

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

Company No : 199401016638 (302316-U)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED
30 JUNE 2021**

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Company No : 199401016638 (302316-U)

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED
30 JUNE 2021

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MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Note	2021 June RM'000	2021 March RM'000
ASSETS			
Cash and short-term funds	11	7,240,430	7,152,000
Deposits and placements with financial institutions	12	1,413,136	1,709,173
Financial assets at fair value through profit or loss	13	92,158	233,986
Financial assets at fair value through other comprehensive income	14	745,189	669,258
Loans, advances and financing	15	6,182,864	8,166,774
Embedded loans measured at fair value through profit or loss	16	12,816,910	12,881,961
Purchased receivables	17	982,269	971,744
Collateral deposits placed		357,157	330,340
Derivative financial assets	18	412,047	433,259
Right-of-use assets		5,420	6,218
Other assets		18,724	51,504
Property, plant and equipment		24,821	26,131
Intangible assets		87,947	94,988
Current tax assets		12,486	15,311
Deferred tax assets		7,299	7,299
TOTAL ASSETS		<u>30,398,857</u>	<u>32,749,946</u>
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	19	10,854,336	10,858,905
Deposits and placements of banks and other financial institutions	20	412,956	295,098
Collateral deposits received		14,765,910	16,930,535
Obligation on securities sold on repurchase agreements		-	303,494
Derivative financial liabilities	18	342,678	392,111
Lease liabilities		5,661	6,283
Sukuk		250,000	250,000
Other liabilities	21	105,223	113,161
TOTAL LIABILITIES		<u>26,736,764</u>	<u>29,149,587</u>
SHARE CAPITAL		200,000	200,000
RESERVES		3,462,093	3,400,359
SHAREHOLDER'S FUNDS		<u>3,662,093</u>	<u>3,600,359</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>30,398,857</u>	<u>32,749,946</u>
COMMITMENTS AND CONTINGENCIES	22	<u>76,179,821</u>	<u>70,830,913</u>

MUFG BANK (MALAYSIA) BERHAD
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2021**

	Note	1 st Quarter Ended		Three Months Ended	
		2021 June RM'000	2020 June RM'000	2021 June RM'000	2020 June RM'000
Operating revenue		131,781	80,152	131,781	108,735
Interest income	23	65,316	95,411	65,316	95,411
Interest expense	24	(23,238)	(34,002)	(23,238)	(34,002)
Net interest income		42,078	61,409	42,078	61,409
Net income from embedded loans measured at FVTPL	25	35,969	6,367	35,969	6,367
Net income from Islamic Banking operations	30	6,671	777	6,671	777
Other operating income	26	47,063	40,182	47,063	40,182
Operating income		131,781	108,735	131,781	108,735
Other operating expenses	27	(52,854)	(46,944)	(52,854)	(46,944)
Operating profit before allowance for impairment		78,927	61,791	78,927	61,791
Reversal of impairment on financial instruments	28	2,620	5,770	2,620	5,770
Profit before tax		81,547	67,561	81,547	67,561
Tax expense		(21,550)	(25,025)	(21,550)	(25,025)
Profit for the period		59,997	42,536	59,997	42,536
Other comprehensive income net of tax					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Foreign currency translation in respect of expected credit loss		-	-	-	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Change in fair value of financial assets at fair value through other comprehensive income		1,737	(503)	1,737	1,972
Change in expected credit loss reserve		-	-	-	3
Total comprehensive income for the period		61,734	42,033	61,734	44,511
Profit attributable to :					
Owner of the Bank		59,997	30,155	59,997	42,536
Total comprehensive income attributable to :					
Owner of the Bank		61,734	29,652	61,734	44,511
Basic earnings per share (sen)		30.0	15.1	30.0	21.3

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2021**

	<----- Attributable to Shareholder of the Bank ----->						Total
	<----- Non-distributable ----->					Distributable	
	Share capital	Regulatory reserve	Defined benefit reserve	ECL reserve	Fair value reserve	Retained profits	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2021 June							
At beginning of the period	200,000	103,731	(4,252)	346	27,509	3,273,025	3,600,359
Profit for the period	-	-	-	-	-	59,997	59,997
Other comprehensive income	-	-	-	-	1,737	-	1,737
Total comprehensive income	-	-	-	-	1,737	59,997	61,734
At end of the period	200,000	103,731	(4,252)	346	29,246	3,333,022	3,662,093
2020 June							
At beginning of the period	200,000	55,990	(5,801)	352	27,851	3,005,605	3,283,997
Profit for the period	-	-	-	-	-	42,536	42,536
Other comprehensive income	-	-	-	3	1,972	-	1,975
Total comprehensive income	-	-	-	3	1,972	42,536	44,511
Transfer to retained profits	-	-	-	-	-	-	-
At end of the period	200,000	55,990	(5,801)	355	29,823	3,048,141	3,328,508

MUFG BANK (MALAYSIA) BERHAD
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2021

	2021 June RM'000	2020 June RM'000
Cash Flows From Operating Activities		
Profit before tax	81,547	67,561
Adjustments for:		
Depreciation of property, plant and equipment	1,310	1,573
Depreciation of right-of-use assets	852	922
Amortisation of intangible assets	7,042	7,055
Defined benefit plan	892	1,058
Dividend income	(216)	(111)
Reversal of impairment on financial instruments	(2,620)	(5,770)
Interest income from financial investments at fair value through other comprehensive income	(3,659)	(4,762)
Finance cost on lease liabilities	51	72
Interest income from financial assets at fair value through profit or loss	(941)	(3,731)
Unrealised (gain)/loss on changes in fair value of financial assets measured at fair value through profit or loss	(14,417)	24,160
Unrealised gain on changes in trading securities	(3,622)	(504)
Unrealised loss/(gain) on changes in fair value of derivative financial instruments	(16,728)	9,004
Unrealised gain on changes in fair value of loans measured at fair value	(648)	(1,108)
Operating profit before changes in working capital	<u>48,843</u>	<u>95,419</u>
(Increase)/Decrease in operating assets:		
Financial assets at fair value through profit or loss	(5,471)	(301)
Financial investments at fair value through other comprehensive income	(73,252)	4,569
Loans, advances and financing	1,986,448	1,869,528
Embedded loans measured at fair value through profit or loss	76,214	1,758,642
Collateral deposits placed	(26,817)	(126,590)
Purchased receivables	(10,515)	74,511
Statutory deposits with Bank Negara Malaysia	-	42,397
Derivative financial assets	212,887	466,764
Other assets	329,722	(815,123)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	(4,569)	431,227
Deposits and placements of banks and other financial institutions	117,858	(31,681)
Collateral deposits received	(2,164,625)	(2,961,596)
Derivative financial liabilities	(220,478)	(490,993)
Other liabilities	(4,652)	(45,686)
Obligation on securities sold on repurchase agreement	(303,494)	303,494
Cash (used in)/generated from operations	<u>(41,901)</u>	<u>574,581</u>
Income taxes paid	(21,550)	(20,448)
Payment of staff gratuities	(1,228)	(403)
Net cash (used in)/generated from operating activities	<u>(64,679)</u>	<u>553,730</u>

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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2021 (CONTD.)

	2021 June RM'000	2020 June RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(372)	(46)
Proceeds from disposal of property, plant and equipment	-	-
Purchase of intangible assets	(589)	(45,408)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	70,935
Purchase of financial assets at fair value through other comprehensive income	-	(41,359)
Interest income from financial assets at fair value through other comprehensive income	2,718	2,349
Proceeds from disposal of financial assets at fair value through profit or loss	445,936	547,716
Purchase of financial assets at fair value through profit or loss	(295,015)	(636,473)
Interest income from financial assets at fair value through profit or loss	941	3,731
Dividend received	216	111
Net cash generated from/(used in) investing activities	<u>153,835</u>	<u>(98,444)</u>
Cash Flows From Financing Activities		
Repayment of lease liabilities	(726)	(798)
Net cash (used in) financing activities	<u>(726)</u>	<u>(798)</u>
Net increase in cash and cash equivalents	88,430	454,488
Cash and cash equivalents at beginning of quarter	<u>7,152,000</u>	<u>4,050,436</u>
Cash and cash equivalents at end of quarter	<u>7,240,430</u>	<u>4,504,924</u>
Cash outflows for leases as a lessee		
Included in net cash from operating activities:		
Payment relating to short-term leases	75	71
Payment relating to leases of low-value assets	465	430
Included in net cash from financing activities:		
Payment of lease liabilities	675	726
Interest paid in relation to lease liabilities	51	72
Total cash outflows for leases	<u>1,266</u>	<u>1,299</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2021

1 BASIS OF PREPARATION

The unaudited condensed interim financial report for the quarter ended 30 June 2021 have been prepared under the historical cost convention except for financial assets at fair value through other comprehensive income, financial assets at fair value through other comprehensive income, embedded loans measured at fair value through profit or loss and derivative financial instruments which are stated at fair value.

The unaudited condensed interim financial report have been prepared in accordance with MFRS 134 : *Interim Financial Reporting* issued by the Malaysian Accounting Standard Board ("MASB") and Bank Negara Malaysia's Guidelines on Financial Reporting. The unaudited interim financial report should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2021. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 March 2021.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Bank:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

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

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

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

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

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2021**

1 BASIS OF PREPARATION (CONTD)

The Bank plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 April 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020;
- from the annual period beginning on 1 April 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021;
- from the annual period beginning on 1 April 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021;
- from the annual period beginning on 1 April 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework* and amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)* which are not applicable to the Bank; and
- from the annual period beginning on 1 April 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts* which is not applicable to the Bank.

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

Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak

On 28 June 2021, BNM introduced Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH), as a measure to assist borrowers/customers experiencing financial constraints due to the COVID-19. The key measures affecting regulatory and accounting treatment and classifications are as follows:

(a) Moratorium on repayment/payment of loans/financing

- Moratorium on all loan/financing repayments/payments, principal and interest (except for credit card balances) by individuals, microenterprises and small-medium enterprise ("SME") borrowers/customers affected by the pandemic for a period of 6 months from 7 July 2021. The moratorium is applicable to loans/financing that are not in arrears exceeding 90 days as at 1 July 2021.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2021

2 AUDIT REPORT

The audit report on the audited financial statements for the financial year ended 31 March 2021 was not subject to any qualification.

3 SEASONAL OR CYCLICAL FACTORS

The business operations of the Bank have not been affected by any material seasonal cyclical factors.

4 EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items for the financial period ended 30 June 2021.

5 CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial years that have a material effects on the financial results and position of the Bank for the financial period ended 30 June 2021.

6 CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities during the financial period ended 30 June 2021.

7 DIVIDEND PAID

No dividend was paid during the financial period ended 30 June 2021.

8 SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial report.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2021

9 REVIEW OF PERFORMANCE

The Bank's profit before taxation for the financial period ended 30 June 2021 was RM81.55 million, increase of 20.7% or RM13.99 million compared to the corresponding period last year. Operating income increased by RM23.05 million from RM108.73 million to RM131.78 million whilst operating expenses increased by RM5.91 million mainly attributed to higher other administrative fees.

Total assets decreased from RM32.7 billion as at 31 March 2021 to RM30.4 billion as at 30 June 2021. The Bank's CET 1/Tier 1 capital ratio and total capital ratio remained strong at 28.78% and 29.81% respectively.

10 PROSPECTS

In 2021, the global economy is expected to continue its gradual and uneven recovery path from the second half of 2020. Global growth prospects will continue to be shaped by developments surrounding the COVID-19 pandemic, particularly the rollout of vaccines, ongoing structural shifts in the economy, and the extent of scarring in labour markets.

Notwithstanding the expected global recovery, continued policy support will be vital to sustain the overall growth momentum amid elevated uncertainty. Global monetary policy is also expected to remain supportive of growth. The commitment towards a 'low-for-longer' interest rate environment in major advanced economies and implementation of accommodative monetary policies in major EMEs will support demand. Despite the surge in long-term government bond yields in the US which began in January 2021 and the increased global financial market volatility, major central banks have continued to maintain the stance that monetary policy will remain accommodative amid considerable economic slack, transitory inflationary pressures, and high uncertainties on the strength of growth recoveries.

The risks to global growth remains tilted to the downside, as pandemic-related downside risks could dampen the prospects of a global recovery. These include the re-imposition of strict and widespread containment measures due to COVID-19 resurgences, slower-than-expected rollout of vaccines or major mutations in the COVID-19 virus that could render the existing vaccines less effective. More severe economic scarring, arising from extensive permanent job losses and business closures, could also weaken long-term global growth. Nevertheless, there is some upside potential to the outlook. Global growth could outperform expectations with a faster rollout and wider outreach of vaccines, especially in EMEs.

For Malaysia, the expectation is for the economy to recover in 2021, even Bank Negara has indicated growth ranging from 6.0 - 7.5% in 2021. The path of recovery will be gradual and uneven across economic sectors, and it may encounter speed bumps along the way. Growth will be underpinned by stronger external demand and higher public and private expenditure.

The rollout of the domestic COVID-19 vaccination programme will also lift sentiments and support economic activities. Malaysia's integration in fast growing segments of global value chains and diversified external trade structures, along with continued policy support and its effective execution would be the key factors in driving the rebound in economic growth in 2021.

Despite the positive outlook, downside risks to growth remain. Of immediate concern is the unpredictable course of the pandemic globally and domestically. The Bank cannot rule out the risk of COVID-19 becoming persistent and the country having to withstand the pandemic longer than expected. This is subject to how quickly Malaysia can achieve herd immunity and how the virus evolves. Aside from the pandemic, the uneven growth recovery could risk larger permanent job losses and business closures, particularly in high-touch services sectors. This economic scarring can have a more lasting consequence on the economy, and could prevent a quicker return to a pre-pandemic growth trajectory when economic activity normalises.

While overall growth is expected to spike in 2Q 2021 due to low base effect from MCO 1.0, the magnitude of growth is expected to be capped by the four-week full lockdown from 1st–28th June 2021. Following the latest extension of MCO (15th June –28th June 2021), GDP projection figure too may need further readjustment. Despite the downside risk to the forecast, the underlying supportive factors such as recovering global demand from major economies and recent ramp-up in vaccination rates in Malaysia will provide some respite to the economy.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2021**

11 CASH AND SHORT-TERM FUNDS

	2021 June RM'000	2021 March RM'000
<i>At amortised cost</i>		
Cash and balances with banks and other financial institutions	27,026	21,377
Money at call and deposit placements maturing within three months	7,213,404	7,130,623
	<u>7,240,430</u>	<u>7,152,000</u>

12 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2021 June RM'000	2021 March RM'000
<i>At amortised cost</i>		
Licensed bank		
• Malaysia	1,112,720	1,409,165
• Other countries	300,416	300,008
	<u>1,413,136</u>	<u>1,709,173</u>

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

	2021 June RM'000	2021 March RM'000
Money market instruments:		
Malaysian Government Securities	71,304	59,343
Government Investment Issues	20,854	174,643
	<u>92,158</u>	<u>233,986</u>

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

	2021 June RM'000	2021 March RM'000
Money market instruments		
Malaysian Government Securities	411,774	411,711
Government Investment Issues	20,959	20,990
Japanese Government Bonds	75,229	-
Sukuk	208,000	207,330
	<u>715,962</u>	<u>640,031</u>
Non-money market instruments:		
Unquoted shares	29,227	29,227
	<u>29,227</u>	<u>29,227</u>
Total	<u>745,189</u>	<u>669,258</u>

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

	2021 June RM'000	2021 March RM'000
12-Month ECL Stage 1		
At 1 April	346	349
Allowance made / (written back) due to changes in credit risk	-	(3)
Deferred tax impact	-	-
At 30 June / 31 March	<u>346</u>	<u>346</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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15 LOANS, ADVANCES AND FINANCING

	2021 June RM'000	2021 March RM'000
(a) By type:		
<i>At amortised cost</i>		
Overdrafts	11,051	7,778
Term loans		
• Housing loans	10,167	10,475
• Other term loans	3,445,385	4,224,348
Revolving credits	2,438,385	3,633,878
Bills receivable	105,240	130,691
Claims on customers under acceptance credits	-	-
Staff loans	6,990	7,043
	<u>6,017,218</u>	<u>8,014,213</u>
Unearned interest	(171)	(193)
Gross loans, advances and financing	<u>6,017,047</u>	<u>8,014,020</u>
Impairment allowances on loans, advances and financing		
• Stage 1 - 12 month ECL	(5,141)	(5,392)
• Stage 2 - lifetime ECL not credit impaired	(34,548)	(37,062)
• Stage 3 - lifetime ECL credit impaired	(226)	(230)
Net loans, advances and financing	<u>5,977,132</u>	<u>7,971,336</u>
<i>At fair value</i>		
Other term loans	205,732	195,438
Net loans, advances and financing	<u>6,182,864</u>	<u>8,166,774</u>
Gross loans, advances and financing		
<i>At amortised cost</i>	6,017,047	8,014,020
<i>At fair value</i>	205,732	195,438
	<u>6,222,779</u>	<u>8,209,458</u>
(b) By maturity structure:		
Maturing within one year	2,949,663	4,425,059
More than one year to three years	1,428,533	1,967,247
More than three years to five years	599,593	605,591
More than five years	1,244,990	1,211,561
	<u>6,222,779</u>	<u>8,209,458</u>
(c) By type of customer:		
Domestic non-bank financial institutions	742,558	655,413
Domestic business enterprises		
• Small medium enterprises	12,486	425,530
• Others	3,837,765	4,454,575
Individuals	16,902	17,245
Foreign entities	1,613,068	2,656,695
	<u>6,222,779</u>	<u>8,209,458</u>
(d) By interest rate sensitivity:		
Fixed rate		
• Staff loans	3,820	3,978
Variable rates	6,218,958	8,205,480
	<u>6,222,779</u>	<u>8,209,458</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2021****15 LOANS, ADVANCES AND FINANCING (CONTD.)**

	2021 June	2021 March
	RM'000	RM'000
(e) By economic sector:		
Agricultural, hunting, forestry and fishing	241,498	483,194
Mining and quarrying	205,732	195,438
Manufacturing	1,281,683	1,375,244
Electricity, gas and water	1,305,444	1,251,630
Construction	323,483	220,455
Wholesale and retail trade and restaurants and hotels	510,394	485,972
Transport, storage and communication	953,657	1,871,084
Finance, insurance, real estate and business services	969,615	1,894,658
Households	17,157	17,517
Others	414,116	414,266
	<u>6,222,779</u>	<u>8,209,458</u>
(f) By geographical location:		
Malaysia	4,609,966	6,591,878
Other countries	1,612,813	1,617,580
	<u>6,222,779</u>	<u>8,209,458</u>
(g) Credit-impaired gross loans by economic sector is as follows:		
Household	<u>682</u>	<u>664</u>
(h) Credit-impaired gross loans by geographical location is as follows:		
Malaysia	<u>682</u>	<u>664</u>
(i) Movements in credit-impaired gross loans, advances and financing are as follows:		
At beginning of the period	664	425,620
Classified as impaired during the period	129	267,235
Amount recovered	(79)	(199,937)
Reclassified as performing	-	(492,254)
Amount written off	(32)	-
At end of the period	<u>682</u>	<u>664</u>

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15 LOANS, ADVANCES AND FINANCING (CONTD.)

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

	12 month ECL	Lifetime ECL		Total RM'000
		Not credit impaired	Credit impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At 1 April 2021	5,392	37,062	230	42,684
Transfer to 12-Month ECL (Stage 1)	-	-	-	-
Transfer to lifetime ECL not credit-impaired (Stage 2)	(34)	164	-	130
Transfer to lifetime ECL credit-impaired (Stage 3)	(2)	-	-	(2)
New financial assets originated	3,902	15,411	-	19,313
Financial assets derecognised (other than write-off)	(4,019)	(17,959)	-	(21,978)
Net remeasurement due to changes in credit risk	(98)	(130)	4	(224)
Amount written off	-	-	(8)	(8)
At 30 June 2021	<u>5,141</u>	<u>34,548</u>	<u>226</u>	<u>39,915</u>
At 1 April 2020	13,619	13,381	50,777	77,777
Transfer to 12-Month ECL (Stage 1)	2	-	-	2
Transfer to lifetime ECL not credit-impaired (Stage 2)	(1,644)	18,547	(32,930)	(16,027)
Transfer to lifetime ECL credit-impaired (Stage 3)	(2)	-	11	9
New financial assets originated	3,610	18,514	-	22,124
Financial assets derecognised (other than write-off)	(6,316)	(13,380)	(17,649)	(37,345)
Net remeasurement due to changes in credit risk	(3,877)	-	21	(3,856)
At 31 March 2021	<u>5,392</u>	<u>37,062</u>	<u>230</u>	<u>42,684</u>

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

	2021 June RM'000	2021 March RM'000
<i>At fair value</i>		
Embedded loans with term loans nature	12,435,795	12,502,735
Embedded loans with revolving credits nature	381,115	379,226
	<u>12,816,910</u>	<u>12,881,961</u>

Loans measured at FVTPL included RM12,489,406,000 (March 2021: RM12,552,576,000) of outstanding balance for loans, advances and financing, and fair value for derivative financial assets and liabilities of RM163,390,000 (March 2021: RM174,265,000) and credit spread of RM164,114,000 (March 2021: RM155,120,000).

Included in embedded loans are fair value from derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM2,288,000 (2021 March: RM2,278,000) and RM54,000 (March 2021: RM38,000) respectively.

(a) By maturity structure:

Maturing within one year	3,890,490	4,130,246
More than one year to three years	4,607,454	3,924,620
More than three years to five years	2,164,250	2,923,260
More than five years	2,154,716	1,903,835
	<u>12,816,910</u>	<u>12,881,961</u>

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

	2021 June RM'000	2021 March RM'000
(b) By type of customer:		
Domestic non-bank financial institutions	8,138,527	8,192,776
Domestic business enterprises		
• Small medium enterprises	13,366	13,629
• Others	4,981,066	4,928,676
Domestic financial institutions *	(318,282)	(255,360)
Foreign entities	2,233	2,240
	<u>12,816,910</u>	<u>12,881,961</u>
(c) By interest rate sensitivity:		
Variable rates	<u>12,816,910</u>	<u>12,881,961</u>
(d) By economic sector:		
Mining and quarrying	505	1,030
Manufacturing	860,130	875,398
Electricity, gas and water	1,395,135	1,389,610
Construction	658,840	662,638
Wholesale, retail trade, restaurants and hotels	899,766	825,516
Transport, storage and communication	289,270	297,538
Finance, insurance, real estate and business services	8,702,800	8,823,119
Others	10,464	7,112
	<u>12,816,910</u>	<u>12,881,961</u>
(e) By geographical location:		
Malaysia	12,759,540	12,824,901
Other countries	57,370	57,060
	<u>12,816,910</u>	<u>12,881,961</u>

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

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

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

	2021 June			2021 March		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<i>At fair value</i>						
Embedded loans with term loans nature:						
Foreign currency swaps	9,823,917	395,158	34,156	10,232,082	372,622	60,775
Interest rate swaps	2,615,132	115,857	-	2,736,612	115,183	190
	<u>12,439,049</u>	<u>511,015</u>	<u>34,156</u>	<u>12,968,694</u>	<u>487,805</u>	<u>60,965</u>
Embedded loans with revolving credits nature:						
Foreign currency swaps	378,437	2,579	-	378,437	558	-
Interest rate swaps	-	-	-	-	-	-
	<u>378,437</u>	<u>2,579</u>	<u>-</u>	<u>378,437</u>	<u>558</u>	<u>-</u>
Cover deals:						
Foreign currency swaps	9,983,883	73,938	207,696	9,364,939	120,788	195,435
Interest rate swaps	13,352,776	19,195	201,485	13,064,466	28,587	207,073
	<u>23,336,659</u>	<u>93,133</u>	<u>409,181</u>	<u>22,429,404</u>	<u>149,375</u>	<u>402,508</u>
	<u>36,154,144</u>	<u>606,727</u>	<u>443,337</u>	<u>35,776,536</u>	<u>637,738</u>	<u>463,473</u>
Set off		(443,337)	(443,337)		(463,473)	(463,473)
Net assets		<u>163,390</u>	<u>-</u>		<u>174,265</u>	<u>-</u>

17 PURCHASED RECEIVABLES

	2021 June RM'000	2021 March RM'000
<i>At amortised cost</i>		
Purchased receivables	982,589	972,074
Impairment allowances on purchased receivables		
Stage 1 - 12 month ECL	(320)	(330)
	<u>982,269</u>	<u>971,744</u>

Purchased receivables relate to receivables acquired by the Bank under the account receivables purchasing and vendors financing product. These amounts owing from obligors have a tenure of within three months. Included in purchased receivables are non-recourse bills receivable amounting to RM952,422,000 (2021 March: RM939,569,000).

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17 PURCHASED RECEIVABLES (CONTD)

- (a) Movements in impairment allowances on purchased receivables which reflect the ECL model on impairment during the financial period are as follows:

	12 month ECL Stage 1 RM'000	Lifetime ECL Not credit Stage 2 RM'000	Credit Stage 3 RM'000	Total RM'000
At 1 April 2021	330	-	-	330
New financial assets originated	128	-	-	128
Financial assets derecognised (other than write-off)	(91)	-	-	(91)
Net remeasurement due to changes in credit risk	(47)	-	-	(47)
At 30 June 2021	<u>320</u>	<u>-</u>	<u>-</u>	<u>320</u>
At 1 April 2020	258	59	10	327
New financial assets originated	282	-	-	282
Financial assets derecognised (other than write-off)	(82)	(59)	(10)	(151)
Net remeasurement due to changes in credit risk	(128)	-	-	(128)
At 31 March 2021	<u>330</u>	<u>-</u>	<u>-</u>	<u>330</u>

18 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The table below shows the Bank's derivative financial instruments measured at their fair value together with their corresponding contract/notional amounts as at the reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract values on which changes in the fair value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the financial period but are not indicative of either the market risk or credit risk inherent in the derivative contracts.

	2021 June			2021 March		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<i>At Fair Value</i>						
Trading Derivatives *						
Foreign exchange related contracts						
🔄 Forwards	11,752,049	62,833	46,688	10,682,373	86,495	75,131
🔄 Swaps	6,925,334	227,703	189,476	7,184,321	231,808	202,707
Interest rate related contracts						
🔄 Swaps	11,513,797	120,396	105,764	8,507,330	113,918	113,933
Other derivatives						
🔄 Currency options	227,537	1,116	750	168,317	1,038	340
	<u>30,418,716</u>	<u>412,047</u>	<u>342,678</u>	<u>26,542,341</u>	<u>433,259</u>	<u>392,111</u>

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM84,062,000 (March 2021: RM76,590,000) and RM90,634,000 (March 2021: RM116,871,000) respectively.

MUFG BANK (MALAYSIA) BERHAD**(Incorporated in Malaysia)****NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2021****19 DEPOSITS FROM CUSTOMERS**

	2021 June RM'000	2021 March RM'000
<i>At amortised cost</i>		
Demand deposits	4,189,884	3,783,145
Money market deposits	2,557,030	1,944,289
Savings deposits	105	102
Fixed deposits	4,107,317	5,131,369
	<u>10,854,336</u>	<u>10,858,905</u>

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

Due within six months	4,032,611	5,091,010
Six months to one year	71,824	37,229
Above one year	2,882	3,130
	<u>4,107,317</u>	<u>5,131,369</u>

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

Government and statutory bodies	-	332,445
Business enterprises	10,490,199	10,236,557
Individuals	1,634	1,625
Foreign entities/individuals	285,562	211,529
Others	76,941	76,749
	<u>10,854,336</u>	<u>10,858,905</u>

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021 June RM'000	2021 March RM'000
<i>At amortised cost</i>		
Licensed banks	<u>412,956</u>	<u>295,098</u>

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21 OTHER LIABILITIES

	2021 June RM'000	2021 March RM'000
Provision for retirement benefits	30,931	31,267
Impairment allowances on commitments and contingencies (i)		
• Stage 1 - 12 month ECL	378	390
• Stage 2 - lifetime ECL not credit-impaired	2,197	2,258
Accrued interest payable	8,946	8,158
Bills payable	2,708	3,885
Other payables and accruals	60,063	67,203
	<u>105,223</u>	<u>113,161</u>

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

	Lifetime ECL			Total RM'000
	12 month ECL Stage 1 RM'000	Not credit impaired Stage 2 RM'000	Credit impaired Stage 3 RM'000	
At 1 April 2021	390	2,258	-	2,648
Transfer to 12-Month ECL (Stage 1)	1	(5)	-	(4)
Transfer to lifetime ECL not credit-impaired (Stage 2)	(45)	30	-	(15)
New financial assets originated	242	717	-	959
Financial assets derecognised (other than write-off)	(113)	(654)	-	(767)
Net remeasurement due to changes in credit risk	(97)	(149)	-	(246)
At 30 June 2021	<u>378</u>	<u>2,197</u>	<u>-</u>	<u>2,575</u>
At 1 April 2020	1,303	241	717	2,261
Transfer to 12-Month ECL (Stage 1)	2	(61)	(61)	(120)
Transfer to lifetime ECL not credit-impaired (Stage 2)	(171)	1,015	-	844
New financial assets originated	373	1,239	-	1,612
Financial assets derecognised (other than write-off)	(801)	(152)	(656)	(1,609)
Net remeasurement due to changes in credit risk	(316)	(24)	-	(340)
At 31 March 2021	<u>390</u>	<u>2,258</u>	<u>-</u>	<u>2,648</u>

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22 COMMITMENTS AND CONTINGENCIES

	2021 June				2021 March			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related Exposures</u>								
Direct credit substitutes	184,742		184,724	133,116	138,206		138,182	122,924
Transaction-related contingent items	565,883		281,843	247,161	599,062		298,377	257,804
Short-term self-liquidating trade-related contingencies	500,404		100,076	102,565	307,507		61,498	62,904
Other commitments, such as formal standby facilities and credit lines, with an original maturity of :								
- not exceeding one year	215,987		43,181	43,181	215,759		43,137	43,137
- exceeding one year	153		77	63	42		21	16
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,738,560		(1,437)	(1,437)	7,320,619		(1,452)	(1,452)
Securitisation exposures	15,000		3,000	2,250	15,000		3,000	2,250
	<u>9,220,729</u>		<u>611,463</u>	<u>526,899</u>	<u>8,596,195</u>		<u>542,763</u>	<u>487,583</u>
<u>Embedded loans</u>								
Foreign exchange related contracts								
- one year or less	6,358,636	92,338	224,788	136,412	6,827,290	106,956	258,337	154,355
- over one year to five years	11,475,456	296,933	1,132,168	616,919	10,627,071	326,033	1,081,359	587,107
- over five years	2,852,145	82,403	455,238	282,405	2,521,097	60,979	365,802	191,745
Interest rate related contracts								
- one year or less	4,410,686	1,401	2,195	1,400	4,416,340	2,535	4,081	2,526
- over one year to five years	10,115,506	97,858	242,052	107,496	9,852,554	101,282	228,838	101,426
- over five years	1,441,716	35,793	100,007	40,433	1,532,183	39,953	100,397	40,351
	<u>36,654,144</u>	<u>606,727</u>	<u>2,156,450</u>	<u>1,185,067</u>	<u>35,776,535</u>	<u>637,738</u>	<u>2,038,814</u>	<u>1,077,510</u>
<u>Derivative Financial Instruments:</u>								
Foreign exchange related contracts								
- one year or less	12,194,353	71,511	228,785	165,288	11,235,040	101,591	223,082	169,305
- over one year to five years	4,874,677	147,056	493,332	410,953	5,023,301	139,085	495,681	410,493
- over five years	1,608,353	71,969	284,564	183,673	1,608,353	77,627	285,434	183,261
Interest rate related contracts								
- one year or less	5,789,329	6,009	11,518	7,171	1,992,658	3,120	4,603	2,574
- over one year to five years	4,052,553	78,059	99,470	55,243	4,863,059	80,113	113,288	66,277
- over five years	1,671,915	36,328	135,548	91,471	1,651,613	30,685	135,225	91,041
Currency options								
- one year or less	113,769	1,116	2,822	2,822	84,159	1,038	2,301	2,301
	<u>30,304,948</u>	<u>412,047</u>	<u>1,256,039</u>	<u>916,621</u>	<u>26,458,183</u>	<u>433,259</u>	<u>1,259,614</u>	<u>925,252</u>
Total	<u>76,179,821</u>	<u>1,018,775</u>	<u>4,023,951</u>	<u>2,628,587</u>	<u>70,830,913</u>	<u>1,070,997</u>	<u>3,841,191</u>	<u>2,490,345</u>

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	1st Quarter Ended		Three Months Ended	
	2021 June RM'000	2020 June RM'000	2021 June RM'000	2020 June RM'000
23 INTEREST INCOME				
Loans, advances and financing measured at amortised cost and at fair value	33,285	66,757	33,285	66,757
Money at call and deposit placements with financial institutions	27,431	20,161	27,431	20,161
Financial assets at FVTPL	941	3,731	941	3,731
Financial investments at FVOCI	3,659	4,762	3,659	4,762
	<u>65,316</u>	<u>95,411</u>	<u>65,316</u>	<u>95,411</u>
24 INTEREST EXPENSE				
Deposits and placements of banks and other financial institutions	16,754	27,256	16,754	27,256
Deposits from other customers	6,484	6,746	6,484	6,746
	<u>23,238</u>	<u>34,002</u>	<u>23,238</u>	<u>34,002</u>
25 NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL				
Interest income	37,766	68,181	37,766	68,181
Interest expense	(28,833)	(57,064)	(28,833)	(57,064)
Unrealised gain/(loss) in fair value of embedded loans	14,417	(24,160)	14,417	(24,160)
Realised gain in fair value of embedded loans	12,619	19,410	12,619	19,410
	<u>35,969</u>	<u>6,367</u>	<u>35,969</u>	<u>6,367</u>
26 OTHER OPERATING INCOME				
Fee income				
Commission	726	447	726	447
Guarantee fees	715	868	715	868
Service charges and fees	593	506	593	506
Commitment fees	561	221	561	221
Other fee income	1,990	4,136	1,990	4,136
	<u>4,585</u>	<u>6,178</u>	<u>4,585</u>	<u>6,178</u>
Investment income				
Gross dividends	216	111	216	111
Realised loss in fair value of derivative financial instruments	(4,431)	(12,572)	(4,431)	(12,572)
Realised (loss)/gain in fair value of financial assets at FVTPL	(3,088)	6,065	(3,088)	6,065
Unrealised gain/(loss) in fair value of derivative financial instruments	16,728	(9,004)	16,728	(9,004)
Unrealised gain in fair value of financial assets at FVTPL	3,622	504	3,622	504
Unrealised gain in fair value of loans measured at fair value	648	424	648	424
Foreign exchange gain	20,792	45,906	20,792	45,906
Net premium (paid)/received for options	-	-	-	-
	<u>34,487</u>	<u>31,434</u>	<u>34,487</u>	<u>31,434</u>
Other income				
Other operating income	7,991	2,570	7,991	2,570
	<u>47,063</u>	<u>40,182</u>	<u>47,063</u>	<u>40,182</u>

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	1st Quarter Ended		Three Months Ended	
	2021 June	2020 June	2021 June	2020 June
	RM'000	RM'000	RM'000	RM'000
27 OTHER OPERATING EXPENSES				
Personnel expenses	27,199	27,639	27,199	27,639
Establishment related expenses	10,416	10,711	10,416	10,711
Promotion and marketing related expenses	308	329	308	329
Administrative and other expenses	14,931	8,265	14,931	8,265
	<u>52,854</u>	<u>46,944</u>	<u>52,854</u>	<u>46,944</u>
Personnel expenses				
- Wages, salaries and bonus	21,145	21,407	21,145	21,407
- Defined benefit plan	892	1,058	892	1,058
- Defined contribution plan	2,449	2,586	2,449	2,586
- Other employee benefits	2,713	2,588	2,713	2,588
	<u>27,199</u>	<u>27,639</u>	<u>27,199</u>	<u>27,639</u>
Establishment related expenses				
- Depreciation of property, plant and equipment	1,310	1,573	1,310	1,573
- Amortisation of intangible assets	7,042	7,055	7,042	7,055
- Depreciation of right-of-use assets	852	922	852	922
- Hire of equipment	516	431	516	431
- Repair and maintenance	37	48	37	48
- Expenses relating to short-term leases and leases of low-value assets	393	426	393	426
- Others	266	256	266	256
	<u>10,416</u>	<u>10,711</u>	<u>10,416</u>	<u>10,711</u>
Promotion and marketing related expenses				
- Advertising and publicity	11	51	11	51
- Others	297	278	297	278
	<u>308</u>	<u>329</u>	<u>308</u>	<u>329</u>
Administrative and other expenses				
- Cash collateral fees	4	270	4	270
- Communication expenses	160	243	160	243
- Legal and professional fees	178	45	178	45
- Others	14,589	7,707	14,589	7,707
	<u>14,931</u>	<u>8,265</u>	<u>14,931</u>	<u>8,265</u>

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	1st Quarter Ended		Three Months Ended	
	2021 June	2020 June	2021 June	2020 June
	RM'000	RM'000	RM'000	RM'000
28 REVERSAL OF IMPAIRMENT ON FINANCIAL INSTRUMENTS				
Stage 1 and 2 expected credit losses made during the year	20,594	56,529	20,594	56,529
Stage 1 and 2 expected credit losses written back	(23,441)	(21,284)	(23,441)	(21,284)
Stage 3 expected credit losses made during the year	4	8,583	4	8,583
Stage 3 expected credit losses written back	(8)	(49,600)	(8)	(49,600)
Other movements	222	2	222	2
Bad debts written back	9	-	9	-
	<u>(2,620)</u>	<u>(5,770)</u>	<u>(2,620)</u>	<u>(5,770)</u>
(a) Reversal of impairment on loans, advances and financing				
Stage 1 and 2 expected credit losses made during the year	19,477	55,851	19,477	55,851
Stage 1 and 2 expected credit losses written back	(22,242)	(21,027)	(22,242)	(21,027)
Stage 3 expected credit losses made during the year	4	8,511	4	8,511
Stage 3 expected credit losses written back	(8)	(49,412)	(8)	(49,412)
Impaired loans, advances and financing written off	-	-	-	-
Other movements	222	2	222	2
Bad debts written back	9	-	9	-
	<u>(2,538)</u>	<u>(6,075)</u>	<u>(2,538)</u>	<u>(6,075)</u>
(b) (Reversal of)/Allowance for impairment on purchased receivables				
Stage 1 and 2 expected credit losses made during the year	128	473	128	473
Stage 1 and 2 expected credit losses written back	(138)	(124)	(138)	(124)
Stage 3 expected credit losses made during the year	-	12	-	12
Stage 3 expected credit losses written back	-	(10)	-	(10)
	<u>(10)</u>	<u>351</u>	<u>(10)</u>	<u>351</u>
(c) Reversal of impairment on off-balance sheet exposures				
Stage 1 and 2 expected credit losses made during the year	989	205	989	205
Stage 1 and 2 expected credit losses written back	(1,061)	(130)	(1,061)	(130)
Stage 3 expected credit losses made during the year	-	60	-	60
Stage 3 expected credit losses written back	-	(178)	-	(178)
	<u>(72)</u>	<u>(43)</u>	<u>(72)</u>	<u>(43)</u>
(d) Reversal of impairment on financial investments at FVOCI				
Stage 1 and 2 expected credit losses written back	-	(3)	-	(3)
	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>

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29 CAPITAL ADEQUACY

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

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

	2021 June	2021 March
Common equity Tier 1 ("CET 1") capital ratio	28.783%	28.697%
Tier 1 capital ratio	28.783%	28.697%
Total capital ratio	<u>29.811%</u>	<u>29.704%</u>

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

	2021 June RM'000	2021 March RM'000
<u>CET 1 and Tier 1 capital</u>		
· Paid-up share capital	200,000	200,000
· Retained profits	3,273,025	3,273,025
· Other reserves	129,071	127,334
	<u>3,602,096</u>	<u>3,600,359</u>
<u>Less</u>		
· Deferred tax assets	(7,299)	(7,299)
· Intangible assets	(87,947)	(94,988)
· 55% of fair value reserve	(16,085)	(15,130)
· Regulatory reserve	(103,731)	(103,731)
	<u>3,387,034</u>	<u>3,379,211</u>
<u>Tier 2 capital</u>		
· Stage 1 and 2 ECL and regulatory reserve	120,873	118,637
Total Capital	<u>3,507,907</u>	<u>3,497,848</u>

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29 CAPITAL ADEQUACY (CONT'D)

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

2021 June

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-Balance Sheet Exposures :				
Sovereigns/Central Banks	7,297,425	7,297,425	202,809	16,225
Public Sector Entities	32,855	32,855	6,571	526
Banks, Development Financial Institutions & MDBs	3,269,465	3,269,465	880,087	70,407
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	18,684,621	5,359,216	5,526,650	442,132
Regulatory Retail	1,265	1,265	1,265	101
Residential Mortgages	13,510	13,510	6,152	492
Equity Exposures	28,951	28,951	28,951	2,316
Other Assets	567,599	567,599	386,638	30,931
Defaulted Exposures	2,109	2,109	2,109	169
Total On-Balance Sheet Exposures	29,897,800	16,572,395	7,041,232	563,299
Off-Balance Sheet Exposures :				
Credit-related exposures	608,463	608,463	524,649	41,972
Securitisation exposures	3,000	3,000	2,250	180
Derivatives financial instruments	3,412,488	3,412,488	2,101,687	168,135
Total Off-Balance Sheet Exposures	4,023,951	4,023,951	2,628,586	210,287
Total On and Off-Balance Sheet Exposures	33,921,751	20,596,346	9,669,818	773,586
(ii) Large Exposure Risk Requirement				
	-	-	-	-
	Long Position RM'000	Short Position RM'000		
(iii) Market Risk				
Interest Rate Risk	67,894,786	67,636,240	1,266,675	101,334
Foreign Exchange Risk	11,250	(25,880)	25,875	2,070
	67,906,036	67,610,360	1,292,550	103,404
(iv) Operational Risk				
			804,975	64,398
Total RWA and Capital Requirements	33,921,751	20,596,346	11,767,343	941,388

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29 CAPITAL ADEQUACY (CONTD.)

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

2021 March

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,903,209	7,903,209	245,640	19,651
Public Sector Entities	22,608	22,608	4,522	362
Banks, Development Financial Institutions & MDBs	2,923,482	2,923,482	768,432	61,475
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,734,649	5,441,157	5,545,736	443,659
Regulatory Retail	1,366	1,366	1,366	109
Residential Mortgages	13,660	13,660	6,408	513
Equity Exposures	29,226	29,226	29,226	2,338
Other Assets	567,518	567,518	397,128	31,770
Defaulted Exposures	2,191	2,191	2,185	175
Total On-Balance Sheet Exposures	32,197,909	16,904,417	7,000,643	560,052
Off-Balance Sheet Exposures :				
Credit-related exposures	539,763	539,763	485,333	38,827
Securitisation exposures	3,000	3,000	2,250	180
Derivatives financial instruments	3,298,428	3,298,428	2,002,762	160,221
Total Off-Balance Sheet Exposures	3,841,191	3,841,191	2,490,345	199,228
Total On and Off-Balance Sheet Exposures	36,039,100	20,745,608	9,490,988	759,280
(ii) Large Exposure Risk Requirement				
	-	-	-	-
	Long Position RM'000	Short Position RM'000		
(iii) Market Risk				
Interest Rate Risk	63,299,765	62,898,305	1,306,788	104,543
Foreign Exchange Risk	6,207	(112,757)	112,757	9,021
	63,305,972	62,785,548	1,419,545	113,564
(iv) Operational Risk				
			865,055	69,204
Total RWA and Capital Requirements	36,039,100	20,745,608	11,775,588	942,048

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2021**

30 THE OPERATIONS OF ISLAMIC BANKING

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

		2021 June RM'000	2021 March RM'000
ASSETS			
Cash and short-term funds	(a)	180,000	74,000
Deposits and placement with financial institutions	(b)	1,040	801
Other assets		8	3
TOTAL ASSETS		<u>181,048</u>	<u>74,804</u>
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	108,028	8,530
Other liabilities	(d)	25,886	25,708
TOTAL LIABILITIES		<u>133,914</u>	<u>34,238</u>
CAPITAL FUNDS		25,000	25,000
RESERVE		22,134	15,566
ISLAMIC BANKING FUNDS		<u>47,134</u>	<u>40,566</u>
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		<u>181,048</u>	<u>74,804</u>
COMMITMENTS AND CONTINGENCIES	(e)	<u>12,196</u>	<u>12,108</u>

Islamic financing based on Commodity Murabahah (Tawarruq) of RM752,197,678 (2021 March: RM848,257,231) was financed under an internal Wakalah scheme and is reported at the entity level.

Tawarruq structure for the Bank's Islamic financing product consists of three (3) sales and purchases transactions. The first involves the purchase of commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to 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.

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30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2021**

		1st quarter ended		Three months ended	
		2021 June RM'000	2020 June RM'000	2021 June RM'000	2020 June RM'000
Income derived from investment of Islamic Banking Capital funds	(f)	358	296	358	296
Expenses derived from financing	(g)	(1)	(1)	(1)	(1)
Other operating income	(h)	6,314	482	6,314	482
Total net income		6,671	777	6,671	777
Other operating expenses	(i)	(106)	(154)	(106)	(154)
Operating profit before allowance for impairment		6,565	623	6,565	623
Writeback of/(Allowance for) impairment on commitment and contingencies	(j)	3	(62)	3	(62)
Profit before tax		6,568	561	6,568	561
Tax expense		-	-	-	-
Profit for the period		6,568	561	6,568	561

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2021**

	Capital Funds RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Total RM'000
2021 June				
At beginning of the period	25,000	118	15,448	40,566
Profit for the period	-	-	6,568	6,568
At end of the period	25,000	118	22,016	47,134
2020 June				
At beginning of the period	25,000	18	11,442	36,460
Profit for the period	-	-	561	561
At end of the period	25,000	18	12,003	37,021

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2021**

	2021 June RM'000	2020 June RM'000
Cash flows from operating activities		
Profit before tax	6,568	561
Adjustments for:		
(Reversal of)/Allowance for impairment on commitments and contingencies	(3)	62
Operating profit before working capital changes	6,565	623
Increase/(Decrease) in operating assets:		
Deposits and placements with financial institutions	(239)	(929)
Other assets	(5)	(12)
	6,321	(318)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	99,498	241,411
Other liabilities	181	(93)
Net cash generated from operating activities	106,000	241,000
Net increase in cash and cash equivalents	106,000	241,000
Cash and cash equivalents at beginning of the period	74,000	47,000
Cash and cash equivalents at end of the period	180,000	288,000

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2021****30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)****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 2021, the committee comprises: Assoc. Prof. Dr. Abdul Karim bin Ali, Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi, Prof. Dato' Dr. Mohd Azmi Omar and Assoc. Prof. Dr. Mohamad Zaharuddin Zakaria.

Basis of measurement

The financial statements of the Islamic Banking business have been prepared on the basis consistent with that of the Bank as disclosed in Note 1 to the audited financial statements of the Bank for financial year ended 31 March 2021.

(a) Cash and short-term funds

	2021 June RM'000	2021 March RM'000
Cash and balances with banks and other financial institution	180,000	74,000

(b) Deposits and placements with financial institutions

	2021 June RM'000	2021 March RM'000
<i>Amortised cost</i>		
Licensed bank		
• Malaysia	1,040	801

(c) Deposits from customers

	2021 June RM'000	2021 March RM'000
(i) By type of deposits:		
<i>At amortised cost</i>		
Current accounts - Qard	107,863	8,365
Fixed deposits - Tawarruq	165	165
	<u>108,028</u>	<u>8,530</u>

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

	2021 June RM'000	2021 March RM'000
Due within six months	165	165

(iii) By type of customer:

	2021 June RM'000	2021 March RM'000
Domestic business enterprises	8,681	8,365
Foreign entities	99,182	-
Domestic other entities	165	165
	<u>108,028</u>	<u>8,530</u>

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

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30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(d) Other liabilities

		2021 June RM'000	2021 March RM'000
Impairment allowances on commitment and contingencies	(i)		
• Stage 1 - 12 months ECL not credit-impaired		-	4
Accruals and provisions for operational expenses		25,886	25,704
		<u>25,886</u>	<u>25,708</u>

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

	12 month ECL		Lifetime ECL	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2021	4	-	-	4
Financial assets derecognised (other than write-off)	(4)	-	-	(4)
At 30 June 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 1 April 2020	-	14	-	14
Transfer to 12-Month ECL (Stage 1)	-	(14)	-	(14)
New financial assets originated	4	-	-	4
At 31 March 2021	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(e) Commitments and contingencies

	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
30.06.2021				
Contingent liabilities				
Transaction related contingent items	12,196		9,496	9,496
	<u>12,196</u>		<u>9,496</u>	<u>9,496</u>
31.03.2021				
Contingent liabilities				
Transaction related contingent items	12,108		9,405	9,405
	<u>12,108</u>		<u>9,405</u>	<u>9,405</u>

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

	1st quarter ended		Three months ended	
	2021 June	2020 June	2021 June	2020 June
	RM'000	RM'000	RM'000	RM'000
Money at call and placements with financial institutions	358	296	358	296
	<u>358</u>	<u>296</u>	<u>358</u>	<u>296</u>

(g) Expenses derived from financing

	1st quarter ended		Three months ended	
	2021 June	2020 June	2021 June	2020 June
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

(h) Other Operating Income

	1st quarter ended		Three months ended	
	2021 June	2020 June	2021 June	2020 June
	RM'000	RM'000	RM'000	RM'000
Other fee income	6,314	482	6,314	482
	<u>6,314</u>	<u>482</u>	<u>6,314</u>	<u>482</u>

(i) Other Operating Expenses

	1st quarter ended		Three months ended	
	2021 June	2020 June	2021 June	2020 June
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	97	93	97	93
Other expenses	9	61	9	61
	<u>106</u>	<u>154</u>	<u>106</u>	<u>154</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2021**

30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(j) (Writeback of)/Allowance for impairment on commitment and contingencies

	1st quarter ended		Three months ended	
	2021 June RM'000	2020 June RM'000	2021 June RM'000	2020 June RM'000
Stage 1 and 2 ECL made during the year	-	62	-	62
Stage 1 and 2 expected credit losses written back	(3)	-	(3)	-
	<u>(3)</u>	<u>62</u>	<u>(3)</u>	<u>62</u>

(k) Capital Adequacy

The capital adequacy ratios of the Islamic Banking business of the Bank are computed in accordance with the Capital Adequacy Framework for Islamic Banks ("CAFIB"). The Bank's Islamic Banking business has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

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

	2021 June	2021 March
Common equity tier 1 capital ratio	59.337%	62.564%
Tier 1 capital ratio	59.337%	62.564%
Total capital ratio	<u>59.510%</u>	<u>62.746%</u>

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

	2021 June RM'000	2021 March RM'000
<u>CET 1 and Tier 1 capital</u>		
• Capital funds	25,000	25,000
• Retained profits	15,448	15,448
• Other reserves	118	118
	<u>40,566</u>	<u>40,566</u>
<u>Less</u>		
• Regulatory reserves	(118)	(118)
	<u>40,448</u>	<u>40,448</u>
<u>Tier 2 capital</u>		
• Stage 1 and 2 ECL and regulatory reserve	118	118
Total capital	<u>40,566</u>	<u>40,566</u>

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

	2021 June RM'000	2021 March RM'000
Credit risk	9,496	9,405
Operational risk	58,671	55,246
	<u>68,167</u>	<u>64,651</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2021****30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)****(k) Capital adequacy (Contd)**

The components of risk-weighted assets of the 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
2021 June				
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	181,048	181,048	-	-
Total On-Balance Sheet Exposures	181,048	181,048	-	-
Off-Balance Sheet Exposures:				
Credit-Related Exposures	9,496	9,496	9,496	760
Total Off-Balance Sheet Exposures	9,496	9,496	9,496	760
Total On and Off-Balance Sheet Exposures	190,544	190,544	9,496	760
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) Operational Risk			58,671	4,694
Total RWA and Capital Requirements	190,544	190,544	68,167	5,453
2021 March				
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	74,804	74,804	-	-
Total On-Balance Sheet Exposures	74,804	74,804	-	-
Off-Balance Sheet Exposures:				
Credit-Related Exposures	9,405	9,405	9,405	752
Total Off-Balance Sheet Exposures	9,405	9,405	9,405	752
Total On and Off-Balance Sheet Exposures	84,209	84,209	9,405	752
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) Operational Risk			55,246	4,420
Total RWA and Capital Requirements	84,209	84,209	64,651	5,172

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30 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(l) The Operations Of International Currency Business Unit (ICBU)

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.

(i) Financing and advances

(a) By type:

	2021 June RM'000	2021 March RM'000
<i>At amortised cost</i>		
Term financing		
☞ Syndicated Islamic financing	900,980	1,363,549
☞ Islamic term financing loan	303,917	532,449
Revolving credit	311,758	1,184,189
Gross financing and advances at amortised cost	<u>1,516,654</u>	<u>3,080,187</u>
Impairment allowances financing and advances		
☞ Stage 1 - 12 month ECL	(712)	(668)
Net financing and advances at amortised cost	<u>1,515,942</u>	<u>3,079,519</u>
<i>At fair value</i>		
Syndicated Islamic financing	205,732	195,438
Net financing and advances	<u>1,721,674</u>	<u>3,274,957</u>
Gross financing and advances		
At amortised cost	1,516,654	3,080,187
At fair value	205,732	195,438
	<u>1,722,386</u>	<u>3,275,625</u>
(b) By contract:		
Murabahah Financing-i	540,235	2,085,968
Ijarah Financing-i	976,419	994,220
Wakalah Financing-i	205,732	195,438
Gross financing and advances	<u>1,722,386</u>	<u>3,275,625</u>

(ii) Deposits from customers

(a) By type and contract:

	2021 June RM'000	2021 March RM'000
<i>At amortised cost</i>		
Demand deposits - Qard	79	1,165
Fixed deposits - Tawarruq	-	187,146
	<u>79</u>	<u>188,311</u>