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

Company No : 199401016638 (302316-U)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Company No : 199401016638 (302316-U)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020

Contents

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

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2020

	Note	2020 September RM'000	2020 March RM'000
ASSETS			
Cash and short-term funds	11	5,873,118	4,050,436
Deposits and placement with financial institutions	12	1,885,620	1,745,811
Financial assets at fair value through profit or loss	13	177,891	164,115
Financial assets at fair value through other comprehensive income	14	710,984	670,843
Loans, advances and financing	15	7,953,768	9,994,120
Embedded loans measured at fair value through profit or loss	16	13,087,986	15,501,577
Purchased receivables	17	931,875	772,992
Collateral deposits placed		540,528	160,214
Derivative financial assets	18	478,556	537,866
Statutory deposits with Bank Negara Malaysia		-	42,397
Other assets		11,656	14,653
Property, plant and equipment		24,797	26,975
Intangible assets		94,219	60,955
Rights-of-use assets		7,197	8,907
Current tax assets		-	1,081
Deferred tax assets		9,078	9,078
TOTAL ASSETS		31,787,273	33,762,020
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	19	10,382,359	9,042,773
Deposits and placements of banks and other financial institutions	20	671,271	1,059,209
Collateral deposits received		16,441,200	19,630,557
Obligations on securities sold under repo		303,493	-
Derivative financial liabilities	18	494,425	536,502
Other liabilities	21	106,697	192,409
Lease liabiliies		7,314	8,865
Provision for tax		2,264	-
TOTAL LIABILITIES		28,409,023	30,470,315
SHARE CAPITAL		200,000	200,000
RESERVES		3,178,250	3,091,705
SHAREHOLDER'S FUNDS		3,378,250	3,291,705
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		31,787,273	33,762,020
COMMITMENTS AND CONTINGENCIES	22	73,750,567	74,879,582

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

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	Note	2nd Quarter Ended 2020 September RM'000	2nd Quarter Ended 2019 September RM'000	Six Months Ended 2020 September RM'000	Six Months Ended 2019 September RM'000
Operating revenue		84,386	141,320	193,976	235,570
Interest income	23	69,762	115,780	165,173	231,667
Interest expense	24	(24,700)	(53,232)	(62,113)	(105,048)
Net interest income		45,062	62,548	103,060	126,619
Net income from embedded loans measured at FVTPL	25	5,877	121,584	15,655	127,880
Net income from Islamic Banking operations		311	266	1,943	8,253
Other operating income	26	33,136	(43,034)	73,318	(27,138)
Operating income		84,386	141,363	193,976	235,613
Other operating expenses	27	(35,509)	(45,464)	(82,453)	(86,744)
Operating profit before allowance for impairment		48,877	95,899	111,523	148,869
Reversal of/(Allowance for) impairment on financial instrument	28	(5,768)	(10,388)	17,137	(13,143)
Profit before tax		43,109	85,511	128,660	135,726
Tax expense		(21,325)	(23,264)	(46,350)	(52,514)
Profit for the period		21,784	62,247	82,310	83,212
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Foreign currency translation in respect of expected credit loss		-	2,056	-	2,056
Items that are or may be reclassified subsequently to profit or loss					
Change in fair value reserve:					
- Debt instruments at FVOCI		4,237	1,934	4,237	1,934
Change in expected credit loss reserve		(2)	4	(2)	4
Other comprehensive (loss)/income for the period, net of tax		4,235	3,994	4,235	3,994
Total comprehensive income for the period		26,019	66,241	86,545	87,206
Profit attributable to :					
Owner of the Bank		21,784	62,247	82,310	83,212
Total comprehensive income attributable to :					
Owner of the Bank		26,019	66,241	86,545	87,206
Basic earnings per share (sen)		10.9	31.1	41.2	41.6

MUFG BANK (MALAYSIA) BERHAD
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(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	<----- Attributable to Shareholder of the Bank						---->
	<----- Non-distributable				---->	Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Defined benefit reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
2020 September							
At beginning of the period	200,000	107,284	(5,801)	349	26,714	2,963,159	3,291,705
Profit for the period	-	-	-	-	-	82,310	82,310
Other comprehensive income	-	-	-	(2)	4,237	-	4,235
Total comprehensive income	-	-	-	(2)	4,237	82,310	86,545
At end of the period	200,000	107,284	(5,801)	347	30,951	3,045,469	3,378,250
2019 September							
At beginning of the period	200,000	93,078	(5,801)	337	23,120	2,818,571	3,129,305
Profit for the period	-	-	-	-	-	83,215	83,215
Other comprehensive income	-	-	-	4	1,934	2,056	3,994
Total comprehensive income	-	-	-	4	1,934	85,271	87,209
At end of the period	200,000	93,078	(5,801)	341	25,054	2,903,842	3,216,514

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

UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	2020 September RM'000	2019 September RM'000
Cash Flows From Operating Activities		
Profit before tax	128,660	135,726
Adjustments for:		
Loss on disposal of property, plant and equipment	-	193
Depreciation of property, plant and equipment	3,074	2,455
Depreciation of right-of-use assets	1,817	2,199
Amortisation of intangible assets	14,182	5,856
Provision for retirement benefits	2,116	2,052
Dividend income	(240)	(221)
Interest income from financial assets at fair value through other comprehensive income	(8,977)	(8,442)
(Reversal of)/Allowance for impairment on financial instruments	(17,137)	13,143
Finance cost on lease liabilities	144	247
Unrealised loss on changes in trading securities	1,137	161
Unrealised loss on changes in fair value of derivative financial instruments	59,068	107,204
Unrealised loss/(gain) on changes in fair value of financial assets at fair value through profit or loss	53,568	(93,415)
Operating profit before changes in working capital	237,412	167,158
(Increase)/Decrease in operating assets:		
Financial assets at fair value through profit or loss	(301)	(1,089)
Financial assets at fair value through other comprehensive income	11,218	(5,991)
Loans, advances and financing	2,056,950	268,584
Embedded loans measured at fair value through profit or loss	2,398,937	78,466
Collateral deposits placed	(380,314)	56,120
Purchased receivables	(158,861)	(34,551)
Derivative financial assets	11,983	97,815
Statutory deposits with Bank Negara Malaysia	42,397	17,670
Other assets	(136,919)	(187,116)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	1,339,586	685,526
Deposits and placements of banks and other financial institutions	(387,938)	(736,205)
Collateral deposits received	(3,189,357)	(255,739)
Derivative financial liabilities	(92,731)	(159,871)
Other liabilities	216,818	(21,552)
Cash generated from/(used in) operations	1,968,880	(30,775)
Income taxes paid	(43,006)	(62,558)
Payment of staff gratuities	(533)	(1,949)
Net cash generated from/(used in) operating activities	1,925,341	(95,282)

MUFG BANK (MALAYSIA) BERHAD
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

	2020 September RM'000	2019 September RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(896)	(6,201)
Purchase of intangible assets	(47,446)	(10,184)
Proceeds from disposal of property, plant and equipment	-	8
Proceeds from disposal of intangible assets	-	-
Proceeds from sale of financial assets at fair value through other comprehensive income	100,847	30,000
Proceeds from sale of financial assets at fair value through profit or loss	980,298	600,934
Purchase of financial assets at fair value through other comprehensive income	(145,944)	(220,839)
Purchase of financial assets at fair value through profit or loss	(994,910)	(949,254)
Dividend received	240	221
Interest income from financial assets at fair value through other comprehensive income	6,952	9,212
Net cash used in investing activities	(100,859)	(546,103)
Cash Flows From Financing Activity		
Repayment for lease liabilities	(1,800)	(2,363)
Net cash used in financing activity	(1,800)	(2,363)
Net increase in cash and cash equivalents	1,822,682	(643,748)
Cash and cash equivalents at beginning of quarter	4,050,436	5,314,486
Cash and cash equivalents at end of quarter	5,873,118	4,670,738

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2020

1 BASIS OF PREPARATION

The unaudited condensed interim financial report for the quarter ended 30 September 2020 have been prepared under the historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, loans, advances and financing at fair value through profit or loss, embedded loans measured at fair value through profit or loss and derivative financial instruments which are stated at fair value.

The unaudited condensed interim financial report have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standard Board ("MASB") and Bank Negara Malaysia's Guidelines on Financial Reporting. The unaudited interim financial report should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2020. 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 2020.

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

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

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures –Interest Rate Benchmark Reform*

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 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*

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*

1 BASIS OF PREPARATION (CONTD)

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

- from the annual period beginning on 1 April 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020, except for amendments to MFRS 3, *Business Combinations – Definition of a Business* which is not applicable to the Bank.
- 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 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.
- 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, except for the adoption of the following during the current financial period:

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

On 25 March 2020, BNM implemented additional measures to assist borrowers/customers experiencing temporary 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

- Banking institutions will grant an automatic moratorium on all loan/financing repayments/payments, principal and interest (except for credit card balances) by individuals and small-medium enterprise ("SME") borrowers/customers for a period of 6 months from 1 April 2020. The automatic moratorium is applicable to loans/financing that are:

i) not in arrears exceeding 90 days as at 1 April 2020; and
ii) denominated in Malaysian Ringgit.

- For corporate borrowers/customers, banking institutions are strongly encouraged to facilitate requests for a moratorium on loan/financing repayment/payment, additional financing to support immediate cash flows and the rescheduling and restructuring ("R&R") of existing facilities in a way that will enable viable corporations to preserve jobs and swiftly resume economic activities when conditions stabilise and improve.
- For loans/financing above with arrears not exceeding 90 days which are granted a moratorium, conversion to term loan/financing or R&R and received by banking institutions on or before 31 December 2020, and pursuant to section 47(1) of the Financial Services Act 2013 ("FSA") and section 57(1) of the Islamic Financial Services Act 2013 ("IFSA"), the following regulatory treatment shall apply:

i) The moratorium period is excluded in the determination of the period in arrears for the purpose of regulatory and accounting classifications;
ii) The loans/financing need not be reported as R&R in the Central Credit Reference Information System ("CCRIS"); and
iii) The R&R loans/financing need not be classified as credit-impaired in CCRIS.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

1 BASIS OF PREPARATION (CONTD)

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

(b) Drawdown of prudential buffers

- Banking institutions are allowed with immediate effect to:

i) Drawdown the capital conservation buffer of 2.5%;
ii) Operate below the minimum Liquidity Coverage Ratio ("LCR") of 100%;
iii) Reduce the regulatory reserves held against expected losses to 0%; and
iv) Minimum Net Stable Funding Ratio ("NSFR") which will be effective on 1 July 2020 is lowered to 80% from 100%.

However, banking institutions are required to rebuild the said buffers after 31 December 2020 and restore them to the minimum regulatory requirements by 30 September 2021. BNM will review this timeline if current expectations change materially. As at 30 September 2020, the Bank continued to maintain capital coservation buffer of 2.5%, LCR of above 100% and in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

2 AUDIT REPORT

The audit report on the audited financial statements for the financial year ended 31 March 2020 was not subject to any qualification.

3 SEASONAL OR CYCLICAL FACTORS

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

4 EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items for the financial period ended 30 September 2020.

5 CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial years that have a material effects on the financial results and position of the Bank for the financial period ended 30 September 2020.

6 CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities during the financial period ended 30 September 2020.

7 DIVIDEND PAID

No dividend was paid during the financial period ended 30 September 2020.

8 SUBSEQUENT EVENTS

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

9 REVIEW OF PERFORMANCE

The Bank's profit before taxation for the financial period ended 30 September 2020 was RM128.66 million, a decrease of 5.21% or RM7.10 million compared to the corresponding period last year. Operating income decreased by RM41.64 million from RM235.61 million to RM193.98 million whilst operating expenses lower by RM4.30 million mainly attributed to lower collateral deposit fees during the financial period.

Total assets decreased marginally from RM33.76 billion to RM31.79 billion compared to 31 March 2020. The Bank's CET 1/Tier 1 capital ratio and total capital ratio remained strong at 24.58% and 25.61% respectively.

10 PROSPECTS

The ongoing COVID-19 outbreak has led to major negative spillovers in the domestic economy. At the initial stage of the outbreak, the impact was mainly on the electrical and electronics (E&E) manufacturing sector, which is closely integrated into China-centric production networks, and in the tourism and retail industries due to lower tourist arrivals. More recently, as the outbreak became widespread with higher community transmission, the government announced a four-week movement control order (MCO), which includes general prohibition of mass gatherings, restrictions of travel, and closures of schools, universities, and government and private premises except those involved in essential services.

Against the backdrop of growing uncertainty over the duration and overall impact of the COVID-19 outbreak, Malaysian's GDP growth forecast for 2020 has been significantly lowered from 4.5 percent to 1.0 percent. This marked reduction incorporates the slower growth momentum from the second half of 2019, but more significantly, it reflects the impact of the outbreak under a scenario where the current large-scale disruption of economic activities would extend for most of the year, before a partial recovery toward the year end. It is important to note that this estimate has a large degree of uncertainty, conditional on the rapid developments of the outbreak domestically and globally, and the subsequent policy responses.

On the impact of the OPR cut on banks' net interest margin (NIM), it will likely be muted because like most financial institutions, the bank has already adjusted the pricing and strategies accordingly, in anticipation of the rate cut. This is also due to relaxation of regulatory requirements, Liquidity Coverage Ratio and Net Stable Funding Ratio, which means there is less need for most banks to compete for deposits. Overall impact on the bank's portfolio is also expected to be minimal.

On the trade front, net exports and investments are expected to experience a larger contraction in 2020, while private consumption is expected to grow at a much slower pace, from 7.6 percent in 2019 to 1.6 percent in 2020. Government expenditure is expected to increase on various measures, including the economic stimulus package and other key expenditures and initiatives to mitigate the economic and health impact of the outbreak, but the bulk of stimulus activities are expected to be off-budget in nature.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

11 CASH AND SHORT-TERM FUNDS

	2020 September RM'000	2020 March RM'000
At amortised cost		
Cash and balances with banks and other financial institutions	28,083	17,322
Money at call and deposit placements maturing within three months	5,845,035	4,033,114
	5,873,118	4,050,436

12 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2020 September RM'000	2020 March RM'000
At amortised cost		
Licensed bank		
• Malaysia	1,570,868	1,229,321
• Other countries	314,752	516,490
	1,885,620	1,745,811

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

	2020 September RM'000	2020 March RM'000
Money market instruments:		
Malaysian Government Securities	177,891	164,115

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

	2020 September RM'000	2020 March RM'000
Money market instruments		
• Malaysian Government Securities	474,270	428,146
• Sukuk	207,738	213,721
	682,008	641,867
Non-money market instruments:		
Unquoted shares	28,976	28,976
Total	710,984	670,843

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

	2020 September RM'000	2020 March RM'000
12-Month ECL Stage 1		
At 1 April	349	337
Allowance made/(written back) due to changes in credit risk	(2)	16
Deferred tax impact	-	(4)
At 30 September/31 March	347	349

15 LOANS, ADVANCES AND FINANCING

	2020 September RM'000	2020 March RM'000
(a) By type:		
At amortised cost		
Overdrafts	16,418	12,278
Term loans		
• Housing loans	10,952	10,883
• Other term loans	4,883,462	4,195,563
Revolving credits	2,813,397	5,061,852
Bills receivable	116,823	125,752
Claims on customers under acceptance credits	25,000	562,099
Staff loans	7,559	7,231
	7,873,611	9,975,658
Unearned interest	(234)	(4,154)
Gross loans, advances and financing at amortised cost	7,873,377	9,971,504
Impairment allowances on loans, advances and financing		
• Stage 1 - 12 month ECL	(7,903)	(13,619)
• Stage 2 - lifetime ECL not credit-impaired	(48,338)	(13,381)
• Stage 3 - lifetime ECL credit-impaired	(2,829)	(50,777)
Net loans, advances and financing at amortised cost	7,814,307	9,893,727
At fair value		
Other term loans	139,461	100,393
Total net loans, advances and financing at amortised cost	7,953,768	9,994,120
Total gross loans, advances and financing		
- At amortised cost	7,873,377	9,971,504
- At fair value	139,461	100,393
	8,012,838	10,071,897
(b) By maturity structure:		
Maturing within one year	4,280,597	6,059,366
More than one year to three years	1,551,081	1,329,210
More than three years to five years	1,022,309	1,452,362
More than five years	1,158,851	1,230,959
	8,012,838	10,071,897
(c) By type of customer:		
Domestic non-bank financial institutions	476,938	616,595
Domestic business enterprises		
• Small medium enterprises	423,329	443,271
• Others	5,492,019	6,280,510
Individuals	18,213	17,791
Foreign entities	1,602,338	2,713,730
	8,012,838	10,071,897
(d) By interest rate sensitivity:		
Variable rates	8,008,454	10,067,555
Fixed rate		
• Staff loans	4,384	4,342
	8,012,838	10,071,897

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

15 LOANS, ADVANCES AND FINANCING (CONTD.)

		2020 September RM'000	2020 March RM'000
(e)	**By economic sector:**		
	Agricultural, hunting, forestry and fishing	496,592	734,098
	Mining and quarrying	227,133	191,117
	Manufacturing	1,640,891	1,837,829
	Electricity, gas and water	1,239,985	1,729,798
	Construction	175,140	244,657
	Wholesale and retail trade and restaurants and hotels	371,827	687,341
	Transport, storage and communication	2,565,045	2,129,517
	Finance, insurance, real estate and business services	841,328	2,047,077
	Households	18,511	18,115
	Others	436,386	452,348
		8,012,838	10,071,897
(f)	**By geographical location:**		
	Malaysia	6,410,797	8,435,637
	Other countries	1,602,041	1,636,260
		8,012,838	10,071,897
(g)	**Movements in credit-impaired loans, advances and financing are as follows:**		
	At beginning of the period	425,620	732
	Impaired during the period	80,344	475,499
	Amount recovered	(143,665)	(10,578)
	Reclassified as non-impaired	(292,892)	(39,998)
	Amount written off	-	(35)
	At end of the period	69,407	425,620
(h)	**Credit-impaired loans by economic sector is as follows:**		
	Household	625	698
	Manufacturing	43,782	424,922
	Transport, storage and communication	25,000	-
		69,407	425,620
(i)	**Credit-impaired loans by geographical location is as follows:**		
	Malaysia	69,407	425,620

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

15 LOANS, ADVANCES AND FINANCING (CONTD.)

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

	12 month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL Credit-impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2020	13,619	13,381	50,777	77,777
Transfer to 12-Month ECL (Stage 1)	157	(281)	-	(124)
Transfer to Lifetime ECL not credit-impaired (Stage 2)	(1,644)	29,056	(32,930)	(5,518)
Transfer to Lifetime ECL credit-impaired (Stage 3)	-	(172)	71	(101)
New financial assets originated	4,829	19,281	2,276	26,386
Financial assets derecognised (other than write-off)	(6,085)	(12,927)	(16,264)	(35,276)
Net remeasurement due to changes in credit risk	(2,973)	-	(1,101)	(4,074)
At 30 September 2020	7,903	48,338	2,829	59,070
At 1 April 2019	5,461	4,781	137	10,379
Transfer to 12-Month ECL (Stage 1)	157	(119)	-	38
Transfer to Lifetime ECL credit-impaired (Stage 3)	(717)	-	20,690	19,973
New financial assets originated	6,352	13,380	29,890	49,622
Financial assets derecognised (other than write-off)	(2,039)	(4,661)	(8)	(6,708)
Net remeasurement due to changes in credit risk	4,405	-	103	4,508
Amount written off	-	-	(35)	(35)
At 31 March 2020	13,619	13,381	50,777	77,777

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)**

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

	2020 September RM'000	2020 March RM'000
At fair value		
Embedded loans	13,087,986	15,501,577

Loans measued at FVTPL included RM12,819,371,000 (2020 March: RM15,144,972,000) of outstanding balance for loans, advances and financing, and fair value for derivative financial assets and liabilities of RM268,614,000 (2020 March: RM356,605,000).

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 RM6,443,000 (2020 March: RM5,604,000) and RM181,000 (2020 March: RM17,968,000) respectively.

	2020 September RM'000	2020 March RM'000
(a) By maturity structure:		
Maturing within one year	3,507,067	5,243,158
More than one year to three years	3,834,517	3,683,628
More than three years to five years	4,305,348	5,533,338
More than five years	1,441,055	1,041,453
	13,087,986	15,501,577
(b) By type of customer:		
Domestic non-bank financial institutions	8,517,838	8,834,156
Domestic business enterprises		
- Small medium enterprises	14,315	14,954
- Others	5,028,621	6,710,141
	13,560,774	15,559,251
Domestic financial institutions *	(479,050)	(45,310)
Foreign entities *	6,262	(12,364)
	13,087,986	15,501,577
(c) By interest rate sensitivity:		
Variable rates	13,087,986	15,501,577
(d) By economic sector:		
Mining and quarrying	2,085	3,145
Manufacturing	899,148	928,027
Electricity, gas and water	1,221,380	2,128,957
Construction	683,621	923,236
Wholesale and retail trade and restaurants and hotels	926,734	974,047
Transport, storage and communication	316,339	382,757
Finance, insurance, real estate and business services	9,027,545	10,146,835
Others	11,134	14,573
	13,087,986	15,501,577
(e) By geographical location:		
Malaysia	13,028,940	15,513,941
Other countries	59,046	(12,364)
	13,087,986	15,501,577

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

17 PURCHASED RECEIVABLES

	2020 September RM'000	2020 March RM'000
At amortised cost		
Purchased receivables	932,180	773,319
Impairment allowances on purchased receivables		
Stage 1 - 12 month ECL	(234)	(258)
Stage 2 - lifetime ECL not credit-impaired	(71)	(59)
Stage 3 - lifetime ECL credit-impaired	-	(10)
	931,875	772,992

Purchased receivables relate to receivables acquired by the Bank under the account receivables purchasing and vendors financing product. These amounts owing from obligors have a tenure of within three months. Included in purchased receivables are non-recourse bills receivables amounting to RM908,039,000 (2020 March: RM741,621,000).

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

	12 month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL Credit-impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2020	258	59	10	327
New financial assets originated	140	71	-	211
Financial assets derecognised (other than write-off)	(82)	(59)	(10)	(151)
Net remeasurement due to changes in credit risk	(82)	-	-	(82)
At 30 September 2020	234	71	-	305
At 1 April 2019	44	4	-	48
New financial assets originated	258	59	10	327
Net remeasurement due to changes in credit risk	(44)	(4)	-	(48)
At 31 March 2020	258	59	10	327

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.

	2020 September			2020 March		
	Notional	Fair Value		Notional	Fair Value	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
At fair value	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives*						
Foreign exchange related contracts						
Forwards	11,711,955	47,993	87,320	7,527,316	100,449	71,150
Swaps	6,696,785	247,072	238,395	7,019,698	252,364	300,383
Interest rate related contracts						
Swaps	9,288,976	182,409	168,360	10,088,024	184,084	164,435
Other derivatives						
Currency options	132,811	393	350	195,850	934	499
Premium yielder investments	116,685	689	-	1,723,000	35	35
	27,947,212	478,556	494,425	26,553,888	537,866	536,502

Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM114,722,000 (2020 March: RM117,795,000) and RM108,452,000 (2020 March: RM129,944,000) respectively.

19 DEPOSITS FROM CUSTOMERS

	2020 September RM'000	2020 March RM'000
At amortised cost		
Demand deposits	3,487,262	3,958,082
Money market deposits	1,691,242	1,551,697
Savings deposits	1,332	4,386
Fixed deposits	5,202,523	3,528,608
	10,382,359	9,042,773

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

	2020 September RM'000	2020 March RM'000
Due within six months	5,123,342	3,466,435
Six months to one year	78,441	61,066
Above one year	740	1,107
	5,202,523	3,528,608

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

	2020 September RM'000	2020 March RM'000
Government and statutory authorities	207,847	-
Domestic non-bank financial institutions	623,092	54,569
Domestic business enterprises	9,221,005	8,768,092
Individuals	2,863	8,006
Foreign entities	252,881	201,783
Domestic other entities	74,671	10,325
	10,382,359	9,042,774

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 September RM'000	2020 March RM'000
At amortised cost		
Licensed banks	671,271	1,059,209

21 OTHER LIABILITIES

		2020 September RM'000	2020 March RM'000
Provision for retirement benefits		31,719	30,135
Impairment allowances on commitment and contingencies	(a)		
Stage 1 - 12 month ECL		321	1,303
Stage 2 - lifetime ECL not credit-impaired		1,291	241
Stage 3 - lifetime ECL credit-impaired		134	717
Accrued interest payable		8,214	10,793
Bills payable		1,659	8,038
Other payables and accruals		63,359	141,182
		106,697	192,409

(a) Movements in impairment allowances on commitments and contingencies:

	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 2020	1,303	241	717	2,261
Transfer to 12-Month ECL (Stage 1)	8	(88)	(17)	(97)
Transfer to Lifetime ECL not credit-impaired (Stage 2)	(100)	1,177	(169)	908
Transfer to Lifetime ECL credit-impaired (Stage 3)	(10)	-	24	14
New financial assets originated	114	82	88	284
Financial assets derecognised (other than write-off)	(194)	(24)	(466)	(684)
Net remeasurement due to changes in credit risk	(800)	(97)	(43)	(940)
At 30 September 2020	321	1,291	134	1,746
At 1 April 2019	113	1,081	-	1,194
Transfer to 12-Month ECL (Stage 1)	177	(586)	-	(409)
Transfer to Lifetime ECL not credit-impaired (Stage 2)	-	1	-	1
Transfer to Lifetime ECL credit-impaired (Stage 3)	-	-	4	4
New financial assets originated	1,035	83	713	1,831
Financial assets derecognised (other than write-off)	(46)	(262)	-	(308)
Net remeasurement due to changes in credit risk	24	(76)	-	(52)
At 31 March 2020	1,303	241	717	2,261

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

22 COMMITMENTS AND CONTINGENCIES

	2020 September				2020 March			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Credit-related Exposures								
Direct credit subsitutes	122,928		122,844	111,113	2,275		2,272	1,136
Transaction-related contingent items	682,832		339,841	293,080	842,010		419,256	368,772
Short-term self-liquidating trade-related contingencies	230,538		46,073	45,449	317,090		63,327	52,831
Other commitments, such as formal standby facilties and credit lines, with an original maturity of:								
- not exceeding one year	222,069		44,362	44,362	229,926		45,567	45,567
- exceeding one year	45		23	17	169		84	79
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	7,736,498		-	-	7,013,689		-	-
Securitisation exposures	15,000		3,000	2,250	15,000		3,000	2,250
	9,009,910		556,143	496,271	8,420,159		533,506	470,635
Embedded loans								
Foreign exchange related contracts								
- one year or less	5,350,024	161,211	159,539	100,865	6,045,686	272,432	303,395	181,664
- over one year to five years	13,013,443	460,530	1,412,117	797,603	14,109,521	469,074	1,488,241	832,226
- over five years	1,700,138	75,176	284,692	193,333	1,437,619	67,314	259,946	177,811
Interest rate related contracts								
- one year or less	4,673,281	3,543	7,648	3,484	6,479,298	13,700	12,403	3,243
- over one year to five years	10,618,413	115,986	282,614	127,868	11,221,810	103,760	192,991	79,153
- over five years	1,526,756	62,812	134,416	48,845	1,571,027	56,772	127,876	45,465
	36,882,054	879,258	2,281,027	1,271,998	40,864,961	983,052	2,384,852	1,319,562
Derivative Financial Instruments:								
Foreign exchange related contracts								
- one year or less	12,681,384	65,168	209,506	147,639	7,420,328	104,608	216,355	141,808
- over one year to five years	3,582,238	131,475	398,385	310,783	5,059,742	146,775	334,702	288,306
- over five years	2,145,117	98,422	325,064	248,448	2,066,944	101,430	326,341	246,794
Interest rate related contracts								
- one year or less	2,816,549	1,795	(431)	(320)	2,908,754	3,860	4,148	1,725
- over one year to five years	4,371,198	66,886	67,615	48,320	4,926,023	68,703	122,084	80,673
- over five years	2,101,229	113,728	190,628	120,687	2,253,246	111,521	154,914	102,228
Currency options								
- one year or less	44,202	393	1,056	1,056	97,925	934	2,403	2,403
- over one year to five years					-	-	-	-
Premium yielder investments								
- one year or less	116,685	689	2,439	2,439	861,500	35	12,957	2,591
- over one year to five years					-	-	-	-
	27,858,603	478,556	1,194,263	879,052	25,594,462	537,866	1,173,904	866,528
Total	73,750,567	1,357,814	4,031,433	2,647,321	74,879,582	1,520,918	4,092,262	2,656,725

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

	2nd Quarter Ended		Six Months Ended	
	2020 September RM'000	2019 September RM'000	2020 September RM'000	2019 September RM'000
23 INTEREST INCOME				
Loans, advances and financing measured at amortised cost and fair value	46,154	70,814	112,911	144,151
Money at call and deposit placements with financial institutions	16,362	37,600	36,523	75,084
Financial assets at FVTPL	3,031	2,844	6,762	3,990
Financial assets with FVOCI	4,215	4,522	8,977	8,442
	69,762	115,780	165,173	231,667
24 INTEREST EXPENSE				
Deposits and placements of banks and other financial institutions	18,201	39,763	48,868	82,970
Deposits from other customers	6,499	13,469	13,245	22,078
	24,700	53,232	62,113	105,048
25 NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL				
Interest income	45,008	108,087	113,189	223,828
Interest expense	(33,164)	(102,623)	(86,817)	(214,300)
Unrealised gain/(loss) in fair value of embedded loans	(29,408)	130,934	(53,568)	93,415
Realised gain in fair value of embedded loans	23,441	(14,814)	42,851	24,937
	5,877	121,584	15,655	127,880
26 OTHER OPERATING INCOME				
Fee income				
Commission	488	277	935	683
Guarantee fees	792	961	1,660	2,028
Service charges and fees	481	919	987	1,842
Commitment fees	240	144	461	286
Other fee income	2,594	4,923	6,730	6,171
	4,595	7,224	10,773	11,010
Investment income				
Gross dividends	129	110	240	221
Realised gain/(loss) in fair value of derivative financial instruments	(675)	36,904	(13,247)	23,554
Realised gain/(loss) in fair value of trading securities	3,536	938	9,601	2,683
Unrealised gain/(loss) in fair value of derivative financial instruments	(50,488)	(102,491)	(59,068)	(107,204)
Unrealised gain/(loss) in fair value of trading securities	(1,641)	(249)	(1,137)	(161)
Foreign exchange gain/(loss)	76,251	12,473	122,157	38,445
Net premium (paid)/received for options	(17)	(5)	(17)	(50)
	27,095	(52,320)	58,529	(42,512)
Other income				
Other operating income	1,446	2,062	4,016	4,364
	33,136	(43,034)	73,318	(27,138)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

	2nd Quarter Ended		Six Months Ended	
	2020 September RM'000	2019 September RM'000	2020 September RM'000	2019 September RM'000
27 OTHER OPERATING EXPENSES				
Personnel expenses	19,974	25,163	47,613	53,317
Establishment related expenses	10,398	6,061	21,109	11,978
Promotion and marketing related expenses	385	349	714	892
Administrative and other expenses	4,752	13,890	13,017	20,556
	35,509	45,464	82,453	86,744
Personnel expenses				
- Wages, salaries and bonus	16,994	19,738	38,401	41,479
- Defined benefit plan	1,058	1,026	2,116	2,052
- Defined contribution plan	2,505	2,123	5,091	4,564
- Other employee benefits	(583)	2,276	2,005	5,222
	19,974	25,163	47,613	53,317
Establishment related expenses				
- Depreciation of property, plant and equipment	1,501	1,234	3,074	2,455
- Amortisation of intangible assets	7,127	2,958	14,182	5,856
- Depreciation of right-of-use assets	895	1,107	1,817	2,199
- Hire of equipment	93	229	524	486
- Repair and maintenance	168	38	216	44
- Rental of premises	456	284	882	553
- Others	158	212	414	386
	10,398	6,061	21,109	11,978
Promotion and marketing related expenses				
- Advertising and publicity	-	-	51	37
- Others	385	349	663	855
	385	349	714	892
Administrative and other expenses				
- Collateral deposit fees	139	1,458	409	3,603
- Communication expenses	363	395	606	507
- Legal and professional fees	163	212	208	482
- Others	4,087	11,825	11,794	15,964
	4,752	13,890	13,017	20,556

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

28 (WRITEBACK)/ALLOWANCE FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS

	2nd Quarter Ended		Six Months Ended	
	2020 September RM'000	2019 September RM'000	2020 September RM'000	2019 September RM'000
(a) (Reversal of)/Allowance for impairment on loans, advances and financing				
Stage 1 and 2 expected credit losses made during the year	(2,527)	6,324	53,323	15,612
Stage 1 and 2 expected credit losses written back	(3,055)	(635)	(24,082)	(7,048)
Stage 3 expected credit losses made during the year	(6,164)	3,777	2,346	3,777
Stage 3 expected credit losses written back	(882)	(14)	(50,294)	(28)
Impaired loans, advances and financing written off	-	-	-	14
Other movements	2,114	18	2,114	(63)
Bad debts written back	(5)	-	(5)	-
	(10,519)	9,470	(16,598)	12,264
(b) (Reversal of)/Allowance for impairment on purchased receivables				
Stage 1 and 2 expected credit losses made during the year	(263)	21	210	92
Stage 1 and 2 expected credit losses written back	(98)	-	(222)	(48)
Stage 3 expected credit losses made during the year	(12)	-	-	-
Stage 3 expected credit losses written back	-	-	(10)	-
	(373)	21	(22)	44
(c) (Reversal of)/Allowance for impairment on off-balance sheet exposures				
Stage 1 and 2 expected credit losses made during the year	1,176	826	1,381	940
Stage 1 and 2 expected credit losses written back	(1,183)	(121)	(1,313)	(303)
Stage 3 expected credit losses made during the year	35	194	95	194
Stage 3 expected credit losses written back	-	-	(678)	-
	28	899	(515)	831
(d) Reversal of impairment on other assets				
Stage 3 expected credit losses written back	-	-	-	(3)
(e) (Reversal of)/Allowance for impairment on financial investments at FVOCI				
Stage 1 and 2 expected credit losses made during the year	(5)	(2)	(2)	7
	(10,869)	10,388	(17,137)	13,143

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:

	2020 September	2020 March
Common equity Tier 1 ("CET 1") capital ratio	24.585%	22.565%
Tier 1 capital ratio	24.585%	22.565%
Total capital ratio	25.608%	23.559%

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

	2020 September RM'000	2020 March RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	2,963,159	2,963,159
• Other reserves	132,781	128,546
	3,295,940	3,291,705
Less		
• Deferred tax assets	(9,078)	(9,078)
• Intangible assets	(94,219)	(60,955)
• 55% of fair value reserve	(17,023)	(14,693)
• Regulatory reserve	(107,284)	(107,284)
	3,068,336	3,099,695
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	127,692	136,494
Total Capital	3,196,028	3,236,189

29 CAPITAL ADEQUACY (CONT'D)

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

2020 September

Exposure Class	Long Position	Short Position / Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk					
On-Balance Sheet Exposures :					
Sovereigns/Central Banks		6,716,907	6,716,907	279,842	22,387
Public Sector Entities		6,214	6,214	1,243	99
Banks, Development Financial Institutions & MDBs		3,135,581	3,135,581	826,451	66,116
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-
Corporates		20,811,071	5,877,275	6,041,596	483,328
Regulatory Retail		1,632	1,632	1,632	131
Residential Mortgages		14,314	14,314	6,711	537
Equity Exposures		28,976	28,976	28,976	2,318
Other Assets		530,315	530,315	379,327	30,346
Defaulted Exposures		2,269	2,269	2,269	182
Total On-Balance Sheet Exposures		31,247,279	16,313,483	7,568,047	605,444
Off-Balance Sheet Exposures :					
Credit-related exposures		553,143	553,143	494,021	39,522
Securitisation exposures		3,000	3,000	2,250	180
Derivatives financial instruments		3,475,290	3,475,290	2,151,050	172,084
Total Off-Balance Sheet Exposures		4,031,433	4,031,433	2,647,321	211,786
Total On and Off-Balance Sheet Exposures		35,278,712	20,344,916	10,215,368	817,229
(ii) Large Exposure Risk Requirement		-	-	-	-
(iii) Market Risk	**Long Position**	**Short Position**			
Interest Rate Risk	66,065,497	(65,752,872)		1,524,784	121,983
Foreign Exchange Risk	6,778	(22,990)		22,990	1,839
	66,072,275	(65,775,862)		1,547,774	123,822
(iv) Operational Risk				717,470	57,398
Total RWA and Capital Requirements		35,278,712	20,344,916	12,480,612	998,449

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

29 CAPITAL ADEQUACY (CONTD.)

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

2020 March

Exposure Class	Long Position	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk					
On-Balance Sheet Exposures:					
Sovereigns/Central Banks		3,966,290	3,966,290	241,757	19,341
Public Sector Entities		6,214	6,214	1,243	99
Banks, Development Financial Institutions & MDBs		3,346,923	3,346,923	809,876	64,790
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-
Corporates		25,201,048	6,741,777	6,936,061	554,884
Regulatory Retail		1,572	1,572	1,572	126
Residential Mortgages		13,996	13,996	6,569	526
Equity Exposures		28,976	28,976	28,976	2,318
Other Assets		539,298	539,298	368,662	29,493
Defaulted Exposures		2,264	2,264	2,264	181
Total On-Balance Sheet Exposures		33,106,581	14,647,310	8,396,980	671,758
Off-Balance Sheet Exposures :					
Credit-related exposures		530,506	530,506	468,385	37,471
Securitisation exposures		3,000	3,000	2,250	180
Derivatives financial instruments		3,558,756	3,558,756	2,186,090	174,887
Total Off-Balance Sheet Exposures		4,092,262	4,092,262	2,656,725	212,538
Total On and Off-Balance Sheet Exposures		37,198,843	18,739,572	11,053,705	884,296
(ii) Large Exposure Risk Requirement		-	-	-	-
	Long Position	**Short Position**			
(iii) Market Risk					
Interest Rate Risk	68,004,333	(67,639,973)		1,843,189	147,455
Foreign Exchange Risk	32,066	(13,702)		32,066	2,565
	68,036,399	(67,653,675)		1,875,255	150,020
(iv) Operational Risk				807,598	64,608
Total RWA and Capital Requirements		37,198,843	18,739,572	13,736,558	1,098,925

30 CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2020 September RM'000	2020 March RM'000
Outstanding credit exposures with connected parties	713,112	664,079
Total credit exposures	24,584,996	31,807,979
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	2.9%	2.1%
- as a proportion of total capital	22.3%	20.5%

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

31 THE OPERATIONS OF ISLAMIC BANKING

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2020

		2020 September RM'000	2020 March RM'000
ASSETS			
Cash and short-term funds	(a)	464,000	47,000
Deposits and placement with financial institutions	(b)	418	815
Other assets		240	4
TOTAL ASSETS		464,658	47,819
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	400,182	163
Other liabilities	(d)	25,746	10,596
TOTAL LIABILITIES		425,928	10,759
CAPITAL FUND		25,000	25,000
RESERVE		13,730	12,060
ISLAMIC BANKING FUNDS		38,730	37,060
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		464,658	47,819
COMMITMENTS AND CONTINGENCIES	(e)	12,713	5,400

Islamic financing based on Commodity Murabahah (Tawarruq) of RM1,586,359,716 (2020 March: RM1,685,350,072) was financed under an internal Wakalah scheme and is reported at the entity level.

Tawarruq structure for the Bank's Islamic financing product consists of three (3) sales and purchases transactions. The first involves the purchase of commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

31 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2020

		2nd Quarter Ended		Six Months Ended	
		2020 September RM'000	2019 September RM'000	2020 September RM'000	2019 September RM'000
Income derived from investment of Islamic Banking Capital funds	(f)	1,279	335	1,575	633
Expenses derived from financing	(g)	(968)	(1)	(969)	(1)
Other operating income	(h)	855	7,553	1,337	7,621
Total net income		1,166	7,887	1,943	8,253
Other operating expenses	(i)	(99)	(93)	(253)	(263)
Operating profit before allowance for impairment		1,067	7,794	1,690	7,990
Allowance for impairment on commitment and contingencies	(j)	42	(2)	(20)	(2)
Profit before tax		1,109	7,792	1,670	7,988
Tax expense		-	-	-	-
Profit for the period		1,109	7,792	1,670	7,988

UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	Capital Fund RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Total RM'000
2020 September				
At beginning of the period	25,000	18	12,042	37,060
Transfer from retained profits	-	68	(68)	-
Profit for the period	-	-	1,670	1,670
At end of the period	25,000	86	13,644	38,730
2019 September				
At beginning of the period	25,000	-	1,529	26,529
Transfer from retained profits	-	22	(22)	-
Profit for the period	-	-	7,988	7,988
At end of the period	25,000	22	9,495	34,517

UNAUDITED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	2020 September RM'000	2019 September RM'000
Cash flows from operating activities		
Profit before tax	1,670	7,988
Operating profit before working capital changes	1,670	7,988
(Decrease)/Increase in operating assets:		
Deposits and placement with financial institutions	397	(1,159)
Other assets	(236)	6
(Decrease)/Increase in operating liabilities:		
Deposits from customers	400,019	160
Other liabilities	15,150	2,003
Net cash from operating activities	417,000	9,000
Net increase in cash and cash equivalents	417,000	9,000
Cash and cash equivalents at beginning of period	47,000	34,000
Cash and cash equivalents at end of period	464,000	43,000

31 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.

The committee comprises: Dr. Luqman bin Haji Abdullah, Assoc. Prof. Dr. Abdul Karim bin Ali, Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi, Dr. Safinar binti Salleh and Dr. Noor Suhaida binti Kasri.

Basis of 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 2020.

(a) Cash and short-term funds

	2020 September RM'000	2020 March RM'000
Cash and balances with banks and other financial institution	464,000	47,000

(b) Deposits and placement with financial institutions

	2020 September RM'000	2020 March RM'000
Current accounts	418	815

(c) Deposits from customers

	2020 September RM'000	2020 March RM'000
(i) By type of deposits:		
Current accounts (Qard)	17	3
Money market deposits (Tawarruq)	400,000	-
Fixed deposits (Tawarruq)	165	160
	400,182	163
(ii) The maturity structure of fixed deposits are as follows:		
Six months to one year	165	160
(iii) By type of customer:		
Domestic non-bank financial institutions	400,000	-
Domestic business enterprises	17	3
Domestic other enterprises	165	160
	400,182	163

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

Tawarruq structure for financing product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

31 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(d) Other liabilities

		2020 September RM'000	2020 March RM'000
Impairment allowances on commitment and contingencies	(i)		
Stage 1 - 12-months ECL not credit-impaired		-	-
Stage 2 - lifetime ECL not credit-impaired		34	14
Accruals and provisions for operational expenses		25,712	10,582
		25,746	10,596

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

	12 month ECL	Lifetime ECL		
	Not credit-impaired	Not-credit impaired	Credit-impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2020	-	14	-	14
New financial assets originated	-	25	-	25
in credit risk	-	(5)	-	(5)
At 30 September 2020	-	34	-	34
At 1 April 2019	-	10	-	10
Net remeasurement due to changes in credit risk	-	4	-	4
At 31 March 2020	-	14	-	14

(e) Commitments and contingencies

	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
30.09.2020				
Contingent liabilities				
Transaction related contingent items	5,400		2,691	2,691
Short-term self-liquidating trade-related contingencies	7,313		7,288	7,288
	12,713		2,688	2,688
31.03.2020				
Contingent liabilities				
Transaction related contingent items	5,400		2,686	2,686

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

31 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

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

	2nd Quarter Ended		Six Months Ended	
	2020 September RM'000	2019 September RM'000	2020 September RM'000	2019 September RM'000
Money at call and placements with financial institutions	1,279	335	1,575	633

(g) Expenses derived from financing

	2nd Quarter Ended		Six Months Ended	
	2020 September RM'000	2019 September RM'000	2020 September RM'000	2019 September RM'000
Deposits from customers	968	1	969	1

(h) Other Operating Income

	2nd Quarter Ended		Six Months Ended	
	2020 September RM'000	2019 September RM'000	2020 September RM'000	2019 September RM'000
Other fee income	855	7,553	1,337	7,621

(i) Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	2020 September RM'000	2019 September RM'000	2020 September RM'000	2019 September RM'000
Personnel expenses	51	62	144	196
Other expenses	48	31	109	67
	99	93	253	263

(j) Allowance for impairment on commitment and contingencies

	2nd Quarter Ended		RM'000	
	2020 September RM'000	2019 September RM'000	2020 September RM'000	2019 September RM'000
Stage 1 and 2 ECL made during the year	(42)	2	20	2

31 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(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:

	2020 September	2020 March
Common equity tier 1 capital ratio	53.714%	60.530%
Tier 1 capital ratio	53.714%	60.530%
Total capital ratio	53.888%	60.582%

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

	2020 September RM'000	2020 March RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	25,000	25,000
• Retained profits	12,042	12,042
• Other reserves	86	18
	37,128	37,060
Less		
• Regulatory reserve	(86)	(18)
	37,042	37,042
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	120	32
Total capital	37,162	37,074

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

	2020 September RM'000	2020 March RM'000
Credit risk	9,979	2,686
Operational risk	58,982	58,510
	68,961	61,196

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.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (CONTD.)

31 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:

2020 September 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:				
Other Assets	464,658	464,658	-	-
Total On-Balance Sheet Exposures	464,658	464,658	-	-
Off-Balance Sheet Exposures:				
Credit-Related Exposures	9,979	9,979	9,979	798
Total Off-Balance Sheet Exposures	9,979	9,979	9,979	798
Total On and Off-Balance Sheet Exposures	474,637	474,637	9,979	798
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) Market Risk				
Interest Rate Risk			-	-
Foreign Currency Risk			-	-
			-	-
(iv) Operational Risk			-	-
Total RWA and Capital Requirements	474,637	474,637	9,979	798

2020 March 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:				
Other Assets	47,819	47,819	-	-
Total On-Balance Sheet Exposures	47,819	47,819	-	-
Off-Balance Sheet Exposures:				
Credit-Related Exposures	2,686	2,686	2,686	215
Total Off-Balance Sheet Exposures	2,686	2,686	2,686	215
Total On and Off-Balance Sheet Exposures	50,505	50,505	2,686	215
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) Market Risk				
Interest Rate Risk			-	-
Foreign Currency Risk			-	-
			-	-
(iv) Operational Risk			58,510	4,681
Total RWA and Capital Requirements	50,505	50,505	61,196	4,896

PILLAR 3 DISCLOSURES

1. OVERVIEW

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

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

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

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

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

The Bank's Pillar 3 Disclosure is governed by BNM's Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3) which set out the minimum disclosure standards. The approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information 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.

1. OVERVIEW (CONTD)

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

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

	2020 September		2020 March	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk	10,215,368	817,229	11,053,705	884,296
Market Risk	1,547,774	123,822	1,875,255	150,020
Operational Risk	717,470	57,398	807,598	64,608
	12,480,612	998,449	13,736,558	1,098,924

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

2. CAPITAL MANAGEMENT

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

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

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

2. CAPITAL MANAGEMENT (CONTD)

(a) Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

	2020 September %	2020 March %
Common equity Tier 1 ("CET 1") capital ratio	24.585	21.308
Tier 1 capital ratio	24.585	21.308
Total capital ratio	25.608	22.054

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

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

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

Please refer to Note 31(k) for Islamic Banking operation capital adequacy.

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

	2020 September RM'000	2020 March RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	2,963,159	2,963,159
• Other reserves	132,781	128,546
	3,295,940	3,291,705
Less		
• Deferred tax assets	(9,078)	(9,078)
• Intangible assets	(94,219)	(60,955)
• 55% of fair value reserve	(17,023)	(14,693)
• Regulatory reserve	(107,284)	(107,284)
	3,068,336	3,099,695
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	127,692	136,494
Total capital	3,196,028	3,236,189

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

2. CAPITAL MANAGEMENT (CONTD)

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

2020 September

Exposure Class	Long Position	Short Position	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk						
On-Balance Sheet Exposures :						
Sovereigns/Central Banks			6,716,907	6,716,907	279,842	22,387
Public Sector Entities			6,214	6,214	1,243	99
Banks, Development Financial Institutions & MDBs			3,135,581	3,135,581	826,451	66,116
Insurance Cos, Securities Firms & Fund Managers			-	-	-	-
Corporates			20,811,071	5,877,275	6,041,596	483,328
Regulatory Retail			1,632	1,632	1,632	131
Residential Mortgages			14,314	14,314	6,711	537
Equity Exposures			28,976	28,976	28,976	2,318
Other Assets			530,315	530,315	379,327	30,346
Defaulted Exposures			2,269	2,269	2,269	182
Total On-Balance Sheet Exposures			31,247,279	16,313,483	7,568,047	605,444
Off-Balance Sheet Exposures :						
Credit-related exposures			553,143	553,143	494,021	39,522
Securitisation exposures			3,000	3,000	2,250	180
Derivatives financial instruments			3,475,290	3,475,290	2,151,050	172,084
Total Off-Balance Sheet Exposures			4,031,433	4,031,433	2,647,321	211,786
Total On and Off-Balance Sheet Exposures			35,278,712	20,344,916	10,215,368	817,229
(ii) Large Exposure Risk Requirement			-	-	-	-
(iii) Market Risk						
Interest Rate Risk	66,065,497	(65,752,872)			1,524,784	121,983
Foreign Exchange Risk	6,778	(22,990)			22,990	1,839
	66,072,275	(65,775,862)			1,547,774	123,822
(iv) Operational Risk					717,470	57,398
Total RWA and Capital Requirements			35,278,712	20,344,916	12,480,612	998,449

2. CAPITAL MANAGEMENT (CONTD)

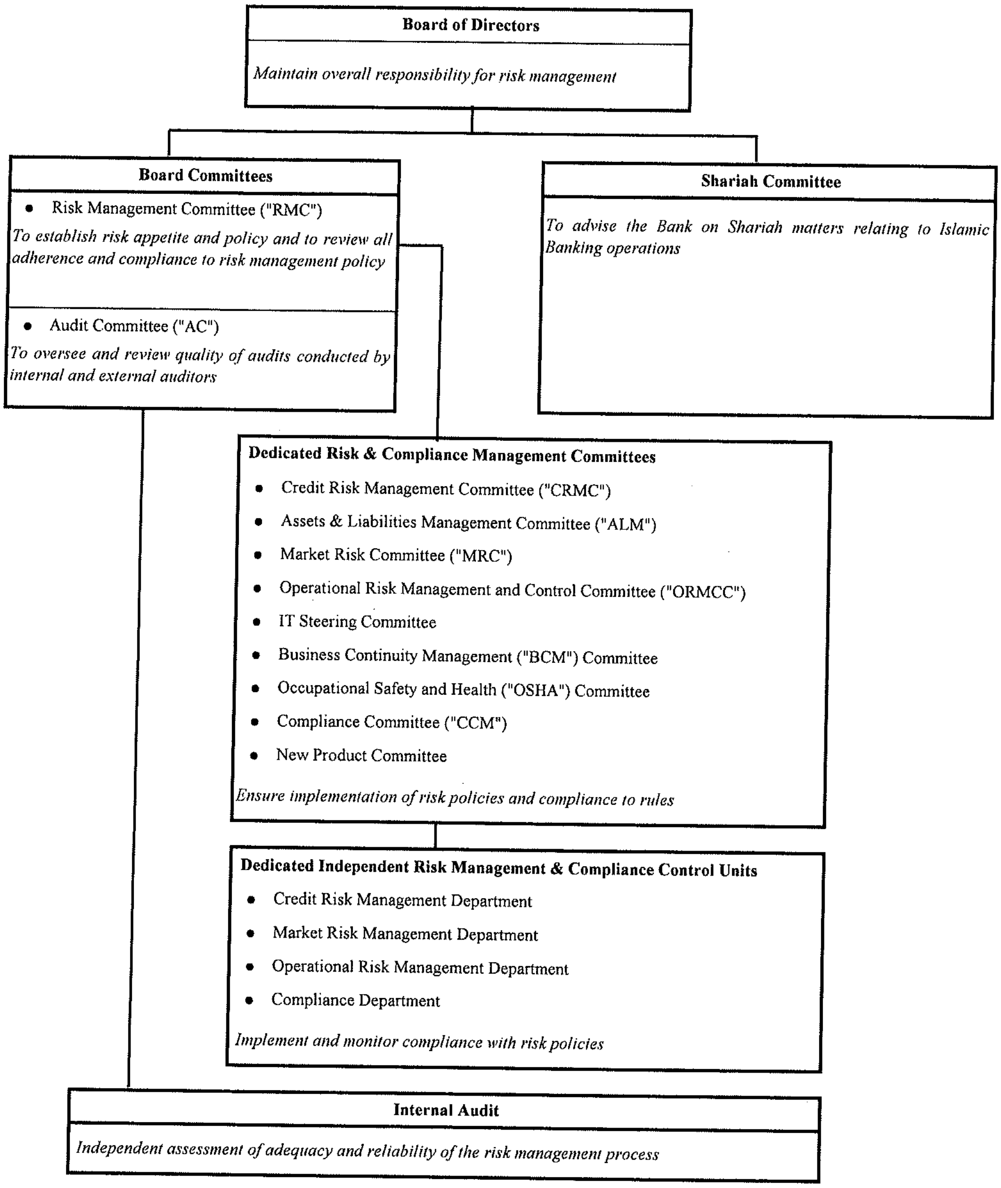
(c) The components of risk-weighted assets of the Bank are as follows: (Contd)

2020 March

Exposure Class	Long Position	Short Position	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk						
On-Balance Sheet Exposures:						
Sovereigns/Central Banks			3,966,290	3,966,290	241,757	19,341
Public Sector Entities			6,214	6,214	1,243	99
Banks, Development Financial Institutions & MDBs			3,346,923	3,346,923	809,876	64,790
Insurance Cos, Securities Firms & Fund Managers			-	-	-	-
Corporates			25,201,048	6,741,777	6,936,061	554,884
Regulatory Retail			1,572	1,572	1,572	126
Residential Mortgages			13,996	13,996	6,569	526
Equity Exposures			28,976	28,976	28,976	2,318
Other Assets			539,298	539,298	368,662	29,493
Defaulted Exposures			2,264	2,264	2,264	181
Total On-Balance Sheet Exposures			33,106,581	14,647,310	8,396,980	671,758
Off-Balance Sheet Exposures :						
Credit-related exposures			530,506	530,506	468,385	37,471
Securitisation exposures			3,000	3,000	2,250	180
Derivatives financial instruments			3,558,756	3,558,756	2,186,090	174,887
Total Off-Balance Sheet Exposures			4,092,262	4,092,262	2,656,725	212,538
Total On and Off-Balance Sheet Exposures			37,198,843	18,739,572	11,053,705	884,296
(ii) Large Exposure Risk Requirement			-	-	-	-
(iii) Market Risk						
Interest Rate Risk	68,004,333	(67,639,973)			1,843,189	147,455
Foreign Exchange Risk	32,066	(13,702)			32,066	2,565
	68,036,399	(67,653,675)			1,875,255	150,020
(iv) Operational Risk					807,598	64,608
Total RWA and Capital Requirements			37,198,843	18,739,572	13,736,558	1,098,925

3. RISK MANAGEMENT FRAMEWORK

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



3. RISK MANAGEMENT FRAMEWORK (CONTD)

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

The RMC is responsible for total risk oversight covering credit risk, market risk, liquidity risk, compliance risk, operation risk, information security risk and unique risk for Islamic financial business in particular Shariah non-compliance risk. Other key functions of RMC include reviewing risk management policies and limits, reviewing reports on risk exposures and risk portfolio composition and ensuring that infrastructure, resources and systems are in place for risk management activities.

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

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

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

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

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

The integrated risk management process follows four broad processes:

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

3. RISK MANAGEMENT FRAMEWORK (CONTD)

Internal Capital Adequacy Assessment Process ("ICAAP")

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

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

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

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

The Bank's internal capital trigger and target are set to ensure that the Bank's capital level is 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 or measurement of performance under plausible extreme adverse conditions. Reverse stress testing ("RST") process was added to Bank's existing stress testing framework. The objective of RST is to identify a range of adverse scenarios and trigger points that could potentially threaten the viability of the Bank's business model, including solvency concern and liquidity crunch. The assessment covers the likelihood of such events that could materialise over a time horizon that enables the Bank to identify its potential vulnerabilities and fault lines in its business model.

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

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

4. CREDIT RISK

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

Risk Governance

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

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

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

Risk Management Approach

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

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

Distribution of Credit Exposures

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

2020 September	Cash and Short-Term Funds RM'000	Deposits and Placement with Financial Institutions RM'000	Financial Assets at FVTPL RM'000	Financial Investments at FVOCI RM'000	Loans, Advances and Financing # RM'000	Embedded Loans Measured at FVTPL RM'000	Purchased Receivables RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitment and Contingencies * RM'000
Agricultural	-	-	-	-	496,592	-	-	-	11,443	-	-	508,034	50,000
Manufacturing	-	-	-	-	227,133	2,085	-	-	11,808	-	-	241,026	121,002
Electricity, gas and water	-	-	-	-	1,640,891	899,148	24,024	-	17,080	-	-	2,581,142	3,682,748
Mining and quarrying	-	-	-	-	1,239,985	1,221,380	-	-	-	-	-	2,461,366	791,500
Construction	-	-	-	-	175,140	683,620	-	-	460	-	-	859,220	365,522
Wholesale and retail trade and restaurants and hotels	-	-	-	-	371,827	926,734	118	-	8,865	-	-	1,307,544	2,195,411
Transport, storage and communication	-	-	-	207,739	2,565,045	316,339	-	-	77,211	-	-	3,166,334	417,350
Finance, insurance and business services	1,227,382	459,013	-	26,567	841,328	9,027,545	908,039	540,528	351,689	-	-	13,382,092	1,381,832
Government and government agencies	4,642,000	1,426,235	177,891	474,270	-	-	-	-	-	-	-	6,720,396	-
Households	-	-	-	-	18,511	-	-	-	-	-	-	18,511	45
Others	-	371	-	2,408	436,386	11,134	-	-	-	-	-	450,300	4,500
	5,869,382	1,885,620	177,891	710,984	8,012,838	13,087,986	932,180	540,528	478,556	-	-	31,695,965	9,009,910
Other assets not subject to credit risk	3,736	-	-	-	-	-	-	-	-	-	11,430	15,165	-
	5,873,118	1,885,620	177,891	710,984	8,012,838	13,087,986	932,180	540,528	478,556	-	11,430	31,711,130	9,009,910

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

2020 March	Cash and Short-Term Funds RM'000	Deposits and Placement with Financial Institutions RM'000	Financial Assets at FVTPL RM'000	Financial Investments at FVOCI RM'000	Loans, Advances and Financing # RM'000	Embedded Loans Measured at FVTPL RM'000	Purchased Receivables RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitment and Contingencies * RM'000
Agricultural	-	-	-	-	734,098	-	-	-	13,239	-	-	747,337	60,352
Manufacturing	-	-	-	-	1,837,829	928,027	-	-	43,482	-	-	2,809,338	125,402
Electricity, gas and water	-	-	-	-	1,729,798	2,128,957	31,630	-	13,458	-	-	3,903,853	3,711,838
Mining and quarrying	-	-	-	-	191,117	3,145	-	-	-	-	-	194,262	294,500
Construction	-	-	-	-	244,657	923,236	-	-	405	-	-	1,168,298	406,616
Wholesale and retail trade and restaurants and hotels	-	-	-	-	687,341	974,047	68	-	16,545	-	-	1,678,001	1,921,482
Transport, storage and communication	-	-	-	213,721	2,129,517	382,757	-	-	69,047	-	-	2,795,042	385,425
Finance, insurance and business services	1,926,944	516,821	-	26,568	2,047,077	10,146,835	741,621	160214	381,680	-	-	15,947,760	1,509,875
Government and government agencies	2,119,000	1,228,990	164,115	428,146	-	-	-	-	-	42,397	-	3,982,648	-
Households	-	-	-	-	18,115	-	-	-	-	-	-	18,115	169
Others	-	-	-	2,408	452,348	14,573	-	-	-	-	-	469,329	4,500
	4,045,944	1,745,811	164,115	670,843	10,071,897	15,501,577	773,319	160,214	537,866	42,397	-	33,713,983	8,420,159
Other assets not subject to credit risk	4,492	-	-	-	-	-	-	-	-	-	11,207	15,699	-
	4,050,436	1,745,811	164,115	670,843	10,071,897	15,501,577	773,319	160,214	537,866	42,397	11,207	33,729,682	8,420,159

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(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 52% (2020 March: 52%) of the Bank's exposures to customers is short-term, having contractual maturity of one year or less:

2020 September	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	No Specific Maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	5,282,196	-	-	-	-	590,922	5,873,118
Deposits and placement with financial institutions	1,442,613	415,550	-	-	-	27,457	1,885,620
Financial assets at FVTPL	-	-	-	145,911	31,980	-	177,891
Financial investments at FVOCI	50,033	-	50,340	581,635	-	28,976	710,984
Loans, advances and financing	2,499,984	414,605	1,366,007	2,573,390	1,158,851	-	8,012,838
Embedded loans measured at FVTPL	(1,249)	1,044,272	2,464,044	8,139,864	1,441,055	-	13,087,986
Purchased receivables	592,801	205,907	83,413	50,059	-	-	932,180
Collateral deposits placed	540,528	-	-	-	-	-	540,528
Derivative financial assets	14,447	15,129	38,469	198,361	212,150	-	478,556
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	11,430	11,430
	10,421,354	2,095,463	4,002,273	11,689,220	2,844,035	658,785	31,711,130

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)

2020 March	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	No Specific Maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	3,339,182	150,000	-	-	-	561,254	4,050,436
Deposits and placement with financial institutions	1,725,115	-	-	-	-	20,696	1,745,811
Financial assets at FVTPL	-	-	-	133,030	31,085	-	164,115
Financial investments at FVOCI	-	-	130,904	510,963	-	28,976	670,843
Loans, advances and financing	3,068,856	2,671,528	319,053	2,781,537	1,230,922	-	10,071,897
Embedded loans measured at FVTPL	536,083	1,725,010	2,982,065	9,216,966	1,041,453	-	15,501,577
Purchased receivables	526,547	173,218	29,241	44,313	-	-	773,319
Collateral deposits placed	160,214	-	-	-	-	-	160,214
Derivative financial assets	27,602	28,347	53,489	215,477	212,951	-	537,866
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	42,397	42,397
Other assets	-	-	-	-	-	11,207	11,207
	9,383,599	4,748,103	3,514,752	12,902,286	2,516,411	664,530	33,729,681

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(i) Off-Balance Sheet Exposures

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

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

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

(ii) Counterparty Credit Risk on Derivative Financial Instruments

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

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iii) Risk Management Approach

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

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

(iv) Credit Rating downgrade

In the event of a one-notch downgrade of rating for the Bank, based on the terms of the existing CSA of ISDA, the estimated additional collateral to be posted was RM8,311,000 for 30 September 2020 (March 2020: RM8,615,000).

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

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

	2020 September				2020 March			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Credit-related Exposures								
Direct credit subsitutes	122,928		122,844	111,113	2,275		2,272	1,136
Transaction-related contingent items	682,832		339,841	293,080	842,010		419,256	368,772
Short-term self-liquidating trade-related contingencies	230,538		46,073	45,449	317,090		63,327	52,831
Other commitments, such as formal standby facilties and credit lines, with an original maturity of:								
- not exceeding one year	222,069		44,362	44,362	229,926		45,567	45,567
- exceeding one year	45		23	17	169		84	79
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	7,736,498		-	-	7,013,689		-	-
Securitisation exposures	15,000		3,000	2,250	15,000		3,000	2,250
	9,009,910		556,143	496,271	8,420,159		533,506	470,635
Embedded loans								
Foreign exchange related contracts								
- one year or less	5,350,024	161,211	159,539	100,865	6,045,686	272,432	303,395	181,664
- over one year to five years	13,013,443	460,530	1,412,117	797,603	14,109,521	469,074	1,488,241	832,226
- over five years	1,700,138	75,176	284,692	193,333	1,437,619	67,314	259,946	177,811
Interest rate related contracts								
- one year or less	4,673,281	3,543	7,648	3,484	6,479,298	13,700	12,403	3,243
- over one year to five years	10,618,413	115,986	282,614	127,868	11,221,810	103,760	192,991	79,153
- over five years	1,526,756	62,812	134,416	48,845	1,571,027	56,772	127,876	45,465
	36,882,054	879,258	2,281,027	1,271,998	40,864,961	983,052	2,384,852	1,319,562
Derivative Financial Instruments:								
Foreign exchange related contracts								
- one year or less	12,681,384	65,168	209,506	147,639	7,420,328	104,608	216,355	141,808
- over one year to five years	3,582,238	131,475	398,385	310,783	5,059,742	146,775	334,702	288,306
- over five years	2,145,117	98,422	325,064	248,448	2,066,944	101,430	326,341	246,794
Interest rate related contracts								
- one year or less	2,816,549	1,795	(431)	(320)	2,908,754	3,860	4,148	1,725
- over one year to five years	4,371,198	66,886	67,615	48,320	4,926,023	68,703	122,084	80,673
- over five years	2,101,229	113,728	190,628	120,687	2,253,246	111,521	154,914	102,228
Currency options								
- one year or less	44,202	393	1,056	1,056	97,925	934	2,403	2,403
- over one year to five years					-	-	-	-
Premium yielder investments								
- one year or less	116,685	689	2,439	2,439	861,500	35	12,957	2,591
- over one year to five years					-	-	-	-
	27,858,603	478,556	1,194,263	879,052	25,594,462	537,866	1,173,904	866,528
Total	73,750,567	1,357,814	4,031,433	2,647,321	74,879,582	1,520,918	4,092,262	2,656,725

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(e) Securitisation Exposures

The Bank acts as principal adviser, lead arranger, lead manager, facility agent and/or liquidity provider for third party securitisation with originators. A bankruptcy remote special purpose vehicles , Merdeka Kapital Bhd ("MKB") and Ziya Capital Berhad ("Ziya") or (collectively "SPVs") was established to enter into an agreement with multi-originators to purchase or acquire portfolios of Receivables from them and in turn the SPVs will fund its purchase by issuing series of Asset-backed Medium-Term Notes ("MTNs") backed by such portfolio of Receivables. Horizon Funding Corporation (a bankruptcy remote SPV incorporated in Cayman Islands), acts as a funding vehicle to subscribe to the issuance under the Asset-Backed MTNs Programme.

Both MKB (Conventional Securitization SPV) and Ziya (Islamic Securitization SPV) have its own unrated Asset-backed MTN Programme. The Bank only provides liquidity facility to MKB and is recognised as off-balance sheet in the banking book. The Bank will also act as a derivative counterparty for the SPVs.

Risk Management Approach

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

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

Regulatory Capital Requirements

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

	2020 September RM'000	**2020 March RM'000**
Traditional securitisation of third party exposures	15,000	15,000

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

	Principal Amount RM'000	**Credit Equivalent Amount RM'000**	**Risk-Weighted Assets RM'000**	**Minimum Capital Requirements at 8% RM'000**
2020 September				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180
2020 March				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180

4. CREDIT RISK (CONTD)

Credit Risk Mitigation

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

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

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

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

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

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

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

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

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

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

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

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

2020 September

Exposure Class	Total Exposures before CRM RM'000	Total Exposures covered by Guarantees RM'000	Total Exposures covered by Financial Collaterals RM'000	Total Exposures covered by Other Eligible Collaterals RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	6,716,907	-	-	-
Public Sector Entities	6,214	-	-	-
Banks, Development Financial Institutions & MDBs	3,135,581	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,811,071	821,602	14,112,194	-
Regulatory Retail	1,632	-	-	-
Residential Mortgages	14,314	-	-	-
Equity Exposures	28,976	-	-	-
Other Assets	530,315	-	-	-
Defaulted Exposures	2,269	-	-	-
Total On-Balance Sheet Exposures	31,247,279	821,602	14,112,194	-
Off-Balance Sheet Exposures:				
Credit-related exposures	553,143	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	3,475,290	-	-	-
Total Off-Balance Sheet Exposures	4,031,433	-	-	-
Total Credit Exposures	35,278,712	821,602	14,112,194	-

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

2020 March

Exposure Class	Total Exposures before CRM RM'000	Total Exposures covered by Guarantees RM'000	Total Exposures covered by Financial Collaterals RM'000	Total Exposures covered by Other Eligible Collaterals RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	3,966,290	-	-	-
Public Sector Entities	6,214	-	-	-
Banks, Development Financial Institutions & MDBs	3,346,923	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	25,201,048	971,408	17,487,863	-
Regulatory Retail	1,572	-	-	-
Residential Mortgages	13,996	-	-	-
Equity Exposures	28,976	-	-	-
Other Assets	539,298	-	-	-
Defaulted Exposures	2,264	-	-	-
Total On-Balance Sheet Exposures	33,106,581	971,408	17,487,863	-
Off-Balance Sheet Exposures:				
Credit-related exposures	530,506	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	3,558,756	-	-	-
Total Off-Balance Sheet Exposures	4,092,262	-	-	-
Total Credit Exposures	37,198,843	971,408	17,487,863	-

4. CREDIT RISK (CONTD)

Assignment of Risk Weights for Portfolios Under the Standardised Approach

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

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

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

(a) Banking institutions
(b) Corporates

Unrated and Rated Counterparties

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

4. CREDIT RISK (CONTD)

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

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

Corporates

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

Banking Institutions

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

Sovereigns and Central Banks

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

4. CREDIT RISK (CONTD)

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

2020 September

Credit Exposure	<---- **Ratings of Sovereign and Central Banks by Approved ECAIs** ---->							
	1	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
On and Off Balance Sheet Exposures								
Sovereign / Central Banks	6,716,907	-	-	-	-	-	-	6,716,907

Credit Exposure	<---- **Ratings of Banking Institutions by Approved ECAIs** ---->							
	1	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
On and Off Balance Sheet Exposures								
Banks, Development Financial Institutions & MDBs	2,940,532	1,542,388	-	14,835	39,272	-	-	4,537,027

Credit Exposure	<---- **Ratings of Corporate by Approved ECAIs** ---->					
	1	**2**	**3**	**4**	**Unrated**	**Total**
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	13,555	13,555
Insurance Cos, securities firms & fund managers	-	-	-	-	192,935	192,935
Corporates	1,547,366	15,781	-	-	21,674,612	23,237,759
Regulatory retail	-	-	-	-	1,632	1,632
Residential mortgages	-	-	-	-	16,606	16,606
Other assets	-	-	-	-	530,315	530,315
Securitisation exposure	-	-	-	-	3,000	3,000
Equity exposure	-	-	-	-	28,976	28,976
	1,547,366	15,781	-	-	22,461,631	24,024,778

4. CREDIT RISK (CONTD)

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

2020 March

Credit Exposure	<---------- **Ratings of Sovereign and Central Banks by Approved ECAIs** ---------->							
	1	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
On and Off Balance Sheet Exposures								
Sovereign / Central Banks	3,967,134	-	-	-	-	-	-	3,967,134

Credit Exposure	<---------- **Ratings of Banking Institutions by Approved ECAIs** ---------->							
	1	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
On and Off Balance Sheet Exposures								
Banks, Development Financial Institutions & MDBs	3,404,707	1,411,979	-	41,065	43,853	-	-	4,901,604

Credit Exposure	<---------- **Ratings of Corporate by Approved ECAIs** ---------->					
	1	**2**	**3**	**4**	**Unrated**	**Total**
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	10,159	10,159
Insurance Cos, securities firms & fund managers	-	-	-	-	178,160	178,160
Corporates	1,664,531	17,650	-	-	25,874,360	27,556,541
Regulatory retail	-	-	-	-	1,572	1,572
Residential mortgages	-	-	-	-	16,280	16,280
Other assets	-	-	-	-	535,417	535,417
Securitisation exposure	-	-	-	-	3,000	3,000
Equity exposure	-	-	-	-	28,976	28,976
	1,664,531	17,650	-	-	26,647,924	28,330,105

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

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.

2020 September	<---------- Exposures after Netting and Credit Risk Mitigation ---------->											
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	5,317,696	-	-	-	14,112,194	-	-	-	-	150,934	19,580,824	-
20%	1,399,211	6,214	2,940,532	-	1,547,366	-	-	-	-	68	5,893,391	1,178,678
35%	-	-	-	-	-	-	8,691	-	-	-	8,691	3,042
50%	-	-	1,542,388	-	15,781	-	2,884	-	-	-	1,561,053	780,527
75%	-	-	-	-	-	-	2,070	3,000	-	-	5,070	3,803
100%	-	7,341	14,835	192,935	7,562,417	1,632	2,961	-	28,976	379,313	8,190,410	8,190,410
150%	-	-	39,272	-	-	-	-	-	-	-	39,272	58,908
Total Exposures	6,716,907	13,555	4,537,027	192,935	23,237,758	1,632	16,606	3,000	28,976	530,315	35,278,711	10,215,368
Risk-Weighted Assets by Exposures	279,842	8,584	1,433,043	192,935	7,879,781	1,632	8,998	2,250	28,976	379,327	10,215,368	
Average Risk Weight	4%	63%	32%	100%	34%	100%	54%	75%	100%	72%	29%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

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

2020 March

Risk Weights	<--- Exposures after Netting and Credit Risk Mitigation									--->		
	Sovereigns / Central Banks RM'000	**Public Sector Entities RM'000**	**Banks, Development Financial Institutions & MDBs RM'000**	**Insurance Cos, Securities Firms & Fund Managers RM'000**	**Corporates RM'000**	**Regulatory Retail RM'000**	**Residential Mortgages RM'000**	**Securitisation Exposures RM'000**	**Equity Exposures RM'000**	**Other Assets RM'000**	**Total Exposures after Netting and Credit Risk Mitigation RM'000**	**Total Risk-Weighted Assets RM'000**
0%	2,757,502	-	-	-	-	-	-	-	-	167,440	2,924,942	-
20%	1,209,632	10,159	3,404,707	-	1,664,531	-	-	-	-	50	6,289,079	1,257,816
35%	-	-	-	-	-	-	8,610	-	-	-	8,610	3,013
50%	-	-	1,411,979	-	17,650	-	2,462	-	-	-	1,432,091	716,046
75%	-	-	-	-	-	-	2,417	3,000	-	-	5,417	4,063
100%	-	-	41,065	178,160	7,415,089	1,572	2,791	-	28,976	367,927	8,035,580	9,006,988
150%	-	-	43,853	-	-	-	-	-	-	-	43,853	65,779
Total Exposures	3,967,134	10,159	4,901,604	178,160	9,097,270	1,572	16,280	3,000	28,976	535,417	18,739,572	11,053,705
Risk-Weighted Assets by Exposures	241,926	2,032	1,493,775	178,160	8,728,228	1,572	8,848	2,250	28,976	367,937	11,053,705	
Average Risk Weight	6%	20%	30%	100%	96%	100%	54%	75%	100%	69%	59%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans, Advances and Financing

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

	30.09.2020				31.03.2020			
	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	6,587,778	769,066	-	7,356,844	8,616,359	926,813	-	9,543,172
Close watch	-	444,289	-	444,289	-	-	-	-
Past due but not credit-impaired								
Normal grades	2,862	-	-	2,862	2,712	-	-	2,712
Close watch	-	-	-	-	-	-	-	-
Credit-impaired								-
Past due	-	-	583	583	-	-	698	698
Not past due	-	-	68,799	68,799	-	-	424,922	424,922
	6,590,640	1,213,355	69,382	7,873,377	8,619,071	926,813	425,620	9,971,504

	30.09.2020	31.03.2020
Gross credit-impaired loans as a percentage of gross loans, advances and financing	0.00%	0.00%

(a) 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 30 September 2020 was 0.04% (March 2020: 0.03%).

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

	2020 September RM'000	2020 March RM'000
Household	2,862	2,712

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

	2020 September		2020 March	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Past due but not credit-impaired	2,862	-	2,712	-

(b) 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.

4. CREDIT RISK (CONTD)

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

(b) Credit-impaired Loans, Advances and Financing (Contd)

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

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 15(g), the movements in impairment allowances are set out in Note 15(j) and the amount of impaired loans, advances and financing broken down by economic sector and geographical location are set out in Note 15(h) and Note 15(i) to the financial statement.

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

	2020 September		2020 March	
	Stage 1 and 2 ECL RM'000	Stage 3 ECL RM'000	Stage 1 and 2 ECL RM'000	Stage 3 ECL RM'000
Agricultural, hunting, forestry and fishing	3	-	9	-
Mining and quarrying	11	-	21	-
Manufacturing	26,534	2,549	7,133	50,579
Electricity, gas and water	4,933	-	9,371	-
Construction	19,051	-	2,552	-
Wholesale and retail trade and restaurants and hotels	1,546	-	1,973	-
Transport, storage and communication	1,409	71	2,207	-
Finance, insurance, real estate and business services	2,624	-	3,525	-
Households	131	209	208	198
Others	-	-	-	-
	56,241	2,829	26,999	50,777

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

	Stage 3 Lifetime ECL Credit-Impaired 2020 March RM'000	(Writeback)/ Allowance for the Period RM'000	Stage 3 Lifetime ECL Credit-Impaired 2020 September RM'000
Manufacturing	50,579	(48,030)	2,549
Transport, storage and communication	-	71	71
Household	198	11	209
	50,777	(47,948)	2,829

4. CREDIT RISK (CONTD)

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

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

Impairment allowances by geographical location:

	2020 September RM'000	2020 March RM'000
Malaysia		
• Stage 1 - 12 month ECL	6,449	9,891
• Stage 2 - lifetime ECL not credit-impaired	48,337	13,380
• Stage 3 lifetime ECL credit-impaired	2,829	50,777
	57,615	74,048
Other countries		
• Stage 1 - 12 month ECL	1,455	3,729
• Stage 2 - lifetime ECL not credit-impaired	-	-
	1,455	3,729

Economic sector for loans written off:

	2020 September RM'000	2020 March RM'000
Finance, insurance, real estate and business services	-	-
Household	-	35
	-	35

Islamic Banking Business

	2020 September		2020 March	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit risk	9,979	798	2,686	215

5. MARKET RISK

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

Regulatory Capital Requirements

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

	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
2020 September				
Interest rate risk- general interest rate risk	66,065,497	(65,752,872)	1,524,784	121,983
Foreign exchange risk	6,778	(22,990)	22,990	1,839
	66,072,275	(65,775,862)	1,547,774	123,822
2020 March				
Interest rate risk- general interest rate risk	68,004,333	(67,639,973)	1,843,189	147,455
Foreign exchange risk	32,066	(13,702)	32,066	2,565
	68,036,399	(67,653,675)	1,875,255	150,020

Risk Governance

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

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

Risk Management Approach

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

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

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

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

5. MARKET RISK

Risk Management Approach (Contd)

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

The following tables also sets out the Bank's sensitivity to interest rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans or early withdrawal of deposits. As at 30 September 2020, the Bank had an overall positive interest rate gap of RM8,365,000 (2020 March: RM8,256,000), being the net difference between interest sensitive assets and liabilities.

Sensitivity of Profit

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

	2020 September	2020 March
	Increase / (Decrease)	
	RM'000	RM'000
Impact on earnings from 100 bps parallel shift		
MYR	49,172	39,729
USD	(13,106)	(2,053)
Others	(11,457)	(11,451)
Total	24,609	26,225
Impact on economic value from 100 bps parallel shift		
MYR	(10,131)	(12,519)
USD	(5,292)	(8,488)
Others	(3,827)	(3,798)
Total	(19,250)	(24,805)

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

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

5. MARKET RISK (CONTD)

Interest Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables indicate the 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 reprising date and maturity date:

	<---------- Non-Trading Book					---------->			
2020 September	**Up to 1 Month RM'000**	**1 to 3 Months RM'000**	**3 to 12 Months RM'000**	**1 to 5 Years RM'000**	**Over 5 Years RM'000**	**Non-Interest Sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**	**Effective Interest Rate %**
Financial assets									
Cash and short-term funds	5,282,197	-	-	-	-	590,922	-	5,873,118	2.68
Deposits and placements with financial institutions	1,442,613	415,550	-	-	-	27,457	-	1,885,620	0.02
Financial assets at FVTPL	-	-	-	145,911	31,980	-	-	177,891	3.99
Financial investments at FVOCI	50,033	-	50,340	581,635	-	28,976	-	710,984	2.52
Loans, advances and financing									
- Not credit-impaired	2,466,374	382,496	1,362,975	2,573,313	1,155,647	(53,590)	-	7,887,215	2.25
- Credit-impaired *	33,530	32,263	3,067	40	301	(2,646)	-	66,553	
Embedded loans measured at FVTPL	(1,249)	1,044,272	2,464,044	8,139,864	1,441,055	-	-	13,087,986	1.25
Purchased receivables	592,801	205,907	83,413	50,059	-	(305)	-	931,875	0.61
Collateral deposits placed	540,528	-	-	-	-	-	-	540,528	1.18
Derivative financial assets	-	-	-	-	-	-	478,556	478,556	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	11,430	-	11,430	
	10,406,827	2,080,487	3,963,838	11,490,822	2,628,982	602,243	478,556	31,651,756	
Non-financial assets									
Property, plant and equipment	-	-	-	-	-	24,797	-	24,797	
Intangible assets	-	-	-	-	-	94,219	-	94,219	
Right-of-use assets	-	-	-	-	-	7,197	-	7,197	
Prepayment	-	-	-	-	-	226	-	226	
Current tax assets	-	-	-	-	-	-	-	-	
Deferred tax assets	-	-	-	-	-	9,078	-	9,078	
	-	-	-	-	-	135,517	-	135,517	
Total assets	10,406,827	2,080,487	3,963,838	11,490,822	2,628,982	737,760	478,556	31,787,273	

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

5. MARKET RISK (CONTD)

Interest Rate Risk (Contd)

2020 September	<---- Non-Trading Book ----					---->			
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000	Effective Interest Rate %
Liabilities									
Deposits from customers	5,205,317	1,512,480	174,993	740	-	3,487,262	-	10,380,792	1.21
Deposits and placements of banks and financial institutions	625,910	-	45,362	-	-	-	-	671,271	0.65
Collateral deposits received	3,135,893	882,467	1,879,751	1,616,609	7,003,453	1,923,026	-	16,441,200	0.19
Derivative financial liabilities	-	-	-	-	-	-	494,425	494,425	
Other liabilities	-	-	-	-	-	-	106,697	106,697	
	8,967,120	2,394,947	2,100,106	1,617,350	7,003,453	5,410,288	601,122	28,094,385	
On-balance sheet interest sensitivity gap	1,439,707	(314,460)	1,863,733	9,873,472	(4,374,471)	(4,672,528)	(122,566)	3,692,888	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	312,625	312,625	
Total interest sensitivity gap	1,439,707	(314,460)	1,863,733	9,873,472	(4,374,471)	(4,672,528)	190,059	4,005,512	

5. MARKET RISK (CONTD)

Interest Rate Risk (Contd)

2020 March	<----- Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000 Non-Trading Book	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	3,339,182	150,000	-	-	-	561,254	-	4,050,436	2.97
Deposits and placements with financial institutions	1,725,115	-	-	-	-	20,696	-	1,745,811	-
Financial assets at FVTPL	-	-	-	-	-	-	164,115	164,115	3.63
Financial investments at FVOCI	-	-	130,904	510,963	-	28,976	-	670,843	3.15
Loans, advances and financing									
- Not credit-impaired	2,917,660	2,641,560	290,536	2,612,549	1,165,347	(30,427)	-	9,597,225	2.78
- Credit-impaired *	155,157	29,968	28,517	168,988	65,576	(51,311)	-	396,895	
Embedded loans measured at FVTPL	536,083	1,725,010	2,982,065	9,216,966	1,041,453	-	-	15,501,577	2.05
Purchased receivables	526,547	173,218	29,241	44,313	-	(327)	-	772,992	1.58
Collateral deposits placed	160,214	-	-	-	-	-	-	160,214	2.23
Derivative financial assets	-	-	-	-	-	-	537,866	537,866	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	42,397	-	42,397	
Other assets	-	-	-	-	-	11,207	-	11,207	
	9,359,957	4,719,756	3,461,263	12,553,779	2,272,376	582,465	701,981	33,651,578	
Non-financial assets									
Property, plant and equipment	-	-	-	-	-	26,975	-	26,975	
Intangible assets	-	-	-	-	-	60,955	-	60,955	
Right-of-use assets	-	-	-	-	-	8,907	-	8,907	
Prepayment	-	-	-	-	-	3,446	-	3,446	
Current tax assets	-	-	-	-	-	1,081	-	1,081	
Deferred tax assets	-	-	-	-	-	9,078	-	9,078	
	-	-	-	-	-	110,442	-	110,442	
Total assets	9,359,957	4,719,756	3,461,263	12,553,779	2,272,376	692,907	701,981	33,762,020	

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

5. MARKET RISK (CONTD)

Interest Rate Risk (Contd)

	<---------- Non-Trading Book					---------->			
2020 March	**Up to 1 Month RM'000**	**1 to 3 Months RM'000**	**3 to 12 Months RM'000**	**1 to 5 Years RM'000**	**Over 5 Years RM'000**	**Non-Interest Sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**	**Effective Interest Rate %**
Liabilities									
Deposits from customers	4,017,449	931,064	135,070	1,107	-	3,958,083	-	9,042,773	2.02
Deposits and placements of banks and other financial institutions	1,058,099	-	-	-	-	1,110	-	1,059,209	1.54
Collateral deposits received	5,596,384	1,386,894	5,618	2,926,903	8,217,984	1,496,774	-	19,630,557	1.26
Derivative financial liabilities	-	-	-	-	-	-	536,502	536,502	
Other liabilities	-	-	-	-	-	192,409	-	192,409	
	10,671,932	2,317,958	140,688	2,928,010	8,217,984	5,648,376	536,502	30,461,450	
On-balance sheet interest sensitivity gap	(1,311,974)	2,401,798	3,320,575	9,625,769	(5,945,608)	(4,955,469)	165,479	3,300,569	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	364,360	364,360	
Total interest sensitivity gap	(1,311,974)	2,401,798	3,320,575	9,625,769	(5,945,608)	(4,955,469)	529,839	3,664,929	

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(b) Foreign Exchange Risk

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

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

As at 30 September 2020, the NOP of the Bank stood at RM16,211,904 (short position) (2020 March: RM18,364,420 (long position)).

Interest Rate and Foreign Currency Risk Stress Testing

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

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

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

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

The analysis shows that as of 30 September 2020, potential maximum loss computed for Scenario 1 to be RM64,279,000 (2020 March: RM99,411,000), Scenario 2 to be RM73,138,000 (2020 March: RM105,882,000) and Scenario 3 to be RM99,648,000 (2020 March: RM139,928,000).

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.

5. MARKET RISK (CONTD)

FOREIGN CURRENCY RISK

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

	2020 September Denominated in						2020 March Denominated in					
	USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	Others RM'000	USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	Others RM'000
Assets												
Cash and short-term funds	12,154	325,071	88,232	75,457	19,279	66,993	140,341	303,886	19,702	36,877	20,266	35,690
Deposits and placements with financial institutions	415,550	1,442,613	-	-	-	-	215,375	1,509,740	-	-	-	-
Financial investments at FVOCI	207,738	-	-	-	-	-	213,721	-	-	-	-	-
Loans, advances and financing	5,213,347	40,479	-	-	-	349	6,266,474	27,069	123,737	-	-	-
Embedded loans measured at FVTPL	10,785,602	-	-	-	-	-	13,481,211	-	-	-	-	-
Purchased receivables	821,693	-	-	-	-	44,732	706,805	-	-	-	-	-
Collateral deposits placed	184,765	-	-	-	-	-	18,092	-	-	-	-	-
	17,640,848	1,808,163	88,232	75,457	19,279	112,074	21,042,019	1,840,695	143,439	36,877	20,266	35,690
Liabilities												
Deposits from customers	3,117,096	266,111	34,146	33,243	4	6,104	2,224,811	254,679	16,741	30,502	4,496	8,954
Deposits and placements of banks and other financial institutions	623,325	-	-	-	-	45,362	990,725	-	47,374	-	-	-
Collateral deposits received	14,853,588	1,587,612	-	-	-	-	17,833,784	1,662,783	75,798	-	-	-
Other liabilities	4,250	29,345	-	27	-	280	97,383	8,095	-	42	-	-
	18,598,259	1,883,068	34,146	33,269	4	51,746	21,146,703	1,925,557	139,913	30,544	4,496	8,954
Net financial (liabilities)/assets exposure	(957,411)	(74,905)	54,086	42,187	19,275	60,329	(104,684)	(84,861)	3,525	6,333	15,770	26,736

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(c) Equity Risk

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

The Bank currently hold equity investments amounting to RM28,976,000 (2020 March: RM28,976,000) which are privately held for social economic purpose and is unquoted and stated at fair value through other comprehensive income and adjusted for impairment loss, if any.

Islamic Banking Business

There are no market risk exposures as at the reporting period (2020 March: Nil).

6. LIQUIDITY RISK

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

Risk Governance

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

Risk Management Approach

The liquidity risk management of the Bank, is aligned with the Liquidity Coverage Ratio ("LCR") requirements issued by BNM which became effective from 1 June 2015. In addition, the Bank maintains a liquidity compliance buffer to meet any unexpected cash outflows. The day-to-day funding management, is undertaken by treasury operations and this includes the maintenance of a portfolio of highly liquid assets, that can be easily liquidated to meet the unforeseeable demand in cash flows arising from the maturity of deposits and loans. As at 31 March 2020, the Bank holds a sizeable balance of government securities amounting to RM652,161,000 (2020 March: RM592,261,000) or 73% (2020 March: 71%) of its portfolio of securities.

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

6. LIQUIDITY RISK (CONTD)

Risk Management Approach (Contd)

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

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

The Bank's hold sufficient high-quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-day horizon for Liquidity Coverage Ratio ("LCR"). LCR is part of the Basel III reform package which comprises measures to further strengthen the existing capital and liquidity standards for banking institutions. As of September 2020, the Bank complies to the minimum LCR as stipulated by BNM.

Islamic Banking Business

There are no significant liquidity risk exposures as at the reporting period (2020 March: Nil).

7. OPERATIONAL RISK

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

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

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

Regulatory Capital Requirements

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

	2020 September		2020 March	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational risk	717,470	57,398	807,598	64,608

7. OPERATIONAL RISK (CONTD)

Risk Governance

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

Operational Risk Management Framework

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

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

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

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

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

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

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

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

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

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

7. OPERATIONAL RISK (CONTD)

Business Continuity Management

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

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

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

Reputational Risk Management Framework

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

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

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

IT Risk Management Framework

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

Reporting

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

7. OPERATIONAL RISK (CONTD)

Islamic Banking Business

	2020 September		2020 March	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational risk	58,982	4,719	58,510	4,681

8. PROFIT SHARING INVESTMENT ACCOUNTS AND SHARIAH GOVERNANCE

(a) Profit Sharing Investment Accounts

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

(b) Shariah Governance

This is disclosed in the Pillar 3 Disclosures of the Bank attached to the audited financial statements for the financial period ended 31 March 2020.