024	25,000	118	75,202	100,320
Profit for the year	-	-	17,950	17,950
At 31 March 2025	25,000	118	93,152	118,270
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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Cash flows from operating activities		
Profit before tax	17,950	21,568
Increase in operating assets:		
Other assets	(7,731)	(37)
	10,219	21,531
(Decrease)/Increase in operating liabilities:		
Deposits from customers	(61,810)	59,104
Other liabilities	(14,170)	(9,914)
Net cash (used in)/generated from operating activities	(65,761)	70,721
Net (decrease)/increase in cash and cash equivalents	(65,761)	70,721
Cash and cash equivalents at beginning of the year	187,909	117,188
Cash and cash equivalents at end of the year	122,148	187,909
Cash and cash equivalents at comprise of:		
Cash and short-term funds	120,000	186,000
Deposits and placements with financial institutions	2,148	1,909
	122,148	187,909

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 2025, the committee comprises: Prof. Dr. Said Bouheraoua, Y.Bhg. Prof. Emeritus Dato' Dr. Mohd Azmi bin Omar and Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria.

NOTES TO THE FINANCIAL STATEMENTS

42. 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 2025.

(a) Cash and short-term funds

	31.03.2025 RM'000	31.03.2024 RM'000
Cash and balances with banks and other financial institutions	120,000	186,000

(b) Deposits and placements with financial institutions

	31.03.2025 RM'000	31.03.2024 RM'000
At amortised cost		
Licensed bank		
• Malaysia	2,148	1,909

(c) Deposits from customers

(i) By type of deposits:

	31.03.2025 RM'000	31.03.2024 RM'000
At amortised cost		
Current accounts - Qard	10,139	73,286
Fixed deposits - Tawarruq	1,510	173
	11,649	73,459

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

	31.03.2025 RM'000	31.03.2024 RM'000
Due within six months	1,510	173

(iii) By type of customer:

	31.03.2025 RM'000	31.03.2024 RM'000
Domestic business enterprises	11,356	13,804
Foreign entities	293	59,482
Domestic other entities	-	173
	11,649	73,459

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.

42. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(d) Other liabilities

	31.03.2025 RM'000	31.03.2024 RM'000
Accruals and provisions for operational expenses	6	14,176

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

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Money at call and placements with financial institutions	4,804	4,189

(f) Other operating income

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Other fee income	13,538	17,716

(g) Other operating expenses

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Personnel expenses	226	257
Other expenses	122	75
	348	332

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

	Year ended 31.03.2025 RM'000	Year ended 31.03.2024 RM'000
Y.Bhg. Prof. Emeritus Dato' Dr. Mohd Azmi bin Omar	68	68
Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria	68	68
Assoc. Prof. Dr. Said Bouheraoua	84	84
	220	220

42. 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 Business Indicator Approach for Operational Risk.

The capital adequacy ratios of the Bank's Islamic Banking business are as follows:

	31.03.2025 %	31.03.2024 %
Common equity Tier 1 ("CET 1") capital ratio	367.091	264.336
Tier 1 capital ratio	367.091	264.336
Total capital ratio	367.091	264.336

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

	31.03.2025 RM'000	31.03.2024 RM'000
CET 1 and Tier 1 capital		
• Capital funds	25,000	25,000
• Retained profits	93,152	75,202
• Other reserves	118	118
	118,270	100,320
Less : Regulatory reserve	(118)	(118)
Total capital	118,152	100,202

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

	31.03.2025 RM'000	31.03.2024 RM'000
Operational risk	32,186	37,907

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.

42. 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
31.03.2025				
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	129,925	129,925	-	-
Total On-Balance Sheet Exposures	129,925	129,925	-	-
(ii) Operational Risk			32,186	2,575
Total RWA and Capital Requirements	129,925	129,925	32,186	2,575
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

42. 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
31.03.2025						
Liabilities						
Deposits from customers	11,649	11,649	11,649	-	-	-
Other liabilities	6	6	6	-	-	-
	11,655	11,655	11,655	-	-	-
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	-	-	-

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
31.03.2025							
Asset							
Cash and short-term funds	120,000	-	-	-	-	-	120,000
Deposits and placements with financial institutions	-	-	-	-	-	2,148	2,148
Other assets	-	-	-	-	-	7,777	7,777
	120,000	-	-	-	-	9,925	129,925
Liabilities							
Deposits from customers	-	-	1,510	-	-	10,139	11,649
Other liabilities	-	-	-	-	-	6	6
	-	-	1,510	-	-	10,145	11,655

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
31.03.2024							
Assets							
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

43. 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:

	31.03.2025 RM'000	31.03.2024 RM'000
At amortised cost		
Term financing		
• Syndicated Islamic financing	2,023,681	560,731
• Islamic term financing	9,045	28,993
Revolving credits	1,372,360	4,330,246
Gross financing and advances at amortised cost	3,405,086	4,919,970
Impairment allowances financing and advances		
• Stage 1 - 12-month ECL	(5,340)	(369)
• Stage 2 - lifetime ECL not credit-impaired	(9,459)	-
Net financing and advances at amortised cost	3,390,287	4,919,601
At fair value		
Syndicated Islamic financing	253,697	344,816
Net financing and advances	3,643,984	5,264,417
Gross financing and advances		
At amortised cost	3,405,086	4,919,970
At fair value	253,697	344,816
	3,658,783	5,264,786

(ii) By contract:

Murabahah Financing-i	3,330,254	4,770,521
Ijarah Financing-i	65,787	120,456
Istina Financing-i	9,045	28,993
Wakalah Financing-i	253,697	344,816
	3,658,783	5,264,786

(b) Deposits from customers

(i) By type and contract:

	31.03.2025 RM'000	31.03.2024 RM'000
At amortised cost		
Fixed deposits - Tawarruq	1,737,486	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 2025

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: 30 June 2025

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 Business 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 Business Indicator Approach is computed by applying the prescribed Internal Loss Multiplier ("ILM") to a 3-year average income-based metric (Business Indicator Component) that reflects the size and complexity of business operations of the Bank.

Prior to 1 January 2025, the Bank applied the Basic Indicator Approach for operational risk where capital requirement 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. Where required, comparative prior year values have been restated to align with current year's presentation of the disclosures.

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:

	31.03.2025		31.03.2024	
	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	13,673,134	1,093,851	10,598,132	847,851
Market Risk	1,334,208	106,737	1,218,205	97,456
Operational Risk	1,455,118	116,409	1,193,216	95,457
	16,462,460	1,316,997	13,009,553	1,040,764

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:

	31.03.2025 %	31.03.2024 %
Common equity Tier 1 ("CET 1") capital ratio	29.116	33.569
Tier 1 capital ratio	29.116	33.569
Total capital ratio	30.063	34.587

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 42(h) for Islamic Banking operation capital adequacy.

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

	31.03.2025 RM'000	31.03.2024 RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	4,622,482	4,208,019
• Other reserves	124,311	121,473
	4,946,793	4,529,492
Less: Deferred tax assets	(19,404)	(10,215)
Intangible assets	(22,364)	(41,787)
55% of fair value reserve	(15,476)	(13,916)
Regulatory reserve	(96,383)	(96,383)
	4,793,166	4,367,191
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	155,918	132,477
Total capital	4,949,084	4,499,668

2. CAPITAL MANAGEMENT (CONTD)

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

31.03.2025 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	6,020,882	6,020,882	100,157	8,013
Banks, Development Financial Institutions & MDBs	3,516,102	3,516,102	1,026,719	82,138
Insurance Cos, Securities Firms & Fund Managers	1	1	1	-
Corporates	20,561,601	20,561,601	9,096,850	727,748
Regulatory Retail	1,110	1,110	1,110	89
Residential Mortgages	10,344	10,344	4,695	376
Equity Exposures	28,442	28,442	28,442	2,275
Other Assets	1,143,195	1,143,195	982,941	78,635
Defaulted Exposures	1,938	1,938	1,938	155
Total On-Balance Sheet Exposures	31,283,615	31,283,615	11,242,853	899,429
Off-Balance Sheet Exposures:				
Credit-Related Exposures	1,192,703	1,192,703	1,140,885	91,271
Securitisation Exposures	-	-	-	-
Derivatives Financial Instruments	2,196,712	2,196,712	1,289,396	103,151
Total Off-Balance Sheet Exposures	3,389,415	3,389,415	2,430,281	194,422
Total On and Off-Balance Sheet Exposures	34,673,030	34,673,030	13,673,134	1,093,851

(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	80,560,660	(79,974,564)	1,152,608	92,209
Foreign Currency Risk	181,601	(3,498)	181,600	14,528
	80,742,261	(79,978,062)	1,334,208	106,737

	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
(iii) Operational Risk			1,455,118	116,409
Total RWA and Capital Requirements	34,673,030	34,673,030	16,462,460	1,316,997

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	4,597,095	1,039,393	83,151
Corporates	21,765,285	21,765,285	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	33,655,537	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	36,317,954	10,598,132	847,851

(ii) Market Risk

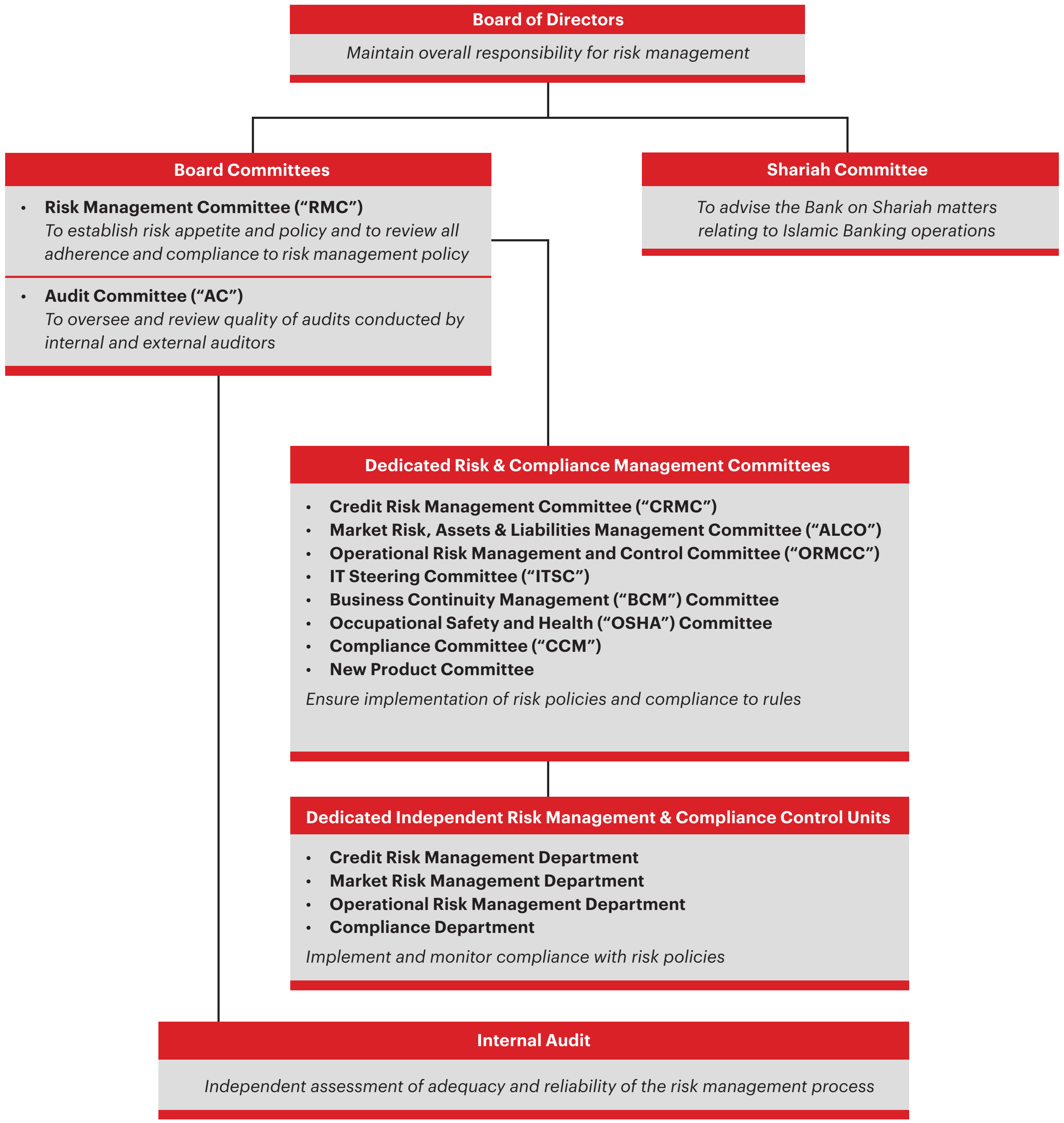
	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Interest Rate Risk	72,414,767	(70,200,988)	1,183,421	94,673
Foreign Currency Risk	4,509	(34,786)	34,784	2,783
	72,419,276	(70,235,774)	1,218,205	97,456

	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	36,317,954	13,009,553	1,040,764

PILLAR 3 DISCLOSURES

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.

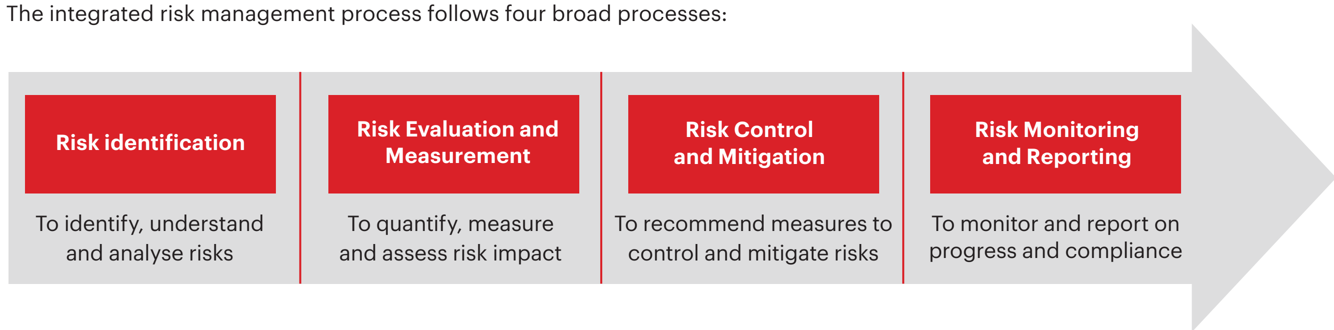
The Shariah Committee ("SC") advises the Bank on Shariah matters relating to the Islamic banking operations. The Committee ensures that the operations of Islamic banking, its products, processes and legal documentation are in line with Shariah principles.

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:



PILLAR 3 DISCLOSURES

3. RISK MANAGEMENT FRAMEWORK (CONTD)

Internal Capital Adequacy Assessment Process ("ICAAP")

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

- Appropriate identification and measurement of material risks
- Appropriate level of internal capital relative to the Bank's risk profile
- Sufficient policy and procedures to ensure on-going capital adequacy
- Development and implementation of suitable risk management methlodogies, 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:

31.03.2025	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	-	-	-	-	-	-	-	-	-	21	-	-	21	294,310
Mining and quarrying	-	-	-	-	-	303,720	60,675	-	-	634	-	-	365,029	225,750
Manufacturing	-	-	-	-	-	1,420,999	26,304	120,202	-	54,420	-	-	1,621,925	5,307,877
Electricity, gas and water	-	-	-	-	-	202,699	1,521,512	-	-	3,804	-	-	1,728,015	1,126,500
Construction	-	-	-	-	-	258,772	701,405	-	-	2,089	-	-	962,266	963,595
Wholesale and retail trade and restaurants and hotels	-	-	-	-	-	423,859	-	1,088	-	10,003	-	-	434,950	3,757,000
Transport, storage and communication	-	-	-	-	-	837,654	843,666	-	-	10,380	-	-	1,691,700	919,129
Finance, insurance and business services	2,000,755	-	123,382	-	907,681	4,064,136	10,810,162	690,597	-	248,386	-	7,062	18,887,970	5,679,925
Government and government agencies	4,425,000	-	445,707	292,508	834,085	-	-	-	35,809	32,526	9,017	8,913	6,047,756	-
Households	-	-	-	-	-	13,596	-	-	-	-	-	-	13,596	107
Others	-	-	-	-	2	-	-	-	-	8	-	1,018	1,028	500
	6,425,755	-	569,089	292,508	1,741,768	7,525,435	13,963,724	811,887	35,809	362,271	9,017	16,993	31,754,256	18,274,693
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-	23,344	23,344	-
	6,425,755	-	569,089	292,508	1,741,768	7,525,435	13,963,724	811,887	35,809	362,271	9,017	40,337	31,777,600	18,274,693

\# 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)

31.03.2024	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	-	8,462	20,705,156	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	10,264	6,898,563	-
Households	-	-	-	-	-	13,581	-	-	-	-	-	-	13,581	-
Others	-	-	-	-	2	570,765	1,133	-	-	-	-	56	571,956	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	18,782	34,246,346	14,802,456
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-	37,431	37,431	-
	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)

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

	31.03.2025		31.03.2024	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Cash and short-term funds	5,925,071	500,684	3,868,109	1,427,646
Reverse repurchase agreements	-	-	20,090	-
Deposits and placement with financial institutions	451,237	117,852	1,912,782	124,820
Financial assets at FVTPL	292,508	-	2,023,157	-
Financial investments at FVOCI	1,682,948	58,820	1,073,907	249,755
Loans, advances and financing	4,773,319	2,752,116	8,413,428	1,382,176
Embedded loans measured at FVTPL	13,959,053	4,671	12,221,963	54,011
Purchased receivables	161,864	650,023	142,934	774,909
Collateral deposits placed	35,809	-	120	-
Derivative financial assets	318,210	44,061	467,756	69,649
Statutory deposits with Bank Negara Malaysia	9,017	-	352	-
Other assets	40,337	-	56,213	-
On-Balance Sheet Exposures	27,649,373	4,128,227	30,200,811	4,082,966
Off-Balance Sheet Exposures	2,834,967	554,448	2,428,142	234,275
	30,484,340	4,682,675	32,628,953	4,317,241

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 56% (2024: 59%) of the Bank's exposures to customers are short-term, having contractual maturity of one year or less:

31.03.2025	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	5,375,071	550,000	-	-	-	500,684	6,425,755
Deposits and placement with financial institutions	559,797	-	-	-	-	9,292	569,089
Financial assets at FVTPL	-	-	-	292,508	-	-	292,508
Financial investments at FVOCI	-	65,162	209,432	1,438,732	-	28,442	1,741,768
Loans, advances and financing	2,520,231	180,515	854,938	2,899,553	1,070,198	-	7,525,435
Embedded loans measured at FVTPL	355,235	837,662	5,169,111	7,601,716	-	-	13,963,724
Purchased receivables	350,011	433,333	28,543	-	-	-	811,887
Collateral deposits placed	35,809	-	-	-	-	-	35,809
Derivative financial assets	37,233	38,610	98,454	138,952	49,022	-	362,271
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	9,017	9,017
Other assets	-	-	-	-	-	40,337	40,337
	9,233,387	2,105,282	6,360,478	12,371,461	1,119,220	587,772	31,777,600

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 56% (2024: 59%) of the Bank's exposures to customers are short-term, having contractual maturity of one year or less: (Contd)

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	-	12,275,974
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)

(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 RM Nil for 31 March 2025 (2024: RM1,889,000).

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iv) Credit Rating Downgrade (Contd)

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

31.03.2025	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	649,111		649,111	642,279
Transaction related contingent items	954,098		477,049	432,077
Short-term self liquidating trade-related contingencies	117,482		23,496	23,496
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	94,169		18,834	18,834
• exceeding one year	48,425		24,213	24,199
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	16,411,408		-	-
Securitisation exposures	-		-	-
	18,274,693		1,192,703	1,140,885
Embedded Loans				
Foreign exchange related contracts				
• one year or less	12,843,312	232,021	356,959	132,126
• over one year to five years	11,741,055	365,132	734,109	458,530
Interest rate related contracts				
• one year or less	6,336,554	15,418	16,390	6,711
• over one year to five years	6,881,380	28,441	96,295	39,135
	37,802,301	641,012	1,203,753	636,502
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	24,577,606	167,706	509,611	367,102
• over one year to five years	1,583,339	110,526	141,568	98,717
• over five years	590,245	36,299	110,477	79,598
Interest rate related contracts				
• one year or less	5,030,565	5,301	6,888	3,004
• over one year to five years	9,212,542	28,426	181,222	76,549
• over five years	919,708	12,722	39,347	24,078
Currency options *				
• one year or less	170,348	1,291	3,846	3,846
	42,084,353	362,271	992,959	652,894
	98,161,347	1,003,283	3,389,415	2,430,281

* 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)

31.03.2024	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
	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)

(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 provided liquidity facility to MKB which was recognised as off-balance sheet in the banking book. The Bank also acted as a derivative counterparty for the SPVs. Both MKB's and Ziya's credit facilities have been settled and terminated in April 2024 and July 2021 respectively.

Risk Management Approach

The Bank provided 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 were mitigated by the respective waterfall payment obligations of MKB and Ziya. In this instance, the repayment obligation to the Bank as liquidity provider had 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 was limited to cover short-term cash flows disruptions in relation to payment obligation in respect of each securitisation exposures. It was not to be drawn to provide credit support, cover losses sustained or act as a revolving fund. In addition, the liquidity facility could only be drawn subjected 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:

	31.03.2025 RM'000	31.03.2024 RM'000
Traditional securitisation of third party exposures	-	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
31.03.2025				
Off-balance sheet				
• Auto loans	-	-	-	-
	-	-	-	-
31.03.2024				
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 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.

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.

The Bank adopts the Simple Approach when applying Credit Risk Mitigation Techniques ("CRM") for capital relief.

31.03.2025 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	6,020,882	-	-	-
Banks, Development Financial Institutions & MDBs	3,516,102	1,327,098	-	-
Insurance Cos, Securities Firms & Fund Managers	1	-	-	-
Corporates	20,561,601	989,018	10,462,523	-
Regulatory Retail	1,110	-	-	-
Residential Mortgages	10,344	-	-	-
Equity Exposures	28,442	-	-	-
Other Assets	1,143,195	-	-	-
Defaulted Exposures	1,938	-	-	-
Total On-Balance Sheet Exposures	31,283,615	2,316,116	10,462,523	-
Off-Balance Sheet Exposures:				
Credit-related exposures	1,192,703	-	-	-
Derivatives financial instruments	2,196,712	-	-	-
Total Off-Balance Sheet Exposures	3,389,415	-	-	-
Total Credit Exposures	34,673,030	2,316,116	10,462,523	-

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

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	-

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
(c) Sovereigns

PILLAR 3 DISCLOSURES

4. CREDIT RISK (CONTD)

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

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 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. 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 Government of Malaysia and BNM denominated and funded in Ringgit Malaysia are assigned a preferential risk weight of 0% as stipulated in the CAF. Other sovereign and central bank exposures are risk-weighted based on ECAI as below:

Rating Category	S&P	Moody's	Fitch	R&I	Risk weights
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	0%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	50%
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB+ to B-	100%
5	CCC+ to D	Caa1 to C	CCC+ to D	CCC+ to C	150%
6	Unrated	Unrated	Unrated	Unrated	100%

4. CREDIT RISK (CONTD)

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

31.03.2025 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	-	6,020,882	-	-	-	-	6,020,882

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	2,949,634	1,838,880	-	28,925	-	-	4,817,439

Credit Exposure	<------------- Ratings of Corporate by Approved ECAIs ------------->					Total
	1	2	3	4	Unrated	
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	108,579	108,579
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	47,976	47,976
Corporates	7,042,591	2,982	-	-	15,447,499	22,493,072
Regulatory Retail	-	-	-	-	1,110	1,110
Residential Mortgages	-	-	-	-	12,335	12,335
Other Assets	-	-	-	-	1,143,195	1,143,195
Equity Exposure	-	-	-	-	28,442	28,442
	7,042,591	2,982	-	-	16,789,136	23,834,709

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)

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

31.03.2025	<------------------------------ Exposures after Netting and Credit Risk Mitigation ------------------------------>										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
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		
0%	5,520,097	-	-	-	9,921,275	-	-	-	-	137,920	15,579,292	-
20%	500,785	-	2,949,634	-	2,139,176	-	-	-	-	27,920	5,617,515	1,123,503
35%	-	-	-	-	-	-	7,428	-	-	-	7,428	2,600
50%	-	-	1,838,879	-	2,982	-	959	-	-	-	1,842,820	921,410
75%	-	-	-	-	-	-	1,417	-	-	-	1,417	1,063
100%	-	108,579	28,925	47,976	10,429,639	1,110	2,531	-	28,442	977,356	11,624,558	11,624,558
Total Exposures	6,020,882	108,579	4,817,438	47,976	22,493,072	1,110	12,335	-	28,442	1,143,196	34,673,030	13,673,134
Risk-Weighted Assets by Exposures	100,157	108,579	1,538,291	47,976	10,858,965	1,110	6,673	-	28,442	982,941	13,673,134	
Average Risk Weight	2%	100%	32%	100%	48%	100%	54%	0%	100%	86%	39%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

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

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Bank: (Contd)

31.03.2024	<------------------------------ Exposures after Netting and Credit Risk Mitigation ------------------------------>										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
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		
0%	4,915,452	-	-	-	13,889,424	-	-	-	-	214,301	19,019,177	-
20%	1,976,000	-	4,563,225	-	1,080,588	-	-	-	-	10,361	7,630,174	1,526,035
35%	-	-	-	-	-	-	7,858	-	-	-	7,858	2,750
50%	-	-	1,179,216	-	4,652	-	1,575	-	-	-	1,185,443	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	5,823,350	33,115	23,136,235	744	12,680	3,000	28,323	360,122	36,317,954	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%	27%	100%	36%	100%	52%	75%	100%	38%	29%	
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:

	31.03.2025				31.03.2024			
	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	6,178,007	998,095	-	7,176,102	9,192,560	40,020	-	9,232,580
• Close watch	-	93,973	-	93,973	-	244,398	-	244,398
Past due but not credit-impaired								
• Normal grades	-	943	-	943	-	1,364	-	1,364
Credit-impaired								
• Past due	-	-	720	720	-	-	797	797
• Not past due	-	-	-	-	-	-	4	4
	6,178,007	1,093,011	720	7,271,738	9,192,560	285,782	801	9,479,143

	31.03.2025 RM'000	31.03.2024 RM'000
Gross credit-impaired loans as a percentage of gross loans, advances and financing	0.01%	0.01%

(a) Neither past due nor credit-impaired

The credit quality of gross loans, advances and financing which are neither past due nor impaired is described in Note 39(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 2025 was 0.01% (2024: 0.01%).

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

	31.03.2025 RM'000	31.03.2024 RM'000
Household	943	1,364

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

	31.03.2025		31.03.2024	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Past due but not credit-impaired	943	-	1,364	-

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 39(b) to the financial statements.

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:

	31.03.2025		31.03.2024	
	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
Mining and quarrying	185	-	96	-
Manufacturing	4,889	-	17,335	-
Electricity, gas and water	-	-	21	-
Construction	733	-	3,299	-
Wholesale, retail trade, restaurants and hotels	458	-	480	-
Transport, storage and communication	1,010	-	916	-
Finance, insurance, real estate and business services	25,971	-	1,174	-
Households	532	175	195	265
Others	-	-	677	-
	33,778	175	24,193	265

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

	Stage 3 Lifetime ECL Credit-Impaired 31.03.2024 RM'000	Allowance/ (Writeback) for the Year RM'000	Stage 3 Lifetime ECL Credit-Impaired 31.03.2025 RM'000
Household	265	(90)	175

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:

	31.03.2025 RM'000	31.03.2024 RM'000
Malaysia		
• Stage 1 - 12-month ECL	11,189	8,155
• Stage 2 - lifetime ECL not credit-impaired	9,461	15,122
• Stage 3 - lifetime ECL credit-impaired	175	265
	20,825	23,542
Other countries		
• Stage 1 - 12-months ECL	3,669	916
• Stage 2 - lifetime ECL not credit-impaired	9,459	-
	13,128	916

PILLAR 3 DISCLOSURES

5. MARKET RISK

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

Regulatory Capital Requirements

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

	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
31.03.2025				
Interest rate risk - general interest rate risk	80,560,660	(79,974,564)	1,152,608	92,209
Foreign exchange risk	181,601	(3,498)	181,600	14,528
	80,742,261	(79,978,062)	1,334,208	106,737
31.03.2024				
Interest rate risk - general interest rate risk	72,414,767	(70,200,988)	1,183,421	94,673
Foreign exchange risk	4,509	(34,786)	34,784	2,783
	72,419,276	(70,235,774)	1,218,205	97,456

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 39(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 2025, the Bank had an overall positive interest rate gap of RM7,785,223,000 (2024: RM8,104,787,000), 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:

	31.03.2025	31.03.2024
	Increase / (Decrease)	
Impact on earnings from 200 bps parallel shift	RM'000	RM'000
MYR	124,452	66,295
USD	(23,477)	(33,518)
SGD	(356)	(285)
Others	(398)	(6,131)
Total	100,221	26,361

Impact on economic value from 200 bps parallel shift	RM'000	RM'000
MYR	17,959	27,159
USD	20,305	6,352
SGD	1,141	910
Others	10,934	8,253
Total	50,339	42,674

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 2025, the NOP of the Bank stood at RM178,103,771 (long position) (2024: RM30,277,305 (short position)).

The table in Note 39(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: A parallel shift of ±0.75% in interest rates for interest rate derivatives, bonds and money marker positions. All FX rates will undergo a parallel shift of ±5%, impacting both foreign currency and foreign currency option positions.

2. Scenario 2: A parallel shift of ±1.0% in interest rates for interest rate derivatives, bonds and money marker positions, foreign currency, and foreign currency option positions.

3. Scenario 3: A parallel shift of ±2.0% in interest rates for interest rate derivatives, bonds and money marker positions. A historical FX shock scenario is applied, replicating exchange rate movements observed during the the 1997 Asian Financial Crisis (July 1997), affecting both foreign currency and foreign currency option positions.

The analysis shows that as of 31 March 2025, potential maximum loss computed for Scenario 1 to be RM217,918,000 (2024: RM427,348,000), Scenario 2 to be RM221,328,000 (2024: RM434,926,000) and Scenario 3 to be RM229,344,000 (2024: RM474,272,000).

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 RM28,442,000 (2024: RM28,323,000) 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 2025 (2024: 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 2025, 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 83 and 84.

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 2025, 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 2025 (2024: Nil).

PILLAR 3 DISCLOSURES

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:

	31.03.2025		31.03.2024	
	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	1,455,118	116,409	1,193,216	95,457

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 2025, 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

	31.03.2025		31.03.2024	
	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	32,186	2,575	37,907	3,033

PILLAR 3 DISCLOSURES

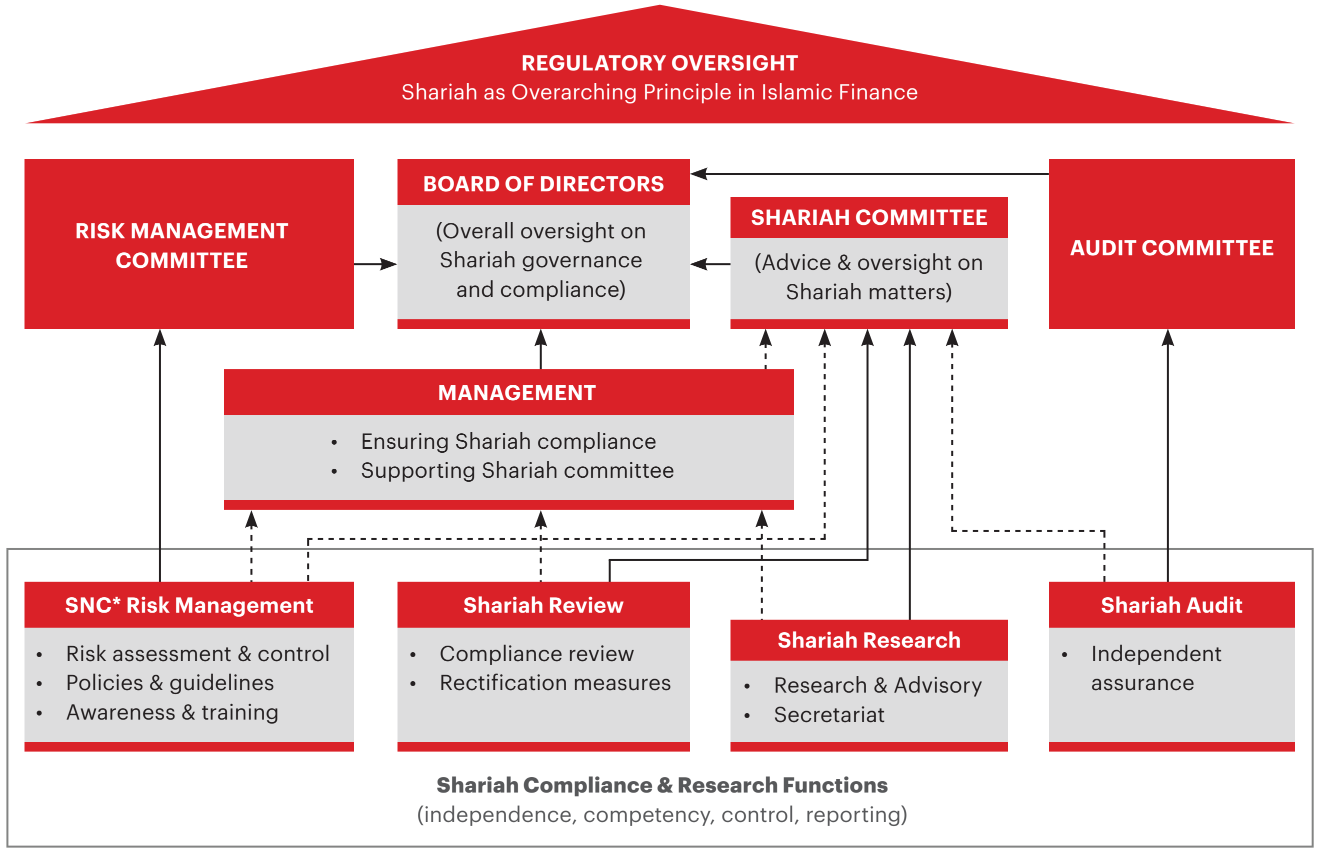
8. PROFIT SHARING INVESTMENT ACCOUNTS

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:



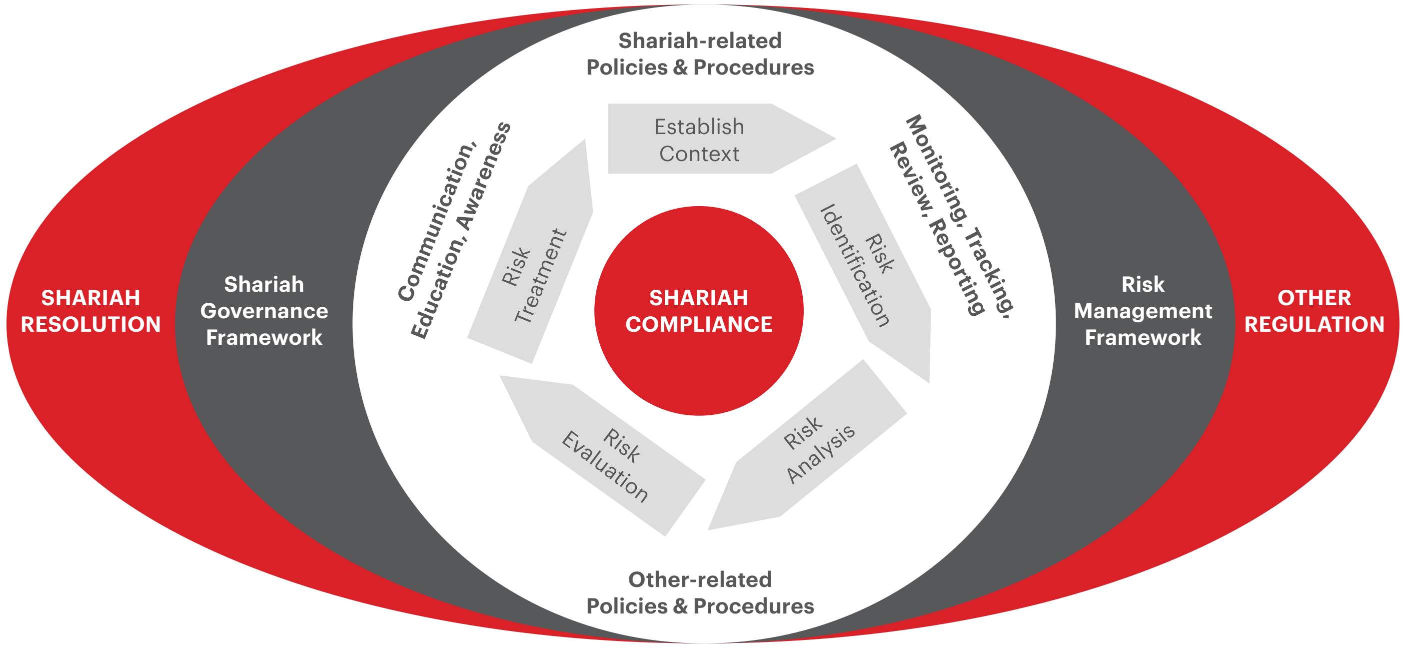
* SNC: Shariah Non-Compliance

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:



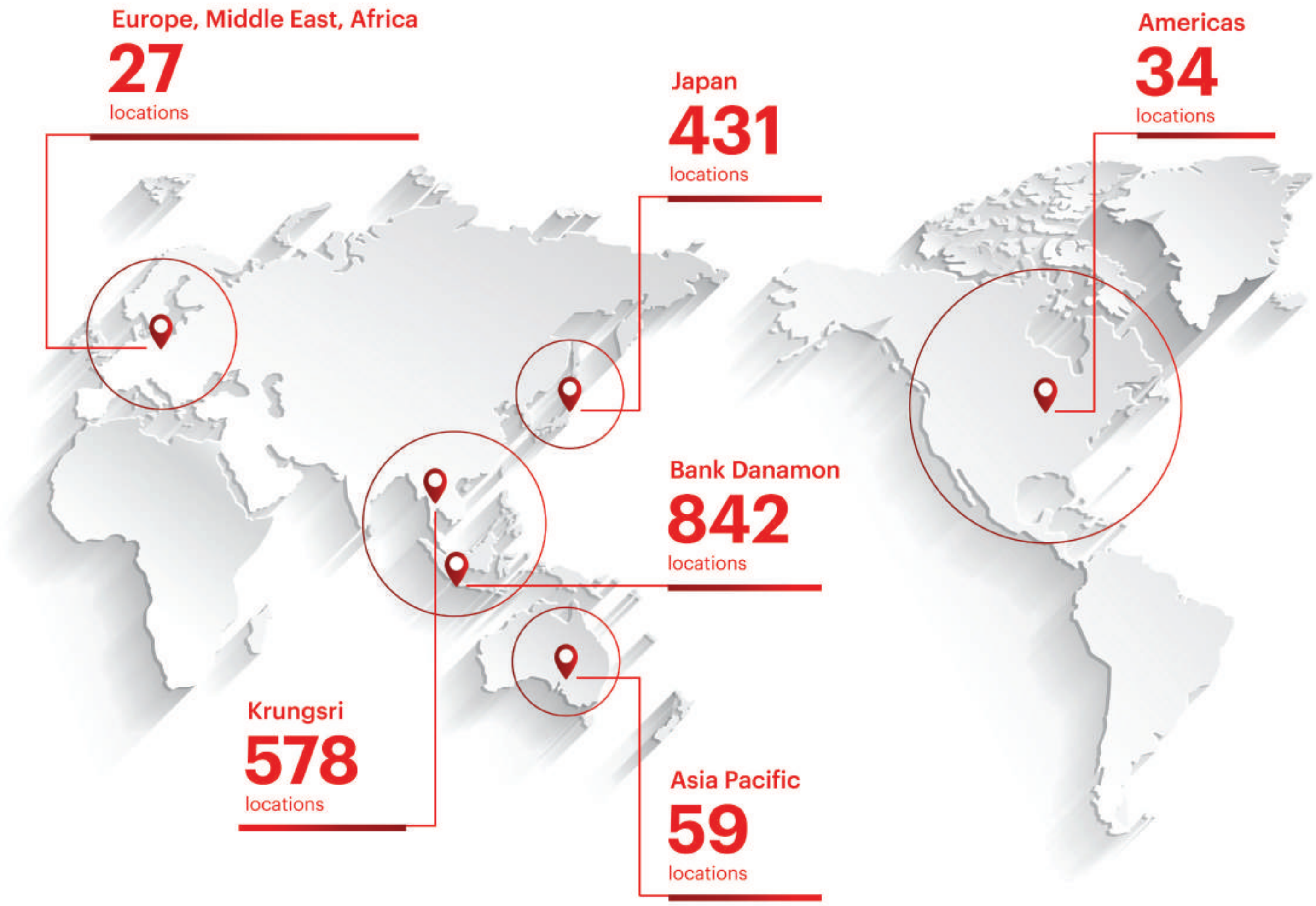
For effective risk management and control, the Bank is adopting the strategic implementation of tiered model i.e. Three Lines of Defence in governing and managing risk of Shariah non-compliance for Islamic financial business. The internal Shariah functions i.e. Shariah Research, Review and Risk Management 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 2025, 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.



as of Sep 2024

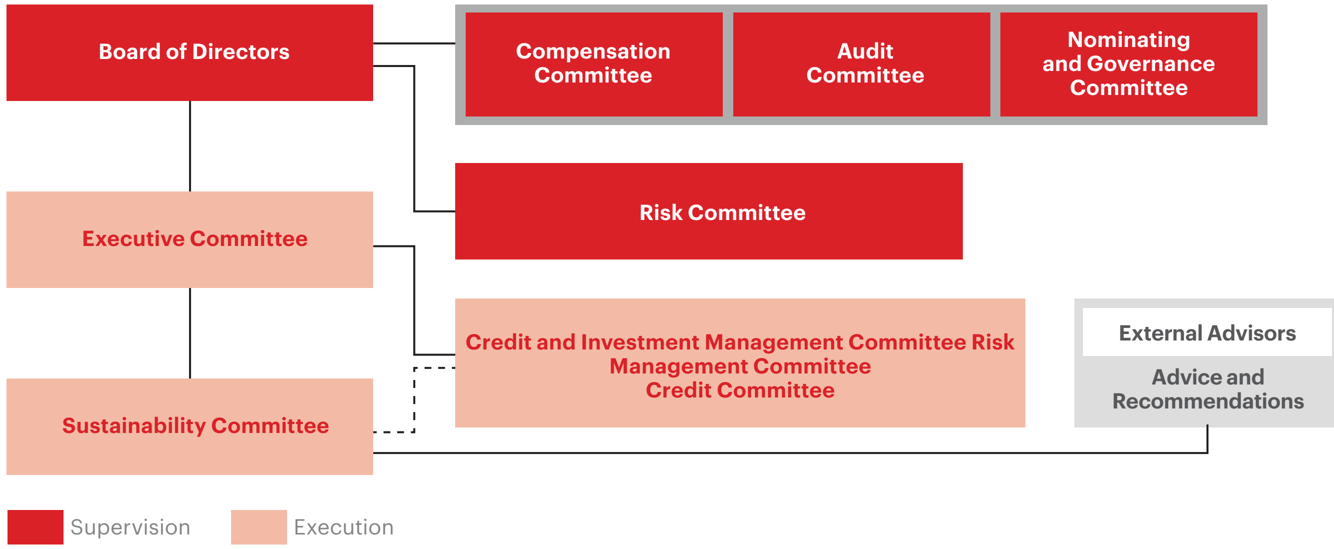
MUFG

1.0 GOVERNANCE

1.1 MUFG Group Governance Structure

Mitsubishi UFJ Financial Group (hereinafter referred to as MUFG) recognizes climate change as a critical issue for the global environment and believes that climate change issues must be assessed to achieve a sustainable society and support the continued operation of each group company and our clients. As a global financial institution, MUFG recognizes that it plays an important role in the transition to a decarbonized society and other global actions aimed at combatting climate change.

MUFG Group has established a governance structure in which the Board of Directors oversees initiatives related to sustainability promotion, including natural capital. The contents deliberated and reported by the Sustainability Committee under the Executive Committee are also discussed and reported by the Board of Directors.



	Meeting Body	Constitution	Role
Supervision	Board of Directors	• **Chair: Chairman** 8 Outside Directors 2 Internal Non-Executive Directors 5 Executive Directors	• Resolution to revise Environmental Policy Statement and Human Rights Policy Statement • Oversees the status of initiatives to promote sustainability by receiving reports from execution function regularly
Supervision	Risk Committee	• **Chair: Outside Directors** 3 Outside Directors 4 Outside Experts Group CSO	• Delibrate and make recommendations to the Board of Directors on risk management and risk that have a significant impact on the Groups management, newly emerged risks, and risk that are on the rise.

	Meeting Body	Constitution	Role
Execution	Executive Committee	• **Chair: President and Chief Executive Officer** President of each business category (The Bank, The Trust Bank, and the Securities), CSO, CFO, CRO, etc.	• Deliberations on important matters discussed by the Sustainability Committee
Execution	Sustainability Committee	• **Chair: Group CSuO** President of each business category (The Bank, The Trust Bank, and the Securities), CSO, CFO, CRO, etc.	• Deliberations and report on policies, strategies, systems, and the status of initiatives related to Sustainability promotion of the entire Group

1.0 GOVERNANCE (CONTD)

1.2 MUFG Bank (Malaysia) Governance Structure

The Environmental, Social, and Governance (ESG) Committee is established since 2021 to support the Bank in overseeing, guiding, and enhancing its ESG-related strategy, policies, and initiatives. The Committee plays an important role in ensuring the integration of ESG considerations into the Bank's business operations, risk management, stakeholder engagement in alignment with regulatory and industry expectations.

This includes providing oversight on the implementation of the Climate Risk Management and Scenario Analysis (CRMSA) requirements as outlined by Bank Negara Malaysia (BNM), ensuring that climate-related risk governance, scenario analysis, and disclosure obligations are effectively met.

In 2024, the ESG committee held eight (8) meetings during which it discussed bank initiatives, key events, BNM's Climate Change and Principle-based Taxonomy (CCPT) update and the progress of the Climate Risk Management and Scenario Analysis (CRMSA) implementation project.

The ESG Committee was renamed the Sustainability Committee in May 2025.

Sponsor
- Deputy Head - Business
- Deputy Head - non Business
- Chief Risk Officer

Observer
- Chief Executive Officer
- Chief Internal Auditor

Manager

Executive Advisor, Planning & Control

Secretary

Corporate Planning (Comms)

Business Line
- Japanese Corporates
- Global Corporates

2nd Line
- Compliance
- Risk Management

Products
- Global Markets
- Transaction Banking
- Islamic Banking

Support Function
- Corporate Planning
- Finance
- Human Resources

1.3 Board Credentials

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

1.4 Climate related training

As part of MUFG's commitment to sustainability and climate responsibility, the Bank ensures comprehensive training programs across all levels of the organization. These training programs (physical or online sessions) are designed to enhance awareness, build capacity, and ensure alignment with business direction and regulatory expectations.

List of workshops conducted from April 2024 to March 2025

Programme Title	No. of pax
AICB Certificate in Climate Risk	2
Jom Kongsi (Knowledge Sharing session): ESG Financing in the APAC league	32
From Commitment to Action: Insights into Climate Transition Plans and APAC Readiness	1
Empowering Business Banking Leaders in Sustainable Financing	12
Sabah-Japan ESG Forum	1
ESG and the role of Internal Audit	8
Climate Change and Principle-based Taxonomy (CCPT)	1
Understanding Sustainable Development Goals (SDGs), Environmental, Social, and Governance (ESG) & Climate Risk	16
Green Financing Certification: Module 1: Awareness & Fundamental of Sustainability	19
Green Financing Certification: Module 2: Overview of Sustainable Financial Products	19
Climate Risk & Reporting Essentials	13
Green Financing Certification: Module 3: Decarbonization through Renewable Energy source	19
Green Financing Certification: Module 4: Decarbonization through Energy Efficiency	19
Green Financing Certification: Module 5: Environmental & Pollution Issues	19
Green Financing Certification: Module 6: Greenwashing & Ethics	19
Green Financing Certification: Module 7: Carbon offsetting to achieve net-zero emissions	19

List of E-Learning programmes

Programme Title	Type of Learning
ESG Reporting	Internal
The Net Zero School Module I: Understanding the Great Climate System: • Exponential Growth • The Greenhouse Effect • Predicting the Future • The 6th Extinction: Land use and overexploitation • Climate Justice and Fair Transition • Measure your greenhouse gas (GHG) emissions	Internal
The Net Zero School Module II - Understanding the carbon footprint: • Inequalities and climate change • Acting on the carbon footprint – setting targets and reductions • The low-carbon transition – carbon budgets and accounting	Internal
The Net Zero School Module III - Banking and ESG: • Banking and Sustainability (Introduction to Sustainability and Climate Change & Sustainability Drivers) • Sustainable Finance	Internal

1.0 GOVERNANCE (CONTD)

1.4 Climate related training (Contd)

List of E-Learning programmes (Contd)

Programme Title	Type of Learning
ESG and Sustainability: Impact of Environmental and Climate Change on Financial Sector	External
ESG and Sustainability - Green Finance and Green Economics	External
Driving Growth and Value Creation through Effective ESG Strategies	External
Rethinking Business Strategies in Driving the ESG and Sustainability Agenda	External
Steps to Develop and Implement an ESG Strategy	External

1.5 Frequency of Board of Directors meeting on climate-related issues

The MUFG Malaysia's Board of Directors (BOD) meeting, convenes at least six times a year. All climate-related matters, where applicable, are tabled for review and discussion during meetings of Board of Directors (BOD) and the Risk Management Committee to ensure appropriate oversight.

1.6 Sustainability-linked Key Performance Indicators (KPI) and Remuneration

MUFG Malaysia are currently under discussion to integrate performance and remuneration against specific sustainability and climate-related targets.

2.0 STRATEGY

MUFG GROUP CLIMATE STRATEGY

2.1 Committed to empowering a brighter future

In April 2021, MUFG Group defined the Group's purpose as being "Committed to empowering a brighter future" and declared its support of relevant recommendations formulated by the Task Force on Climate-related Financial Disclosures (TCFD), a special taskforce established by the Financial Stability Board (FSB). From FY2022, the Group published MUFG Progress Report to inform a wide range of stakeholders about MUFG's initiatives.

The following describes MUFG Group's position on climate change that guide the Group's underlying actions to address climate change:

Carbon neutrality cannot be achieved by financial institutions alone; it is enabled through the carbon neutrality of clients, which means decarbonising the real economy. To this end, it is crucial to achieve steady progress in decarbonising carbon intensive industries and regions through client engagement and support, including transition finance.

Decarbonisation pathways depend on regional characteristics, such as geographic conditions and industrial structure. Asia, in particular, is in the midst of economic development, and its increasing energy demand is expected to continue. It is therefore important to strike a balance between decarbonization and economic development.

To both support clients and achieve MUFG Group's interim target for 2030, management for transition support and target achievement are necessary, and it is important to establish an effective framework to support these activities.

2.0 STRATEGY (CONTD)

MUFG GROUP CLIMATE STRATEGY (CONTD)

2.1 Committed to empowering a brighter future (Contd)

We have included a high-level timeline of MUFG Group targets and initiatives contributing towards our Climate Strategy.

2021

- Joined Net Zero Banking Alliance neutrality (NZBA)* and Net Zero Asset Managers Initiative (NZAM)
- Set target to achieve carbon neutrality by 2050

2030

- Net Zero GHG emissions in our own operations
- Set interim 2030 targets by sector in line with the Paris Agreement

2050

- Achieve carbon neutrality.
- Net Zero GHG emissions in our financed portfolio.

Note: MUFG has decided to withdraw from the NZBA as of March 19, 2025. Our commitment and approach to achieving net-zero remained unchanged.

2.2 The MUFG Carbon Neutrality Declaration

In line with the MUFG Group target to achieve carbon neutrality by 2050, the Group is pursuing various initiatives based on three commitments:

Helping achieve the 1.5C target by achieving carbon neutrality by 2050.

Supporting a smooth transition to a decarbonized society, and

Creating a sustainable society by fostering a virtuous cycle between the environment and the economy.

In support of these commitments, MUFG Group's Medium-term Business Plan includes a heightened commitment to helping resolve environmental and social issues.

MUFG Group's four main strategies in meeting these commitments and achieving carbon neutrality are:

1. **Reducing emissions from own operations.**
2. **Engagement with and support of clients in transitioning to net zero.**
3. **Reducing emissions from our financed portfolio.**
4. **Risk management and governance.**

2.0 STRATEGY (CONTD)

MUFG GROUP CLIMATE STRATEGY (CONTD)

2.3 MUFG Environmental and Social Policy Framework

Introduction

The international community, aiming at achieving the Sustainable Development Goals (SDGs) and Paris Agreement on climate change, is working towards the protection of the global environment, which is fundamental to the existence of humanity and all living creatures, and the realization of a sustainable society.

MUFG defines its purpose as "Committed to empowering a brighter future." in its MUFG Way, and we implement various initiatives that contribute to the protection of the global environment and human rights.

In addition, through the financial services we provide, we are actively working towards finding solutions to environmental and social issues which also contribute to our sustainable business growth and enhancement of our corporate value.

MUFG recognizes that the environmental and social risks arising from the business activities of each group company are important to our business and require managing appropriately. This Environmental and Social Policy Framework (hereinafter, Framework) has been developed based on the "MUFG Environmental Policy Statement" and "MUFG Human Rights Policy Statement" which establish the basis for our policies for management of environmental and human rights issues respectively. The opinions and perspectives of various stakeholders were taken into consideration in the development of the Framework.

The Framework outlines the approach that MUFG takes in responding appropriately to environmental and social issues in our business activities and contributing to sustainable environmental and social development. Through the adoption of this approach, we expect to contribute to the realization of a sustainable environment and society.

To promote understanding and cooperation regarding our approach, the contents of this Framework is communicated to clients in all of our group companies. The application of this Framework remains subject to compliance with local laws and regulations.

1. Governance

The MUFG Way guides the way in which we carry out our business activities. To realize our MUFG Way, the MUFG Group Code of Conduct have been established which apply to executives and employees of all group companies and guide their everyday decisions and actions.

The Framework is based on our MUFG Way and Code of Conduct.

- **Positioning of the Environmental and Social Policy Framework**
  The Framework is based on the "MUFG Environmental Policy Statement" and "MUFG Human Rights Policy Statement" and is structured to enable the appropriate identification and management of environmental and social risks associated with our business operations. The Framework is aligned with the MUFG reputational risk management framework to avoid negative impacts to MUFG corporate value.

- **Governance and Management System**
  The Sustainability committee, which reports to the Executive Committee, is responsible for developing appropriate responses to the environmental and social issues relevant to our business. Individual transactions with significant environmental and social risks or impacts that have the potential to negative impact on the corporate value of MUFG are assessed for reputational risk, as necessary. Transactions are evaluated with the involvement of executive management, taking into consideration the potential transaction related reputational risks.

- **Role of Business Group**
  Business Groups are responsible for performing environmental and social due diligence to assess the potential environmental and social issues associated with the products and services to be provided. The assessment includes information collected from approaches such as interviews with clients. In implementing environmental and social due diligence, Business Groups consult with the relevant department responsible for management of environmental and social risks.

- **Management of the Environmental and Social Policy Framework**
  The Framework was discussed by the Sustainability Committee and approved by the Executive Committee. The Sustainability Committee regularly reviews the need to update the Framework and makes amendments as necessary to reflect changes in our business activities and the business environment.

CLIMATE-RELATED DISCLOSURE REPORT

2.0 STRATEGY (CONTD)

MUFG GROUP CLIMATE STRATEGY (CONTD)

2.3 MUFG Environmental and Social Policy Framework

2. Applicable Products and Services

Products and services provided to clients by each group company include the extension of credit and the underwriting of bonds and stocks (hereinafter, financing). We recognize that the provision of financing may potentially contribute to environmental and social impacts as well as an increase in associated risks.

The Framework applies to new finance in all countries / regions for corporate clients of MUFG's core subsidiaries; MUFG Bank, Mitsubishi UFJ Trust and Banking, and Mitsubishi UFJ Securities Holdings (hereinafter referred to as "Core Subsidiaries"). The Framework is integrated into the internal procedures and standards of each Core Subsidiary.

MUFG Bank also conducts environmental and social due diligence of large-scale projects based on the Equator Principles adopted in 2005.

We also acknowledge the importance of considering environmental and social impacts in our asset management business. At the same time, we recognize the importance of preserving and fulfilling our independent fiduciary duties in line with interests of our clients. For this reason, we have established a separate responsible investment policy for this business.

3. Applicable Transactions

The Framework provides a guideline allowing us to confirm whether corporate clients receiving financing from each Core Subsidiary are fulfilling their social responsibility by demonstrating appropriate consideration of environmental and social issues based on applicable legislation and international best practice.

Taking into consideration the nature and severity of associated environmental and social risks or impacts, MUFG has identified transactions which are "Prohibited Transactions" and "Transactions of High Caution".

- **Prohibited Transactions**
  The transactions listed below are considered as having significant environmental and social risks or impacts. In cases where each Core Subsidiary is aware of the environmental and social risks or impacts, financing is not provided.

  A) Illegal transactions and transactions for illegal purposes
  B) Transactions which violate public order and good morals
  C) Transactions that negatively impact wetlands designated under the Ramsar Convention
  D) Transactions that negatively impact UNESCO designated World Heritage Sites
  E) Transactions violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention) taking into consideration country specific considerations
  F) Transactions involving the use of child labor, forced labor or human trafficking
  G) Cluster Munitions and Inhumane Weapons Manufacturing

  Civilian populations have been greatly affected by cluster munitions as they release many bomblets over a wide area and because of their indiscriminate effect. As a result, their use has generated significant humanitarian concerns internationally. In light of the inhumane nature of cluster munitions, Core Subsidiaries prohibit the provision of financing to any company that manufactures cluster munitions.

  Nuclear weapons, biological and chemical weapons, and anti-personnel mines, which are produced for use in wars and conflicts and have indiscriminate and serious effects on people, including civilians, are, along with cluster munitions, internationally recognized as being of great humanitarian concern. In light of the inhumane nature of nuclear weapons, biological and chemical weapons, and anti-personnel mines, Core Subsidiaries prohibit the provision of financing for the production of these weapons.

2.0 STRATEGY (CONTD)

MUFG GROUP CLIMATE STRATEGY (CONTD)

2.3 MUFG Environmental and Social Policy Framework (Contd)

3. Applicable Transactions (Contd)

- **Transactions of High Caution**
  Transactions of High Caution consist of cross-sector guidelines and sector specific guidelines. For transactions where the conditions listed below may exist, the potential that environmental and social risks or impacts may exist is considered to be high and clients are expected to implement the appropriate environmental and social measures. When each Core Subsidiary is considering providing financing for these transactions, the identification and assessment process for environmental and social risks or impacts will be used to confirm the client's approach to managing environmental and social issues.

  If the environmental and social management approach of client's is not considered sufficient relative to the level of the potential risks or impacts, financing will not be provided.

(i) Cross-sector Guidelines

A Impact on Indigenous Peoples Communities

C Impact on high conservation value areas

B Land expropriation leading to involuntary resettlement

D Cause of or contribution to, or direct linkage with, violation of human rights in conflict areas

(ii) Sector Specific Guidelines

Coal Fired Power Generation

Protection of the environment, in particular actions which contribute towards combatting climate change and supporting development of more sustainable sources of power, is one of the most important issues for MUFG in fulfilling its social mission.

In order to achieve the goals agreed upon in the Paris Agreement, we will support the smooth transition to a decarbonized society through our business activities and contribute to the realization of a sustainable society via the virtuous cycle of the environment and the economy.

MUFG will not provide financing to new coal fired power generation projects or expansion of existing facilities. However, coal-fired power generations equipped with Carbon Dioxide Capture, Utilisation and Storage (CCUS), Mixed combustion, and other technologies necessary to achieve the Paris Agreement target may be considered on an individual basis.

Oil and Gas

Oil and gas are essential to our society and daily lives as energy sources for social infrastructure including electricity, but we must be aware of the effect of their production and use on the global environment, including climate change, through greenhouse gas emissions.

- Oil Sand

MUFG recognizes that oil sands developments require consideration of their environmental and social impacts.

When we consider providing financing for new projects for the extraction of oil sands, we conduct an assessment of clients to ensure that developments are conducted in an environmentally and socially responsible manner, including impacts on ecosystems and indigenous peoples' communities affected by the developments.

CLIMATE-RELATED DISCLOSURE REPORT

2.0 STRATEGY (CONTD)

MUFG GROUP CLIMATE STRATEGY (CONTD)

2.3 MUFG Environmental and Social Policy Framework (Contd)

3. Applicable Transactions (Contd)

(ii) Sector Specific Guidelines (Contd)

Oil and Gas (Contd)

- Development of the Arctic

MUFG recognizes that oil and gas developments in the Arctic require consideration of the impacts on indigenous peoples and the habitats of rare species.

When we consider providing financing for the extraction of new oil and gas in the Arctic Region (north of latitude 66°33 minutes north), we conduct an assessment of clients to ensure that developments are conducted in an environmentally and socially responsible manner, including impacts on ecosystems and indigenous peoples' communities affected by the developments

- Shale oil and gas

MUFG recognizes that development of shale oil and gas requires consideration of the impacts on ecosystems, including depletion of freshwater resources, water pollution, and triggering earthquakes.

When we consider providing financing for new projects for extraction of shale oil and gas, we conduct an assessment of clients to ensure that developments are conducted in an environmentally and socially responsible manner, including impacts on ecosystems and communities affected by the developments.

- Oil and Gas Pipelines

MUFG recognizes that pipeline construction and operation require consideration of the impact of oil leaks on the ecosystem, the impact of logging and other activities on the environment, and local indigenous peoples' communities.

When we consider providing financing for new projects for construction and operation of oil and gas pipelines, we conduct an assessment of clients to ensure that developments are conducted in an environmentally and socially responsible manner, including impacts on ecosystems and indigenous peoples' communities affected by the development.

Large Hydropower

While large-scale dams contribute to flood control, agricultural production and the supply of clean energy, MUFG recognizes that dams can cause wide-ranging changes in river basin ecosystems and the living environment and livelihoods of residents.

When we consider providing financing for new large-scale hydropower plants (which exceeds 15 meters in height and can generate over 30WM electricity), we conduct an assessment of clients to ensure that developments are conducted in an environmentally and socially responsible manner, such as the impact of dam construction on the ecosystem, local communities, and the living environment and livelihoods of residents.

2.0 STRATEGY (CONTD)

MUFG GROUP CLIMATE STRATEGY (CONTD)

2.3 MUFG Environmental and Social Policy Framework (Contd)

3. Applicable Transactions (Contd)

(ii) Sector Specific Guidelines (Contd)

Biomass Power Generation

While biomass power generation contributes to supplying clean energy as a renewable energy source, MUFG recognizes that consideration must be given to the environmental and social impacts it has when fuels are produced and processed.

For example, in the case of woody biomass power generation, it is important to confirm that primary forests are not being logged during the process of producing the fuel material used for power generation, and that consideration for the human rights of local communities is taken into account.

When we consider providing new financing for biomass power plants or businesses that process fuels for use at such plants, we conduct an assessment of clients to ensure that developments and management are conducted in an environmentally and socially responsible manner, such as giving due consideration to the conflict between using biomass for fuels and using biomass for food, sustainability of fuels, and lifecycle greenhouse gas emissions.

Forestry

Forests provide habitats for various wildlife species. Therefore, they have significant value for biodiversity conservation and protection, as well as serving as important sources of timber for paper, pulp, and other products that support regional economies. Forests additionally play a significant role in mitigating climate change by absorbing and storing carbon dioxide. MUFG recognizes that uncontrolled, large-scale deforestation has severe and negative impacts on the global environment, especially climate change.

When we consider providing financing for logging businesses in the forestry, pulp or other sectors, including management of forest plantations, we conduct an assessment of clients to ensure that developments and management are conducted in an environmentally and socially responsible manner.

In addition to confirming that illegal logging and deforestation in High Conservation Value (HCV) areas are not involved, we request our clients to certify[note1] the relevant operations according to internationally recognized certification organizations such as Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification Schemes ("PEFC"), when providing finance to the subject business activities mentioned above, in countries other than High Income OECD countries. We will request our clients to submit action plans to achieve certification when relevant operations are not certified.

When we consider providing financing for Large-scale industrial farm[note2] development and operation projects involving logging, we will urge our clients in these sectors to respect Free, Prior, and Informed Consent (FPIC) in relation to indigenous people and to formulate a sustainable environmental and human rights policy, such as No Deforestation, No Peat, and No Exploitation (NDPE).

We will request our clients to enhance supply chain management and traceability to encourage that similar initiatives will also apply to their supply chain.

In the event that the client has not taken appropriate measures to address social issues during the term of a transaction, we will request the client to promote remedial measures and, if the client's remedial measures are unsatisfactory, we will not provide new financing.

(note1) Certification, such as Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification Schemes ("PEFC"), requires the respect of Free, Prior, and Informed Consent (FPIC).

(note2) Large-scale industrial farm means a pasture or farm cultivating soy, natural rubber, cocoa, coffee, etc. located in high conservation value areas.respect of Free, Prior, and Informed Consent (FWPIC).

2.0 STRATEGY (CONTD)

MUFG GROUP CLIMATE STRATEGY (CONTD)

2.3 MUFG Environmental and Social Policy Framework (Contd)

3. Applicable Transactions (Contd)

(ii) Sector Specific Guidelines (Contd)

Palm Oil

Palm oil is used to make products which are essential for everyday life, such as cooking oils, detergents, paints, etc. Increases in palm oil consumption have facilitated economic growth in many countries. On the other hand, development of palm oil plantations may entail deforestation of natural forests and slash-and-burn agriculture in peatlands, etc. which could lead to impacts on biodiversity and climate change as well as conflicts with local communities. As a result, MUFG recognizes that the palm oil plantation business can have severe and negative impacts on the global environment if not managed responsibly.

When we consider providing financing for business activities developing and managing palm oil plantations, we conduct an assessment of clients to ensure that developments and management are conducted in an environmentally and socially responsible manner.

We encourage clients to become members of the Roundtable on Sustainable Palm Oil ("RSPO"), and request them to have relevant operations certified by RSPO[note3] as well as to publicly commit to No Deforestation, No Peat and No Exploitation ("NDPE"), when providing financing to the subject business activities mentioned above. When relevant operations are not certified by RSPO or clients have not made their commitment to NDPE public, we will request clients to submit action plans to satisfy the conditions.

We will request our clients to enhance supply chain management and traceability to encourage that similar initiatives will also apply to their supply chain.

In the event, that the client has not taken appropriate measures to address social issues during the term of a transaction, we will request the client to promote remedial measures and, if the client's remedial measures are unsatisfactory, we will not provide new financing.

(note3) RSPO certification requires the respect of Free, Prior, and Informed Consent (FPIC) in relation to indigenous people, and to formulate a sustainable environmental and human rights policy, such as No Deforestation, No Peat, and No Exploitation (NDPE).

2.0 STRATEGY (CONTD)

MUFG GROUP CLIMATE STRATEGY (CONTD)

2.4 How We Support Transition

Main initiatives to support transition

Facilitating transition considering the regional characteristics of Japan and Asia	Transition Finance	Policy Engagement

Roles and challenges expected of financial institutions to achieve carbon neutrality

- MUFG believes that financial institutions can achieve carbon neutrality through realizing clients' neutrality, in other words decarbonizing the real economy. To achieve decarbonization in the real economy, it is more important for financial institutions to support decarbonization of the real economy including carbon intensive sectors, rather than focusing on greening their balance sheets (also the soc-called "paper decarbonization"). MUFG believes that such support for decarbonization is the key purpose of transition finance.
- The decarbonization of the real economy requires development and implementation of transition strategy which reflects regional characteristics, industry structure and relative strength, inter-dependency among industries, and differences in energy mix. Japan and Asia's unique challenges include transition timelines and pathways being different from those of Europe and the United States because Japan and Asia are still highly dependent on fossil fuels coal-fired plants in this region are relatively young, and potential to scale up renewable energy is limited at this moment. Also, it is crucial to balance the economic growth and decarbonization in Asia where energy demand is expected to continue to increase in the coming years. As a global leading financial institution with an extensive footprint across Asia and Japan, we believe it is important to facilitate a whole of economy transition in a responsible way by engaging with broad stakeholders, and acknowledge as well as respect regional, sectoral or individual client's pathways.
- A transition implies a major overhaul of the whole of economy, and therefore requires significant amount of capital mobilization and risk-taking. In doing so, public finance plays a critical role in crowing-in private finance. MUFG is committed to creating an enabling environment where both real-economy and financial institutions can proactively promote transition.

2.5 MUFG Engagement and Support

Client Engagement

In line with MUFG Group's overall strategy to promote engagement and support decarbonization, the Group will continue to identify new needs and issues faced by MUFG Group clients and provide solutions to meet these needs, while offering suggestions to policymakers in collaboration with industries and government agencies.

As the Group deepens its relationships with clients, local governments, and various industries through management-level executive forums and through efforts of Client Relationship Engagement Team, MUFG Group provides valuable insights to clients, industries and government agencies on emerging needs and issues related to decarbonization.

2.0 STRATEGY (CONTD)

MUFG GROUP CLIMATE STRATEGY (CONTD)

2.5 MUFG Engagement and Support (Contd)

Client Engagement (Contd)

Engagement Approach

1 Policy suggestion in collaboration with industries and government agencies

Contribute to GX policy formulation by collaborating with government agencies and industries through policy engagement

- Building framework for transition finance
- Transition Whitepaper
- Asia Transition White Paper
- Promoting blended financing
- Participating in initiatives in Japan and overseas
- Activity for COP28

2 Enhancing our capability to provide solutions that support clients' decarbonization in line with government policies and strategies

Strengthen our capability to provide solutions tailored to each market stage by leveraging the collective of the MUFG Group and collaborating with external partners

- GX value chain support
- Sustainable finance promotion
- Investment and Innovation projects

3 Leveraging relationships with clients, local governments, and industry associations to identify new needs and issues

Provide feedback to industries and government agencies on new needs and issues identified through decarbonization support, and link to policy suggestions

- Executive Forum for dislogue with clients from a mangement standpoint
- Specialised engagement team

Specific engagement activities

Phase 1
Confirm our positions
Explore how MUFG can support clients' current activities to achieve net zero

Phase 2
Analyse client strategies
Organise client strategies and operational issues, along with financing opportunities

Phase 3
Support in developing financing plans
Identify financing requirements in line with clients' decarbonisation plans

Phase 4
Provide financing
Agree pricing and solution designs with clients and execute financing contracts

Phase 5
Measure effectiveness and check progress
Measure effectiveness through progress checks.Support the transition to a decarbonised business

2.6 Financing Support

MUFG Group has raised its sustainable finance target from 35 trillion yen (circa RM1 trillion) to 100 trillion yen (circa RM2.9 trillion) by 2030, given strong progress that MUFG Group has made to date along with the growing demand for funds. Through the expansion of sustainable financing (e.g. renewable energy project financing), the Group will not only generate positive environmental impacts, such as CO_2 reduction, but also create broader environmental and social impacts.

2.0 STRATEGY (CONTD)

MUFG MALAYSIA CLIMATE STRATEGY

MUFG Malaysia's core business is the provision of Corporate Banking services to Japanese Corporates, Global Corporates, Global Subsidiary Banking business and Institutional clients in Malaysia focused on core industry sectors including Finance and Insurance, Electricity, Gas and Water, and Transport, Storage and Communication.

MUFG Malaysia's strategy is to be the leading global bank in the Malaysian market providing banking solutions to its client base. MUFG Malaysia is committed to promoting real economy decarbonization and a sustainable environment.

This Strategy section outlines the process MUFG Malaysia has undertaken to identify and understand our current and anticipated climate-related risks and opportunities, how we will adapt our strategy based on these risks and opportunities using scenario analysis.

The Group will facilitate its clients' transition to net zero emissions and implement environmental measures globally in line with its Carbon Neutrality Declaration, announced in May 2021.

Aligning with the Group climate strategy and announced sectoral targets, MUFG Malaysia is working with clients to deliver a smooth and orderly transition. MUFG Malaysia's contribution towards decarbonization of our portfolio in Malaysia will follow the four main MUFG Group level strategies.

2.7 Climate Related Opportunities

MUFG Malaysia has reviewed key climate-related opportunities in the following High-emitting sectors – Transportation/Automotive, Oil and Gas, Power Generation and Steel. We have identified the driver of these opportunities and are actively looking towards investments, partnerships, business matching and projects that contribute towards the decarbonization of our portfolio.

Sectors	Climate Opportunity Driver	Description and Potential Impact
Transportation equipment/ Transportation/ Automotive	• Supporting the transition to sustainable transportation. • Providing financing for electric vehicles (EVs), developing charging infrastructure and supporting green transport solutions like public transport and freight transport.	Banking and financing related opportunities. • Low/zero emission fuels and associated infrastructure (hydrogen, ammonia, biofuel etc.) • EV infrastructure. • Finance public transport projects, sustainable freight transport options and investment in resilient transport infrastructure.
Oil and Gas	• Shifting towards sustainable energy and low-carbon solutions, including expansion in Sarawak . • Resilience and reliability of energy distribution.	Banking and financing related opportunities. • Actively promoting investments in renewable energy sources, developing green technologies for oil refining. • Supporting initiatives that reduce carbon emissions throughout the value chain.
Power Generation	• Supporting the shift towards renewable energy sources, promoting energy efficiency. • Investing in projects that reduce carbon emissions from power plants.	Banking and financing related opportunities. • Offer products and services / share government initiatives that incentivize companies to adopt sustainable practices, such as green bonds, sustainable loans and green-linked loans, • Finance the development and construction of renewable energy projects like solar, wind and hydro power plants. • Supporting the development of energy storage solutions is crucial for integrating variable renewable energy sources into the grid.
Steel	• Supporting steel companies in implementing cleaner production processes, like using electric arc furnaces or implementing carbon capture and storage • Diversifying their investment portfolios into sustainable steel projects and green technologies.	Banking and financing related opportunities. • Offer loans and financial instruments that incentivize steel companies to adopt more sustainable practices, such as using recycled steel and developing new, low-carbon steel products.

CLIMATE-RELATED DISCLOSURE REPORT

2.0 STRATEGY (CONTD)

MUFG MALAYSIA CLIMATE STRATEGY (CONTD)

2.7 Climate Related Opportunities (Contd)

In light of the increase in the Group's sustainable finance target, from 35 trillion yen (circa RM1 trillion) to 100 trillion yen (circa RM2.9 trillion) by 2030 to support the decarbonization of its financed portfolio, we note specific funding decisions and capital deployment will be undertaken in conjunction with the MUFG Group policies and procedures including climate-related targets.

3.0 RISK MANAGEMENT

As a subsidiary of Parent Bank, MUFG Malaysia established the local policy under Climate Risk Management Policy & Framework and related procedures to manage climate change-related risks and to meet the regulatory requirements of BNM's Climate Risk Management & Scenario Analysis (CRMSA) policy document. This policy is also subject to Group's policies under the "MUFG Environmental Policy Statement" and "MUFG Environmental and Social Policy Framework"(note1) established by MUFG, Tokyo Head Office. Both policies and procedures are implemented and overseen locally via local governance structures through Sustainability committee and risk management related committees.

Climate risks generally refer to the risks posed by climate change, such as damage caused by extreme weather events or a decline in asset value in carbon-intensive sectors. They are broadly classified into physical risk and transition risk(note2).

a) Physical risk refers to the impacts of climate and weather-related events and long-term progressive shifts of climate(note3).

b) Transition risk refers to the financial risk related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate policy, technological changes(note4) or a change in market sentiment.

MUFG Malaysia has undertaken climate risk impact assessment on both physical risk and transition impacts from climate change across its loan/financing portfolio based on scenario analysis in accordance with BNM's CRMSA. Furthermore, climate risk has complex inter-linkages across conventional risk types which can affect the Bank's existing financial and non-financial risks. Given to the distinctive characteristics of climate change, it shall be managed differently from other conventional financial risks.

(note1) The MUFG Environmental Policy Statement and MUFG Environment and Social Policy Framework could be found on the MUFG official website: https://www.mufg.jp/english/csr/policy/index.html

(note2) Source: NGFS, First Comprehensive Report – A Call for Action, April 2019 and NGFS, Guide for Supervisors: Integrating climate-related and environmental risks into prudential supervision, May 2020.

(note3) Weather events such as heat waves, floods, storms while change in average temperatures, precipitation, and sea-level rise. Direct impact of such events may lead to damage to property or reduced productivity and revenue, indirectly impacts may result in disruption of global supply chain.

(note4) Such as technological advancement in energy-saving and cost reduction in renewable energy.

3.0 RISK MANAGEMENT (CONTD)

The impact assessment on climate change can be summarized as below:

Climate Impact	Description	Current Impacts
Credit impacts	Physical risk Extreme weather may cause direct damage to assets held by Bank's borrowers and/or have a negative spillover effect on their business activities and financial positions by indirectly impacting their supply chains. Transition risk Bank's borrowers' business activities and financial positions may be negatively affected if they cannot deal with government policies, regulatory requirements, customer requests or evolving trends in technological development.	We have performed the quantitative assessment and did not currently observe any significant short-term impacts from climate change on the Bank's credit risk profile.
Operational impacts	Physical risk Extreme weather may cause damage to Bank's physical premises / data centers / assets that lead to the disruption of their operations. Transition risk Spending on capital investment may grow due to the need for measures aimed at reducing CO_2 emissions and enhancing business continuity capabilities.	We have assessed the operational impacts on our business and Bank's assets, have concluded that these do not impact our ability to operate in the short-term.

3.1 Scenario Analysis

The Bank engaged a third-party service provider to assist in developing relevant scenarios covering both physical and transition risks impacting MUFG Malaysia's business, in accordance to the requirements under BNM CRMSA. Using those climate scenarios, a comprehensive qualitative review of our business was conducted to identify and understand the potential climate-related risks that affect the Bank's loan/financing portfolio. This process was conducted through a project team with the external service provider, the progress and result are regularly reported at Sustainability committee.

The potentially significant climate-related risks have been identified from the scenario analysis. These risks have been assessed using an impact assessment that takes into consideration:

a) For physical risk, it is measured using the physical risk hazard indicators to derive the risk score which are interpreted as higher the score higher is the risk in case of physical risk. The risk classification includes low/no risk, medium risk, high risk and red flag.

b) For transition risk, it is based on the estimation of carbon emissions by respective business segments using the third-party service provider's tool and database. The risk classification includes moderate, significant high and intense.

The following scenarios are included in the climate risk assessment:

Orderly Net Zero 2050

Ambitious climate policies are introduced immediately. Global warming is limited to 1.5°C through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050.

Disorderly Divergent Net Zero 2050 (DNZ)

Climate policies are more stringent in the transportation and building sectors. Net zero is achieved around 2050 but with higher costs due to divergent policies introduced across sectors leading to a quicker phase out of oil use.

Hot House National Determined Contribution (NDC)

Assumes that the moderate and heterogeneous climate ambition reflected in the conditional NDCs at the beginning of 2021 continues over the 21st century (low transition risk). Includes all pledged policies even if not yet implemented.

3.0 RISK MANAGEMENT (CONTD)

3.1 Scenario Analysis (Contd)

MUFG Malaysia is taking a progressive approach in building up its capacity, talent and infrastructure to improve its climate risk assessment ability. At present, it does not intend to exclude any parts of its value chain when conducting risk assessment. However, climate change risk assessment is subject to continuous enhancement and development, therefore, risk assessment and management of climate-related risk will also evolve.

The risks and opportunities arising from climate change, based on these scenarios, will be re-assessed on an annual basis.

Given the uncertainty surrounding the timing of the impact of climate-related risks and the dependency on short-term actions, a strategic and prudent approach is to embed relevant time horizons and the respective impact assessment:

a. Short-term horizon (1 to 3 years) to capture impacts over the ordinary business plan horizon;

b. Medium-term horizon (4 to 10 years) to provide medium-term outlook over the climate related risks; and

c. Long-term horizon (10 to 30 years) to provide insights on long-term impacts from the evolution and direction of climate-related risks as they materialise over time.

3.2 Integration of Climate Risk Into Risk Management Process

The Bank identified the risks associated with various climate-related issues, as a priority issue, recognizes that they exert significant influence on the Bank's business operations for sustainable growth that they are considered as material risk to the Bank. MUFG Malaysia takes cognizant of the carbon footprint caused by its business activities, either directly or indirectly; and endeavours to control and reduce them.

For effective risk management, the Bank integrates material climate-related risk considerations into a climate risk management policy & framework, detailing the reliable approach for identifying, measuring, monitoring and controlling material risks. This also includes the continuous development of data capabilities, tools and methodologies to effectively aggregate and report material climate related risks.

3.2.1. Credit Risk

The Bank identified the risks associated with various climate-related issues, as a priority issue, recognizes that they exert significant influence on the Bank's business operations for sustainable growth that they are considered as material risk to the Bank. MUFG Malaysia takes cognizant of the carbon footprint caused by its business activities, either directly or indirectly; and endeavours to control and reduce them.

Approach

To assess climate-related risks and opportunities against MUFG Malaysia's loan/financing portfolio, the process begins with analysis of loan/financing book to understand the sectors most susceptible to climate risk. MUFG Malaysia considered the size of lending to the sectors (materiality from a lending perspective) and the level of sectoral exposure to either physical or transition risks. The high carbon intensive sectors MUFG Malaysia analysed for sector level risks included the following:

Oil & Gas | **Power generation** | **Transportation** | **Steel manufacturing** | **Automotive**

A qualitative-based risk assessment was then conducted on all sectors in MUFG Malaysia's portfolio, based on exposure and potential impact of climate-related physical and transition risks on the portfolio, which included the high-emitting sectors such as oil & gas, power generation, transportation, steel manufacturing and automotive. These risks were assessed against short-, medium- and long-term time horizons against the 3 selected climate scenarios. The metric used to measure the credit risk is climate-adjusted expected credit loss (ECL).

3.0 RISK MANAGEMENT (CONTD)

3.2 Integration of Climate Risk Into Risk Management Process (Contd)

3.2.1. Credit Risk (Contd)

Based on the result, ECL tends to increase substantially under Hot house NDC scenario primarily driven by the higher climate-adjusted Probability of Default. On the other hand, ECL % get moderated marginally for orderly NZE 2050 scenario, driven by moderation in exposure weighted Probability of Default. Similarly due to marginal increase in exposure weighted portfolio Probability of Default, ECL % increases marginally in case of DNZ 2050 scenario from Medium to Long-term.

Based on our scenario based qualitative risk assessment, the portfolio is exposed to high physical risk of floods exposure as Malaysia is mostly surrounded by sea, in particular of states in northern and eastern region. In terms of transition risk, the absolute emission from high emitting sectors is considerably higher than other sectors. Both physical and transition risks are expected to increase over time. This assessment will be refined as data availability and quality improves.

This qualitative assessment process will be conducted annually and identified customers in these sectors will be subject to heightened monitoring for changes in short- to medium-term climate-related risks.

In line with MUFG Group's climate change / sustainability strategies, including sustainability lending targets, MUFG Malaysia will, along with heightened monitoring for exposures in the identified sectors, increase client engagement to support their transition requirements and physical risk mitigation strategies.

As MUFG Group develops quantitative capabilities and modelling to assess climate-related risk, these will be adopted by MUFG Malaysia as part of our overall climate risk management process.

3.2.2. Operational Risk

The Bank assesses the impact of climate-related events on internal operations as a whole, including material outsourcing activities and the ability to quickly recover capacity to continue providing critical services at an optimum level. The outcome of the assessment, if significant to the critical business functions, shall be reflected in the business continuity plan accordingly.

<u>Approach</u>
Beyond the credit implications of climate change to our customers, MUFG Malaysia is also directly exposed to operational impacts from climate change due to our physical footprint and the increased expectations and scrutiny by various stakeholders to manage our climate-related impacts. Similar to Credit Risk, a qualitative Risk Assessment was conducted annually for all the potential physical and transition risks. We have concluded that in the short-term the risks identified via the scenario analysis do not impede our ability to operate.

Mitigating actions include but are not limited to ensuring that we have targets in place for addressing emissions, maintaining adequate business continuity arrangements in place, including staff having the ability to operate from home or at alternative dedicated recovery premises, and ensuring that MUFG Malaysia's corporate premises and disaster recovery (DR) centre is sufficiently structurally sound with minimal threat from climate-related physical risk.

3.3 Other Risks

Climate change impacts other risks facing MUFG Malaysia, which include market risk, liquidity/funding risk, reputational risk and strategic risk. The potential impacts of climate change on these risks are recognized, assessed and managed through the respective Risk Management Committee and processes, where applicable.

CLIMATE-RELATED DISCLOSURE REPORT

3.0 RISK MANAGEMENT (CONTD)

3.4 Roles and Responsibilities

The roles and responsibilities of managing climate-related risks are allocated among three lines of defences (LODs). Given the complex interactions between climate change and other systems (e.g. social, economic, regulatory and technological), the implementation of the requirements in building climate resilience in MUFG Malaysia requires collective effort from all LODs. The roles and responsibilities of various stakeholders that are involved in the climate risk management policy & framework are:

First line of defence (1LOD)

- The first line of defence in the Bank consists of Corporate Banking Department (CBD), Treasury, Transaction Banking (TB), Islamic Banking and other business units, whose role is to identify and manage risks associated with their day-to-day operations.
- Climate-related risk assessments may be undertaken during the borrower onboarding, credit application and credit review processes, ongoing monitoring and engagement with clients, as well as in new product or business approval processes where staff should have sufficient awareness and understanding to identify and assess potential climate-related risks.

Second line of defence (2LOD)

- The second line of defence is provided by the Bank's independent risk management and compliance functions.
- The risk management function undertakes climate-related risk assessments and monitoring, independent of the first line of defence. The compliance function entails ensuring adherence to applicable laws, regulations and internal policies.

Third line of defence (3LOD)

- The third line of defence is provided by the Bank's independent internal audit function.
- This includes independent review and objective assurance of the quality and effectiveness of the overall internal control framework and systems, the first and second lines of defence and the risk governance framework taking into account changes in methodology, business and risk profile, as well as the quality of underlying data.

4.0 METRICS AND TARGETS

Globally, MUFG has set a sustainable finance goal of JPY100 trillion by 2030, reflecting its strong commitment to supporting the transition toward a more sustainable and inclusive society. In 2021, MUFG announced its MUFG Carbon Neutrality Declaration, a commitment to achieve carbon neutrality in its finance portfolio by 2050. MUFG have been pursuing various initiatives based on three unwavering commitments:

MUFG's three unwavering climate change commitments

1. **Helping achieve the 1.5˚C target of the Paris Agreement by achieving carbon neutrality by 2025**
2. **Supporting a smooth transition to a decarbonized society through our financial services**
3. **Proactively contributing to creating a sustainable society by fostering a virtuous cycle between the environment and the economy**

In alignment with these commitments, MUFG Malaysia is dedicated to joining other markets in supporting the Group's global sustainability objectives.

4.1 MUFG Malaysia's Business Activities

- Since 2023, the Bank has introduced several paperless initiatives. These include;
  - Reviewed paper-based work workflow and implemented e-approvals.
  - Encouraging double-sided and black and white printing only when necessary.
  - Minimizing printed materials in meetings through digital agenda and presentation materials.
  - Digitize records and important documents.
- November 2023, the Bank relocated to Plaza Conlay, a Green Building Index (GBI) Gold certified building. The building is also MSC compliant, signifying its status as a certified digital infrastructure green building. To support our environmental goals, we've installed energy-efficient LED lighting during office relocations and implemented motion sensors to reduce electricity consumption after office hours.
- MUFG NOW (Net Zero World), a thought leadership platform launched across key ASEAN markets including Kuala Lumpur (2024) and Sarawak (2025), the Bank has continued to strengthen client engagement including policy makers on climate transition. These platforms were designed to facilitate in-depth dialogue with corporate and public sector clients on decarbonization, sectoral transition pathways and enabling finance. MUFG's purpose is to support clients navigating climate-related risks and opportunities, while contributing to regional and national net zero ambitions.
- August 2024, a homegrown initiative – DNA project (Decarbonization, Net Zero Awareness) was introduced to drive in-house initiatives to enhance education & communication, to foster a culture of sustainability in our own practices and encourage green advocacy.
- September 2024, solar panels were installed at the CEO Residence, with an anticipated 42% reduction in electricity consumption.

We recognize that sustainability is a continuous journey, not a one-time effort. The Bank remains committed to driving ongoing initiatives that enhance environmental efficiency, reduce our carbon footprint, and promote a culture of sustainability across all levels of the Bank. As we move forward, we will continue to identify and implement practical solutions that support our long-term sustainability goals.:

MUFG

Committed To Empowering
A Brighter Future