

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

Company No : 199401016638 (302316-U)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED
30 SEPTEMBER 2022**

Registration No. 199401016638 (302316-U)

MUFG BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)

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UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2022

	Note	2022 September RM'000	2022 March RM'000
ASSETS			
Cash and short-term funds	11	8,019,748	6,614,758
Reverse repurchase agreements		136,399	-
Deposits and placements with financial institutions	12	1,187,653	1,257,406
Financial assets at fair value through profit or loss	13	505,678	-
Financial investments at fair value through other comprehensive income	14	773,995	1,013,740
Loans, advances and financing	15	8,671,265	8,397,099
Embedded loans measured at fair value through profit or loss	16	14,827,194	12,577,088
Purchased receivables	17	1,088,927	987,946
Collateral deposits placed		971	43,125
Derivative financial assets	18	832,737	333,152
Other assets		39,079	79,802
Property, plant and equipment		19,970	22,211
Intangible assets		68,195	78,817
Right-of-use assets		1,754	3,250
Deferred tax assets		6,865	6,865
TOTAL ASSETS		36,180,430	31,415,259
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	19	11,475,195	10,601,212
Deposits and placements of banks and other financial institutions	20	370,018	521,755
Financial liabilities at fair value through profit or loss		118,100	-
Collateral deposits received		19,029,035	15,792,315
Derivative financial liabilities	18	700,124	305,229
Other liabilities	21	195,950	104,033
Lease liabilities		1,921	3,330
Sukuk		250,000	250,000
Obligation on securities sold on repurchase agreements		373	-
Current tax liabilities		26,026	23,153
TOTAL LIABILITIES		32,166,742	27,601,027
SHARE CAPITAL		200,000	200,000
RESERVES		3,813,688	3,614,232
SHAREHOLDER'S FUNDS		4,013,688	3,814,232
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		36,180,430	31,415,259
COMMITMENTS AND CONTINGENCIES	22	86,639,203	76,616,395

**UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

	Note	2nd Quarter Ended		Six Months Ended	
		2022 September RM'000	2021 September RM'000	2022 September RM'000	2021 September RM'000
Operating revenue		211,242	89,602	346,093	221,383
Interest income	23	121,768	64,857	205,108	130,173
Interest expense	24	(51,160)	(18,407)	(76,244)	(41,645)
Net interest income		70,608	46,450	128,864	88,528
Net income from embedded loans measured at FVTPL	25	74,318	22,558	109,021	58,527
Net income from Islamic Banking operations	31	3,684	2,159	7,914	8,830
Other operating income	26	62,632	18,435	100,294	65,498
Operating income		211,242	89,602	346,093	221,383
Other operating expenses	27	(45,025)	(33,673)	(97,192)	(86,527)
Operating profit before allowance for impairment		166,217	55,929	248,901	134,856
Reversal of impairment on financial instruments	28	(1,467)	13,381	403	16,001
Profit before tax		164,750	69,310	249,304	150,857
Tax expense		(23,941)	(19,564)	(44,702)	(41,114)
Profit after tax for the period		140,809	49,746	204,602	109,743
Other comprehensive (loss)/income, net of tax					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit liability		-	-	-	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Change in fair value reserve:					
- Debt instruments at FVOCI		(1,473)	(1,270)	(4,795)	467
Change in expected credit loss reserve		(368)	4	(351)	4
Other comprehensive (loss)/income for the period, net of tax		(1,841)	(1,266)	(5,146)	471
Total comprehensive income for the period		138,968	48,480	199,456	110,214
Profit attributable to:					
Owner of the Bank		140,809	49,746	204,602	109,743
Total comprehensive income attributable to:					
Owner of the Bank		138,968	48,480	199,456	110,214
Basic earnings per share (sen)		70.40	24.87	102.30	54.87

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

	----- Non-distributable -----				----- Distributable -----		
	Share Capital RM'000	Regulatory Reserve RM'000	Defined Benefit Reserve RM'000	ECL Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 April 2021	200,000	103,731	(4,252)	346	27,509	3,273,025	3,600,359
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	467	-	467
Change in expected credit loss of financial assets at fair value through other comprehensive income	-	-	-	4	-	-	4
Total other comprehensive income for the period	-	-	-	4	467	-	471
Profit for the period	-	-	-	-	-	109,743	109,743
Total comprehensive income for the period	-	-	-	4	467	109,743	110,214
At 30 September 2021	200,000	103,731	(4,252)	350	27,976	3,382,768	3,710,573
At 1 April 2022	200,000	103,731	(4,252)	351	26,504	3,487,898	3,814,232
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(4,795)	-	(4,795)
Change in expected credit loss of financial assets at fair value through other comprehensive income	-	-	-	(351)	-	-	(351)
Total other comprehensive loss for the period	-	-	-	(351)	(4,795)	-	(5,146)
Profit for the period	-	9,244	-	(351)	(4,795)	204,602	199,456
Total comprehensive (loss)/income for the period	-	9,244	-	(351)	(4,795)	204,602	199,456
Transfer of retained profits to regulatory reserve	-	-	-	-	-	(9,244)	-
At 30 September 2022	200,000	112,975	(4,252)	-	21,709	3,683,256	4,013,688

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

	2022 September RM'000	2021 September RM'000
Cash Flows From Operating Activities		
Profit before tax	249,304	150,857
Adjustments for:		
Depreciation of property, plant and equipment	2,375	2,636
Amortisation of intangible assets	12,428	13,921
Loss on disposal of property, plant and equipment	18	2
Depreciation of right-of-use assets	1,496	1,728
Reversal of impairment on financial instruments	(403)	(16,001)
Defined benefit plan	1,704	1,784
Dividend income	(295)	(253)
Interest income from financial investments at fair value through other comprehensive income	(12,580)	(7,938)
Interest income from financial assets at fair value through profit or loss	(4,273)	(3,492)
Finance cost on lease liabilities	51	103
Unrealised loss on changes in trading securities	4,811	1,180
Unrealised gain on changes in fair value of embedded loans measured at fair value through profit or loss	(49,295)	(8,745)
Unrealised (gain)/loss on changes in fair value of derivative financial instruments	(153,441)	9,244
Unrealised (gain)/loss on changes in fair value of loans designated at fair value	(1,111)	18,384
Operating profit before working capital changes	50,789	163,410
(Increase)/Decrease in operating assets:		
Deposits and placements with financial institutions	69,753	306,339
Reverse repurchase agreements	(136,399)	-
Financial assets at fair value through profit or loss	122,523	144,889
Financial investments at fair value through other comprehensive income	238,265	(175,970)
Loans, advances and financing	(273,857)	621,797
Embedded loans measured at fair value through profit or loss	(2,232,047)	(863,358)
Collateral deposits placed	42,154	114,441
Purchased receivables	(100,853)	41,280
Derivative financial assets	90,839	284,348
Other assets	40,722	20,617
Increase/(Decrease) in operating liabilities:		
Deposits from customers	873,983	(1,470,195)
Deposits and placements of banks and other financial institutions	(151,737)	(61,505)
Derivative financial liabilities	(10,851)	(302,884)
Collateral deposits received	3,236,720	(370,353)
Other liabilities	94,094	(24,659)
Obligation on securities sold on repurchase agreement	373	(303,494)
Cash generated from/(used in) operations	1,954,471	(1,875,297)
Income tax paid	(41,829)	(43,100)
Payment of staff benefits	(3,156)	(3,096)
Interest paid in relation to lease liabilities	(51)	(103)
Net cash generated from/(used in) operating activities	1,909,435	(1,921,596)

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)

	2022 September RM'000	2021 September RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(155)	(92)
Purchase of intangible assets	(1,805)	(520)
Proceeds from disposals of property, plant and equipment	3	-
Proceeds from sale of financial assets at fair value through profit or loss	1,955,289	385,281
Purchase of financial assets at fair value through profit or loss	(2,470,201)	(494,928)
Proceeds from sale of financial assets at fair value through other comprehensive income	391,650	-
Purchase of financial assets at fair value through other comprehensive income	(396,297)	(41,220)
Interest received from financial assets at fair value through other comprehensive income	13,911	(500)
Interest received from financial assets at fair value through profit or loss	4,273	3,492
Dividend received	295	253
Net cash used in investing activities	<u>(503,037)</u>	<u>(148,234)</u>
Cash Flows From Financing Activities		
Payment of lease liabilities	(1,408)	(1,709)
Net cash used in from financing activities	<u>(1,408)</u>	<u>(1,709)</u>
Net increase/(decrease) in cash and cash equivalents	1,404,990	(2,071,539)
Cash and cash equivalents at beginning of year	6,614,758	7,152,000
Cash and cash equivalents at end of year	<u>8,019,748</u>	<u>5,080,461</u>
Cash outflows for leases as a lessee		
Included in net cash from operating activities:		
Payment relating to short-term leases	845	110
Payment relating to leases of low-value assets	435	578
Interest paid in relation to lease liabilities	51	103
Included in net cash from financing activities:		
Payment of lease liabilities	1,408	1,709
Total cash outflows for leases	<u>2,739</u>	<u>2,500</u>

**UNAUDITED STATEMENT OF CASH FLOWS
 FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

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

	At 1 April 2022 RM'000	Net change from financing cash flows RM'000	Acquisition RM'000	Other changes RM'000	At 30 September 2022 RM'000
Lease liabilities	3,844	(1,408)	-	51	2,487
Sukuk	250,000	-	-	-	250,000
	<u>253,844</u>	<u>(1,408)</u>	<u>-</u>	<u>51</u>	<u>252,487</u>
	At 1 April 2021 RM'000	Net change from financing cash flows RM'000	Acquisition RM'000	Other changes RM'000	At 30 September 2021 RM'000
Lease liabilities	6,590	(1,709)	193	206	5,280
Sukuk	250,000	-	-	-	250,000
	<u>256,590</u>	<u>(1,709)</u>	<u>193</u>	<u>206</u>	<u>255,280</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

1. BASIS OF PREPARATION

(a) Statement of compliance

The unaudited condensed interim financial report for the quarter ended 30 September 2022 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 2022. 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 2022.

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

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

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

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

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

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

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

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

2. AUDIT REPORT

The audit report on the audited financial statements for the financial year ended 31 March 2022 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 2022.

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 2022.

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 2022.

7. DIVIDEND PAID

No dividend was paid during the financial period ended 30 September 2022.

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 2022 was RM249.3 million, increase of 65.26% or RM98.4 million compared to the corresponding period last year. Operating income increased by RM124.7 million from RM221.4 million to RM346.1 million whilst operating expenses increased by RM10.7 million mainly attributed to higher administrative and other expenses.

Total assets increased from RM31.4 billion as at 31 March 2022 to RM36.2 billion as at 30 September 2022. The Bank's CET 1/Tier 1 capital ratio and total capital ratio remained strong at 28.268% and 29.287% respectively.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

10. PROSPECTS

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)

11. CASH AND SHORT-TERM FUNDS

	2022 September RM'000	2022 March RM'000
<i>Amortised cost</i>		
Cash and balances with banks and other financial institutions	442,137	343,127
Money at call and deposit placements maturing within three months	7,577,611	6,271,631
	<u>8,019,748</u>	<u>6,614,758</u>

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2022 September RM'000	2022 March RM'000
<i>Amortised cost</i>		
Licensed banks		
• Malaysia	835,070	877,796
• Other countries	352,583	379,610
	<u>1,187,653</u>	<u>1,257,406</u>

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

	2022 September RM'000	2022 March RM'000
Money market instruments:		
Malaysian Government Securities	338,813	-
Government Investment Issues	166,865	-
	<u>505,678</u>	<u>-</u>

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

	2022 September RM'000	2022 March RM'000
Money market instruments:		
Malaysian Government Securities	290,686	406,160
Government Investment Issues	131,104	20,639
Japan Government Bonds	321,535	345,815
Sukuk	-	210,456
	<u>743,325</u>	<u>983,070</u>
Non-money market instruments:		
Unquoted shares	30,670	30,670
	<u>30,670</u>	<u>30,670</u>
Total	<u>773,995</u>	<u>1,013,740</u>

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

	2022 September RM'000	2022 March RM'000
<u>12-Month ECL Stage 1</u>		
At 1 April	351	346
Allowance made due to changes in credit risk	-	5
Financial assets derecognised (other than write-off)	(351)	-
At 30 September	<u>-</u>	<u>351</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

15. LOANS, ADVANCES AND FINANCING

(a) By type:

	2022 September RM'000	2022 March RM'000
<i>At amortised cost</i>		
Term loans		
• Housing loans	9,121	9,863
• Other term loans	2,829,698	3,075,050
Revolving credits	4,717,625	4,734,000
Overdrafts	9,335	10,337
Bills receivable	123,833	128,100
Claims on customers under acceptance credits	621,000	231,125
Staff loans	5,712	6,111
	<u>8,316,324</u>	<u>8,194,586</u>
Unearned interest	(6,243)	(2,942)
Gross loans, advances and financing at amortised cost	8,310,081	8,191,644
<i>Impairment allowances on loans, advances and financing</i>		
• Stage 1 - 12-month ECL	(4,315)	(4,660)
• Stage 2 - lifetime ECL not credit-impaired	(20,368)	(18,713)
• Stage 3 - lifetime ECL credit-impaired	(249)	(240)
Net loans, advances and financing at amortised cost	<u>8,285,149</u>	<u>8,168,031</u>
<i>At fair value</i>		
Other term loans	386,116	229,068
	<u>8,671,265</u>	<u>8,397,099</u>
Net loans, advances and financing		
Gross loans, advances and financing		
<i>At amortised cost</i>	8,310,081	8,191,644
<i>At fair value</i>	386,116	229,068
	<u>8,696,197</u>	<u>8,420,712</u>

(b) By maturity structure:

	2022 September RM'000	2022 March RM'000
Maturing within one year	6,255,614	6,100,506
More than one year to three years	1,172,395	1,094,878
More than three years to five years	559,879	564,024
More than five years	708,309	661,304
	<u>8,696,197</u>	<u>8,420,712</u>

(c) By type of customer:

	2022 September RM'000	2022 March RM'000
Domestic non-bank financial institutions	1,402,838	1,347,072
Domestic business enterprises		
• Small medium enterprises	8,575	260,988
• Others	4,592,886	4,403,885
Individuals	14,624	15,751
Foreign entities	2,677,274	2,393,016
	<u>8,696,197</u>	<u>8,420,712</u>

(d) By interest/profit rate sensitivity:

	2022 September RM'000	2022 March RM'000
Variable rates	8,693,515	8,417,482
Fixed rate		
• Staff loans	2,682	3,230
	<u>8,696,197</u>	<u>8,420,712</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

15. LOANS, ADVANCES AND FINANCING (CONTD)

(e) By economic sector:

	2022 September RM'000	2022 March RM'000
Agricultural, hunting, forestry and fishing	-	466,906
Mining and quarrying	436,193	229,067
Manufacturing	1,455,410	1,305,157
Electricity, gas and water	1,164,659	813,332
Construction	470,030	422,841
Wholesale, retail trade, restaurants and hotels	670,813	661,352
Transport, storage and communication	1,253,087	1,508,766
Finance, insurance, real estate and business services	2,790,706	2,599,860
Households	14,833	15,974
Others	440,466	397,457
	<u>8,696,197</u>	<u>8,420,712</u>

(f) By geographical location:

	2022 September RM'000	2022 March RM'000
Malaysia	7,178,041	7,079,819
Other countries	1,518,156	1,340,893
	<u>8,696,197</u>	<u>8,420,712</u>

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

	2022 September RM'000	2022 March RM'000
Household	796	701
	<u>796</u>	<u>701</u>

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

	2022 September RM'000	2022 March RM'000
Malaysia	796	701
	<u>796</u>	<u>701</u>

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

	2022 September RM'000	2022 March RM'000
At 1 April	701	664
Classified as credit-impaired during the year	241	410
Amount recovered	(4)	(94)
Reclassified as performing	(142)	(247)
Amount written off	-	(32)
At 31 March	<u>796</u>	<u>701</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

15. LOANS, ADVANCES AND FINANCING (CONTD)

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

	Lifetime ECL			Total RM'000
	12-month ECL Stage 1 RM'000	Not credit- impaired Stage 2 RM'000	Credit-impaired Stage 3 RM'000	
At 1 April 2022	4,660	18,713	240	23,613
Transfer to 12-Month ECL (Stage 1)	1	-	-	1
Transfer to lifetime ECL not credit-impaired (Stage 2)	(15)	11	-	(4)
Transfer to lifetime ECL credit-impaired (Stage 3)	(4)	-	-	(4)
New financial assets originated	3,176	11,899	-	15,075
Financial assets derecognised (other than write-off)	(3,161)	(9,340)	-	(12,501)
Net remeasurement due to changes in credit risk	(342)	(915)	9	(1,248)
At 30 September 2022	<u>4,315</u>	<u>20,368</u>	<u>249</u>	<u>24,932</u>
At 1 April 2021	5,392	37,062	230	42,684
Transfer to 12-Month ECL (Stage 1)	296	(7,040)	-	(6,744)
Transfer to lifetime ECL not credit-impaired (Stage 2)	(62)	37	-	(25)
Transfer to lifetime ECL credit-impaired (Stage 3)	(4)	-	-	(4)
New financial assets originated	3,128	10,427	-	13,555
Financial assets derecognised (other than write-off)	(4,227)	(18,106)	(11)	(22,344)
Net remeasurement due to changes in credit risk	137	(3,667)	29	(3,501)
Amount written off	-	-	(8)	(8)
At 31 March 2022	<u>4,660</u>	<u>18,713</u>	<u>240</u>	<u>23,613</u>

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

	2022 September RM'000	2022 March RM'000
<i>At fair value</i>		
Embedded loans with term loans nature	14,689,484	12,524,596
Embedded loans with revolving credits nature	137,710	52,492
	<u>14,827,194</u>	<u>12,577,088</u>

Loans measured at FVTPL included RM14,569,164,000 (2022 March: RM12,191,294,000) of outstanding balance for loans, advances and financing, and fair value for derivative financial assets and liabilities of RM47,724,000 (2022 March: RM199,478,000).

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 RM282,000 (2022 March: RM681,000) and RM2,469,000 (2022 March: RM736,000) respectively.

(a) By maturity structure:

	2022 September RM'000	2022 March RM'000
Maturing within one year	5,405,232	3,276,401
More than one year to three years	4,330,984	4,951,546
More than three years to five years	4,389,676	3,335,917
More than five years	701,302	1,013,224
	<u>14,827,194</u>	<u>12,577,088</u>

(b) By type of customer:

	2022 September RM'000	2022 March RM'000
Domestic non-bank financial institutions	9,021,518	8,715,273
Domestic business enterprises		
• Small medium enterprises	11,536	12,263
• Others	4,714,123	3,791,933
	<u>13,747,177</u>	<u>12,519,469</u>
Domestic financial institutions *	1,082,204	57,674
Foreign entities *	(2,187)	(55)
	<u>14,827,194</u>	<u>12,577,088</u>

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

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FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)

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

(c) By interest rate sensitivity:

	2022 September RM'000	2022 March RM'000
Variable rates	14,827,194	12,577,088

(d) By economic sector:

	2022 September RM'000	2022 March RM'000
Mining and quarrying	52,181	52,492
Manufacturing	572,598	562,972
Electricity, gas and water	2,028,678	1,013,355
Construction	411,323	424,188
Wholesale, retail trade, restaurants and hotels	664,833	766,871
Transport, storage and communication	280,466	261,868
Finance, insurance, real estate and business services	10,813,734	9,481,140
Others	3,381	14,202
	14,827,194	12,577,088

(e) By geographical location:

	2022 September RM'000	2022 March RM'000
Malaysia	13,693,752	12,522,920
Other countries *	1,133,442	54,168
	14,827,194	12,577,088

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

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

	2022 September			2022 March		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<i>At fair value</i>						
Embedded loans with term loans nature:						
Foreign currency swaps	11,775,312	17,609	1,043,680	10,242,460	188,772	101,162
Interest rate swaps	2,577,312	14,430	11,624	2,632,645	57,613	3,164
	14,352,624	32,039	1,055,304	12,875,105	246,385	104,326
Embedded loans with revolving credits nature:						
Foreign currency swaps	136,750	-	9,028	52,250	-	200
	136,750	-	9,028	52,250	-	200
Cover deals:						
Foreign currency swaps	9,968,300	937,664	1,028	9,038,317	156,030	81,129
Interest rate swaps	12,370,204	163,561	20,180	12,204,669	74,076	91,358
	22,338,504	1,101,225	21,208	21,242,986	230,106	172,487
	36,827,878	1,133,264	1,085,540	34,170,341	476,491	277,013
Set off		(1,085,540)	(1,085,540)		(277,013)	(277,013)
Net assets		47,724	-		199,478	-

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FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

17. PURCHASED RECEIVABLES

	2022 September RM'000	2022 March RM'000
<i>At amortised cost</i>		
Purchased receivables	1,089,222	988,369
Impairment allowances on purchased receivables		
• Stage 1 - 12-month ECL	(79)	(85)
• Stage 2 - lifetime ECL not credit-impaired	(216)	(338)
	<u>1,088,927</u>	<u>987,946</u>

Purchased receivables relate to receivables acquired by the Bank under the account receivables purchasing and vendors financing product. These amounts owing from obligors have a tenure of within three months. Included in purchased receivables are non-recourse bills receivable amounting to RM1,025,677,000 (2022 March: RM943,947,000).

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

	Lifetime ECL			Total RM'000
	12-month ECL Stage 1 RM'000	Not credit- impaired Stage 2 RM'000	Credit-impaired Stage 3 RM'000	
At 1 April 2022	85	338	-	423
New financial assets originated	25	195	-	220
Financial assets derecognised (other than write-off)	(1)	(227)	-	(228)
Net remeasurement due to changes in credit risk	(30)	(90)	-	(120)
At 30 September 2022	<u>79</u>	<u>216</u>	<u>-</u>	<u>295</u>
At 1 April 2021	330	-	-	330
New financial assets originated	30	338	-	368
Financial assets derecognised (other than write-off)	(271)	-	-	(271)
Net remeasurement due to changes in credit risk	(4)	-	-	(4)
At 31 March 2022	<u>85</u>	<u>338</u>	<u>-</u>	<u>423</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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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.

	2022 September			2022 March		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<i>At Fair Value</i>						
Trading Derivatives *						
Foreign exchange related contracts						
• Forwards	20,090,842	413,074	210,595	16,601,640	71,408	51,558
• Swaps	6,635,887	330,361	265,790	6,559,363	228,528	156,229
Interest rate related contracts						
• Swaps	12,829,378	86,030	222,341	9,681,311	32,149	96,418
Other derivatives						
• Currency options	414,212	2,258	386	264,410	1,067	1,024
• Premium yielder investments	130,017	1,014	1,012	-	-	-
	<u>40,100,336</u>	<u>832,737</u>	<u>700,124</u>	<u>33,106,724</u>	<u>333,152</u>	<u>305,229</u>

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM104,918,000 (2022 March: RM40,765,000) and RM343,481,000 (2022 March: RM120,965,000) respectively.

19. DEPOSITS FROM CUSTOMERS

	2022 September RM'000	2022 March RM'000
<i>At amortised cost</i>		
Demand deposits	4,203,188	4,345,758
Money market deposits	2,219,106	1,957,579
Savings deposits	102	104
Fixed deposits	<u>5,052,799</u>	<u>4,297,771</u>
	<u>11,475,195</u>	<u>10,601,212</u>

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

	2022 September RM'000	2022 March RM'000
Due within six months	4,981,523	4,260,924
More than six months to one year	<u>71,276</u>	<u>36,847</u>
	<u>5,052,799</u>	<u>4,297,771</u>

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

	2022 September RM'000	2022 March RM'000
Domestic non-bank financial institutions	79,217	228,047
Business enterprises	11,125,025	10,117,498
Individuals	1,460	1,458
Foreign entities/individuals	200,946	181,341
Others	<u>68,547</u>	<u>72,868</u>
	<u>11,475,195</u>	<u>10,601,212</u>

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2022 September RM'000	2022 March RM'000
<i>At amortised cost</i>		
Licensed banks	<u>370,018</u>	<u>521,755</u>

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21. OTHER LIABILITIES

	2022 September RM'000	2022 March RM'000
Provision for retirement benefits	28,204	29,656
Impairment allowances on commitments and contingencies	(i)	
• Stage 1 - 12-month ECL	451	617
• Stage 2 - lifetime ECL not credit-impaired	1,176	1,735
Accrued interest payable	11,453	6,004
Bills payable	5,177	4,937
Other payables and accruals	143,489	61,084
Structured deposits	6,000	-
	<u>195,950</u>	<u>104,033</u>

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

	Lifetime ECL			Total RM'000
	12-month ECL Stage 1 RM'000	Not credit- impaired Stage 2 RM'000	Credit-impaired Stage 3 RM'000	
At 1 April 2022	617	1,735	-	2,352
Transfer to 12-Month ECL (Stage 1)	4	(77)	-	(73)
New financial assets originated	231	820	-	1,051
Financial assets derecognised (other than write-off)	(158)	(551)	-	(709)
Net remeasurement due to changes in credit risk	(243)	(751)	-	(994)
At 30 September 2022	<u>451</u>	<u>1,176</u>	<u>-</u>	<u>1,627</u>
At 1 April 2021	390	2,258	-	2,648
Transfer to 12-Month ECL (Stage 1)	34	(1,013)	-	(979)
New financial assets originated	568	1,733	-	2,301
Financial assets derecognised (other than write-off)	(364)	(1,243)	-	(1,607)
Net remeasurement due to changes in credit risk	(11)	-	-	(11)
At 31 March 2022	<u>617</u>	<u>1,735</u>	<u>-</u>	<u>2,352</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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22. COMMITMENTS AND CONTINGENCIES

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2022 September				
Contingent Liabilities				
Direct credit substitutes	143,324		143,316	132,384
Transaction related contingent items	627,008		313,375	288,263
Short-term self liquidating trade-related contingencies	128,447		25,681	27,357
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	82,445		16,128	16,128
• exceeding one year	387		193	145
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness				
	8,983,484		(1,119)	(1,119)
Securitisation exposures	15,000		3,000	2,250
	<u>9,980,095</u>		<u>500,574</u>	<u>465,408</u>
Embedded Loans				
Foreign exchange related contracts				
• one year or less	6,826,028	283,885	431,070	185,624
• over one year to five years	12,620,086	556,570	1,509,943	806,732
• over five years	2,434,248	114,818	372,964	201,801
Interest rate related contracts				
• one year or less	5,173,675	9,925	11,298	5,521
• over one year to five years	9,245,841	137,335	312,921	137,384
• over five years	528,000	30,731	59,331	29,665
	<u>36,827,878</u>	<u>1,133,264</u>	<u>2,697,527</u>	<u>1,366,727</u>
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	20,860,684	427,868	592,455	402,875
• over one year to five years	5,080,434	263,973	(844,336)	(275,785)
• over five years	785,611	51,594	188,369	129,319
Interest rate related contracts				
• one year or less	6,397,068	29,606	5,961	2,466
• over one year to five years	5,373,387	36,392	87,292	45,356
• over five years	1,058,923	20,032	96,079	53,691
Currency options *				
• one year or less	207,106	2,258	5,365	5,365
Premium yielder investments *				
• one year or less	68,017	1,014	2,964	2,210
	<u>39,831,230</u>	<u>832,737</u>	<u>134,149</u>	<u>365,497</u>
	<u>86,639,203</u>	<u>1,966,001</u>	<u>3,332,250</u>	<u>2,197,632</u>

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

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22. COMMITMENTS AND CONTINGENCIES (CONTD)

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2022 March				
Contingent Liabilities				
Direct credit substitutes	197,085		197,075	145,090
Transaction related contingent items	697,498		348,565	312,544
Short-term self liquidating trade-related contingencies	282,005		56,387	61,146
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	116,926		23,369	23,369
• exceeding one year	437		218	164
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness				
	8,162,584		(2,128)	(2,128)
Securitisation exposures	15,000		3,000	2,250
	<u>9,471,535</u>		<u>626,486</u>	<u>542,435</u>
Embedded Loans				
Foreign exchange related contracts				
• one year or less	5,319,812	71,468	206,800	108,596
• over one year to five years	11,511,516	220,162	1,026,917	545,507
• over five years	2,501,699	53,172	319,649	163,951
Interest rate related contracts				
• one year or less	2,857,681	1,207	(7,452)	(4,000)
• over one year to five years	11,206,633	110,242	270,720	115,554
• over five years	773,000	20,240	62,370	31,185
	<u>34,170,341</u>	<u>476,491</u>	<u>1,879,004</u>	<u>960,793</u>
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	17,725,302	89,073	313,264	221,610
• over one year to five years	4,773,218	190,000	358,210	309,529
• over five years	662,483	20,863	138,808	101,914
Interest rate related contracts				
• one year or less	4,297,130	7,562	7,225	3,583
• over one year to five years	4,025,627	9,565	68,439	33,958
• over five years	1,358,554	15,022	92,140	58,884
Currency options *				
• one year or less	132,205	1,067	3,050	3,050
	<u>32,974,519</u>	<u>333,152</u>	<u>981,136</u>	<u>732,528</u>
	<u>76,616,395</u>	<u>809,643</u>	<u>3,486,626</u>	<u>2,235,756</u>

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

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	2nd Quarter Ended		Six Months Ended	
	2022 September RM'000	2021 September RM'000	2022 September RM'000	2021 September RM'000
23. INTEREST INCOME				
Loans, advances and financing measured at amortised cost	72,502	35,729	123,794	67,747
Loans, advances and financing designated at fair value	4,422	2,315	7,002	3,582
Money at call and deposit placements with financial institutions	34,138	19,983	57,459	47,414
Financial assets at FVTPL	2,660	2,551	4,273	3,492
Financial investments at FVOCI	8,046	4,279	12,580	7,938
	<u>121,768</u>	<u>64,857</u>	<u>205,108</u>	<u>130,173</u>
24. INTEREST EXPENSE				
Deposits and placements of banks and other financial institutions	40,530	11,749	56,919	28,503
Deposits from customers	10,630	6,658	19,325	13,142
	<u>51,160</u>	<u>18,407</u>	<u>76,244</u>	<u>41,645</u>
25. NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL				
Interest income	108,228	38,858	170,091	76,624
Interest expense	(83,097)	(29,194)	(124,777)	(58,027)
Unrealised gain in fair value of embedded loans	39,390	(5,672)	49,295	8,745
Realised gain in fair value of embedded loans	9,797	18,566	14,412	31,185
	<u>74,318</u>	<u>22,558</u>	<u>109,021</u>	<u>58,527</u>
26. OTHER OPERATING INCOME				
Fee income				
Commission	427	581	970	1,307
Guarantee fees	997	760	1,860	1,475
Service charges and fees	611	442	1,168	1,035
Commitment fees	924	772	1,370	1,333
Other fee income	688	2,463	1,565	4,453
	<u>3,647</u>	<u>5,018</u>	<u>6,933</u>	<u>9,603</u>
Net investment income				
Gross dividends	37	37	295	253
Realised gain in fair value of derivative financial instruments	32,577	23,503	36,749	19,072
Realised loss in fair value of financial assets at FVTPL	(650)	(1,534)	(1,132)	(4,622)
Unrealised gain/(loss) in fair value of derivative financial instruments	91,951	(25,972)	153,441	(9,244)
Unrealised (loss)/gain in fair value of financial assets at FVTPL	(4,474)	(2,442)	(4,811)	1,180
Unrealised gain/(loss) in fair value of loans designated at fair value	736	(19,032)	1,111	(18,384)
Foreign exchange (loss)/gain	(66,343)	31,589	(99,417)	52,381
Net premium paid for options	(11)	-	(11)	-
	<u>53,823</u>	<u>6,149</u>	<u>86,225</u>	<u>40,636</u>
Other income				
Other operating income	5,162	7,268	7,136	15,259
	<u>62,632</u>	<u>18,435</u>	<u>100,294</u>	<u>65,498</u>

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FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

	2nd Quarter Ended		Six Months Ended		
	2022 September RM'000	2021 September RM'000	2022 September RM'000	2021 September RM'000	
27. OTHER OPERATING EXPENSES					
Personnel expenses	(i)	18,165	16,689	44,834	43,754
Establishment related expenses	(ii)	8,841	9,850	18,024	20,400
Promotion and marketing related expenses	(iii)	255	232	683	540
Administrative and other expenses	(iv)	17,764	6,902	33,651	21,833
		<u>45,025</u>	<u>33,673</u>	<u>97,192</u>	<u>86,527</u>
(i) Personnel expenses					
Wages, salaries and bonuses		15,279	14,941	36,014	36,086
Defined benefit plan		852	892	1,704	1,784
Defined contribution plan		1,860	1,757	4,362	4,206
Other employee benefits		174	(901)	2,754	1,678
		<u>18,165</u>	<u>16,689</u>	<u>44,834</u>	<u>43,754</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		1,201	1,326	2,375	2,636
Amortisation of intangible assets		6,207	6,879	12,428	13,921
Depreciation of right-of-use assets		748	876	1,496	1,728
Repair and maintenance		61	39	106	76
Expenses relating to short-term leases and leases of low-value assets		525	539	1,280	1,531
Interest expenses on lease liabilities		25	52	50	103
Others		74	139	289	405
		<u>8,841</u>	<u>9,850</u>	<u>18,024</u>	<u>20,400</u>
(iii) Promotion and marketing related expenses					
Advertising and publicity		30	-	63	11
Others		225	232	620	529
		<u>255</u>	<u>232</u>	<u>683</u>	<u>540</u>
(iv) Administrative and other expenses					
Cash collateral fees on CSA		5,556	14	7,378	18
Communication expenses		221	189	390	349
Legal and professional fees		136	215	722	393
Others		11,851	6,484	25,161	21,073
		<u>17,764</u>	<u>6,902</u>	<u>33,651</u>	<u>21,833</u>

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	2nd Quarter Ended		Six Months Ended	
	2022 September RM'000	2021 September RM'000	2022 September RM'000	2021 September RM'000
28. REVERSAL OF IMPAIRMENT ON FINANCIAL INSTRUMENTS				
(a) Allowance for/(Reversal of) impairment on loans, advances and financing				
Stage 1 and 2 expected credit losses made during the year	2,266	(3,207)	15,087	16,270
Stage 1 and 2 expected credit losses written back	(286)	(9,247)	(13,777)	(31,489)
Stage 3 expected credit losses made during the year	4	4	9	8
Stage 3 expected credit losses written back	-	8	-	-
Impaired loans, advances and financing written off	-	(8)	-	(8)
Other movements	(1)	18	(517)	240
Bad debts written back	-	(18)	-	(9)
	<u>1,983</u>	<u>(12,450)</u>	<u>802</u>	<u>(14,988)</u>
(b) (Reversal of)/Allowance for impairment on purchased receivables				
Stage 1 and 2 expected credit losses made during the year	(126)	156	220	284
Stage 1 and 2 expected credit losses written back	11	(86)	(348)	(224)
	<u>(115)</u>	<u>70</u>	<u>(128)</u>	<u>60</u>
(c) (Reversal of)/Allowance for impairment on off-balance sheet exposures				
Stage 1 and 2 expected credit losses made during the year	554	368	1,055	1,357
Stage 1 and 2 expected credit losses written back	(587)	(1,373)	(1,781)	(2,434)
	<u>(33)</u>	<u>(1,005)</u>	<u>(726)</u>	<u>(1,077)</u>
(d) (Reversal of)/Allowance for impairment on financial investments at FVOCI				
Stage 1 and 2 expected credit losses made during the year	(17)	4	-	4
Stage 1 and 2 expected credit losses written back	(351)	-	(351)	-
	<u>(368)</u>	<u>4</u>	<u>(351)</u>	<u>4</u>
	<u>1,467</u>	<u>(13,381)</u>	<u>(403)</u>	<u>(16,001)</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

29. CAPITAL ADEQUACY

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

	2022 September %	2022 March %
Common equity Tier 1 ("CET 1") capital ratio	28.268	30.535
Tier 1 capital ratio	28.268	30.535
Total capital ratio	<u>29.287</u>	<u>31.555</u>

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

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

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

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

	2022 September RM'000	2022 March RM'000
<u>CET 1 and Tier 1 capital</u>		
• Paid-up ordinary share capital	200,000	200,000
• Retained profits	3,487,898	3,487,898
• Other reserves	<u>130,432</u>	<u>126,334</u>
	3,818,330	3,814,232
Less:		
Deferred tax assets	(6,865)	(6,865)
Intangible assets	(68,195)	(78,817)
55% of fair value reserve	(11,940)	(14,577)
Unrealised gain in fair value of loans designated at fair value	(1,111)	-
Regulatory reserve	<u>(112,975)</u>	<u>(103,731)</u>
	3,617,244	3,610,242
<u>Tier 2 capital</u>		
• Stage 1 and 2 ECL and regulatory reserve	130,392	120,677
Total Capital	<u>3,747,636</u>	<u>3,730,919</u>

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

	2022 September RM'000	2022 March RM'000
Credit risk	10,431,356	9,654,121
Market risk	1,441,518	1,336,617
Operational risk	<u>923,159</u>	<u>832,703</u>
	<u>12,796,033</u>	<u>11,823,441</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

29. CAPITAL ADEQUACY (CONTD)

2022 March

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-Balance Sheet Exposures :				
Sovereigns/Central Banks	7,767,105	7,767,105	241,753	19,340
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	1,929,105	1,929,105	499,387	39,951
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,595,788	6,156,584	6,257,346	500,588
Regulatory Retail	1,132	1,132	1,132	91
Residential Mortgages	12,494	12,494	5,634	451
Equity Exposures	30,670	30,670	30,670	2,454
Other Assets	587,257	587,257	380,379	30,430
Defaulted Exposures	2,064	2,064	2,064	165
Total On-Balance Sheet Exposures	30,925,615	16,486,411	7,418,365	593,470
Off-Balance Sheet Exposures :	623,486	623,486	540,185	43,215
Credit-related exposures	3,000	3,000	2,250	180
Securitisation exposures	2,860,140	2,860,140	1,693,321	135,466
Derivatives financial instruments	3,486,626	3,486,626	2,235,756	178,861
Total Off-Balance Sheet Exposures	34,412,241	19,973,037	9,654,121	772,331
Total On and Off-Balance Sheet Exposures	-	-	-	-
(ii) Large Exposure Risk Requirement				
	Long Position RM'000	Short Position RM'000		
(iii) Market Risk	67,558,444	(67,382,773)	1,327,247	106,180
Interest Rate Risk	9,370	(9,243)	9,370	749
Foreign Exchange Risk	67,567,814	(67,392,016)	1,336,617	106,929
			832,703	66,616
(iv) Operational Risk	34,412,241	19,973,037	11,823,441	945,876

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

30. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2022 September RM'000	2022 March RM'000
Outstanding credit exposures with connected parties	422,525	410,764
Total credit exposures	39,402,045	34,734,976
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	1.1%	1.2%
- as a proportion of total capital	11.3%	11.0%

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

31. THE OPERATIONS OF ISLAMIC BANKING WINDOW

The financial statements as at 30 September 2022 and for the period ended on the date are summarised as follows:

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2022

		2022 September RM'000	2022 March RM'000
ASSETS			
Cash and short-term funds	(a)	119,000	103,000
Deposits and placements with financial institutions	(b)	1,673	524
Other assets		8	5
TOTAL ASSETS		120,681	103,529
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	26,480	20,798
Other liabilities	(d)	31,225	27,533
TOTAL LIABILITIES		57,705	48,331
CAPITAL FUNDS		25,000	25,000
RESERVE		37,976	30,198
ISLAMIC BANKING FUNDS		62,976	55,198
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		120,681	103,529
COMMITMENTS AND CONTINGENCIES	(e)	6,668	6,600

Islamic financing based on Commodity Murabahah (Tawarruq) of RM5,020,980,000 (2022 March: RM3,490,878,000) and Ijarah of RM121,492,000 (2022 March: RM124,859,000) were financed under an internal Wakalah scheme and is reported at the entity level.

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

**UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

		2nd Quarter Ended		Six Months Ended	
		2022 September RM'000	2021 September RM'000	2022 September RM'000	2021 September RM'000
Income derived from investment of Islamic Banking capital funds	(f)	688	439	1,218	797
Expenses derived from financing	(g)	-	-	(1)	(1)
Other operating income	(h)	2,996	1,720	6,697	8,034
Total net income		3,684	2,159	7,914	8,830
Other operating expenses	(i)	(64)	(54)	(134)	(160)
Operating profit before allowance for impairment		3,620	2,105	7,780	8,670
Allowance for commitments and contingencies	(j)	-	(25)	(2)	(22)
Profit before tax		3,620	2,080	7,778	8,648
Tax expense		-	-	-	-
Profit for the year		3,620	2,080	7,778	8,648

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
 FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

31. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
 FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

	Capital Funds RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 April 2022	25,000	118	30,080	55,198
Profit for the year	-	-	7,778	7,778
At 30 September 2022	<u>25,000</u>	<u>118</u>	<u>37,858</u>	<u>62,976</u>
At 1 April 2021	25,000	118	15,448	40,566
Profit for the year	-	-	8,648	8,648
At 30 September 2021	<u>25,000</u>	<u>118</u>	<u>24,096</u>	<u>49,214</u>

**UNAUDITED STATEMENT OF CASH FLOWS
 FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

	2022 September RM'000	2021 September RM'000
Cash flows from operating activities		
Profit before tax	7,778	8,648
Adjustments for:		
Allowance for impairment on commitments and contingencies	2	22
Operating profit before working capital changes	<u>7,780</u>	<u>8,670</u>
Decrease in operating assets:		
Deposits and placements with financial institutions	(1,149)	558
Other assets	<u>(3)</u>	<u>(2)</u>
	6,628	9,226
Increase in operating liabilities:		
Deposits from customers	5,682	6,602
Other liabilities	<u>3,690</u>	<u>1,172</u>
Net cash generated from operating activities	<u>16,000</u>	<u>17,000</u>
Net increase in cash and cash equivalents	16,000	17,000
Cash and cash equivalents at beginning of the year	<u>103,000</u>	<u>74,000</u>
Cash and cash equivalents at end of the year	<u>119,000</u>	<u>91,000</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
 FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

31. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

Shariah Committee

The Shariah Committee was established under BNM's "Shariah Governance Policy Document" ("the SGP") to advise the Board of Directors on Shariah matters in its Islamic Banking business operations and to provide technical assistance in ensuring the Islamic Banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles.

As of March 2022, the committee comprises: Assoc. Prof. Dr. Abdul Karim bin Ali, Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi, Prof. Dato' Dr. Mohd Azmi bin Omar and Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria.

Basis of Preparation

The financial statements of the Islamic Banking business have been prepared on the basis consistent with that of the Bank as disclosed in Note 1 to the audited financial statements of the Bank for financial year ended 31 March 2022.

(a) Cash and short-term funds

	2022 September RM'000	2022 March RM'000
Cash and balances with banks and other financial institutions	119,000	103,000

(b) Deposits and placements with financial institutions

	2022 September RM'000	2022 March RM'000
<i>At amortised cost</i>		
Licensed bank		
• Malaysia	1,673	524

(c) Deposits from customers

(i) By type of deposits:

	2022 September RM'000	2022 March RM'000
<i>At amortised cost</i>		
Current accounts - Qard	26,310	20,631
Fixed deposits - Tawarruq	170	167
	<u>26,480</u>	<u>20,798</u>

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

	2022 September RM'000	2022 March RM'000
Due within six months	-	167
Six months to one year	170	-
	<u>170</u>	<u>167</u>

(iii) By type of customer:

	2022 September RM'000	2022 March RM'000
Domestic business enterprises	26,310	20,631
Domestic other entities	170	167
	<u>26,480</u>	<u>20,798</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)

31. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(d) Other liabilities

	2022 September RM'000	2022 March RM'000
Impairment allowances on commitments and contingencies		
• Stage 1 - 12-months ECL not credit-impaired	(i) 7	6
Accruals and provisions for operational expenses	31,218	27,527
	<u>31,225</u>	<u>27,533</u>

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

	12-month ECL		Lifetime ECL		Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Not credit- impaired Stage 2 RM'000	Credit-impaired Stage 3 RM'000	
At 1 April 2022	6	-	-	-	6
New financial assets originated	2	-	-	-	2
Financial assets derecognised (other than write-off)	(3)	-	-	-	(3)
Net remeasurement due to changes in credit risk	2	-	-	-	2
At 30 September 2022	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>
At 1 April 2021	4	-	-	-	4
New financial assets originated	6	-	-	-	6
Financial assets derecognised (other than write-off)	(4)	-	-	-	(4)
At 31 March 2022	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>

(e) Commitments and contingencies

	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2022 September			
Contingent Liabilities			
Transaction related contingent items	6,668	6,665	6,665
	<u>6,668</u>	<u>6,665</u>	<u>6,665</u>
2022 March			
Contingent Liabilities			
Transaction related contingent items	6,600	6,598	6,598
	<u>6,600</u>	<u>6,598</u>	<u>6,598</u>

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

	2nd Quarter Ended		Six Months Ended	
	2022 September RM'000	2021 September RM'000	2022 September RM'000	2021 September RM'000
Money at call and placements with financial institutions	688	439	1,218	797
	<u>688</u>	<u>439</u>	<u>1,218</u>	<u>797</u>

(g) Expenses derived from financing

	2nd Quarter Ended		Six Months Ended	
	2022 September RM'000	2021 September RM'000	2022 September RM'000	2021 September RM'000
Deposits from customers	-	-	1	1
	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>

(h) Other operating income

	2nd Quarter Ended		Six Months Ended	
	2022 September RM'000	2021 September RM'000	2022 September RM'000	2021 September RM'000
Other fee income	2,996	1,720	6,697	8,034
	<u>2,996</u>	<u>1,720</u>	<u>6,697</u>	<u>8,034</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

31. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(i) Other operating expenses

	2nd Quarter Ended		Six Months Ended	
	2022 September RM'000	2021 September RM'000	2022 September RM'000	2021 September RM'000
Personnel expenses	47	24	90	75
Other expenses	17	30	44	85
	<u>64</u>	<u>54</u>	<u>134</u>	<u>160</u>

(j) Allowance for/(Reversal of) impairment on commitments and contingencies

	2nd Quarter Ended		Six Months Ended	
	2022 September RM'000	2021 September RM'000	2022 September RM'000	2021 September RM'000
Stage 1 and 2 ECL made during the year	(1)	26	4	26
Stage 1 and 2 expected credit losses written back	1	(1)	(2)	(4)
	<u>-</u>	<u>25</u>	<u>2</u>	<u>22</u>

(k) Capital adequacy

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

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

	2022 September	2022 March
Common equity Tier 1 ("CET 1") capital ratio	85.241	97.809
Tier 1 capital ratio	85.241	97.809
Total capital ratio	<u>85.370</u>	<u>97.954</u>

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

	2022 September RM'000	2022 March RM'000
<u>CET 1 and Tier 1 capital</u>		
• Capital funds	25,000	25,000
• Retained profits	30,080	30,080
• Other reserves	118	118
	<u>55,198</u>	<u>55,198</u>
Less: Regulatory reserve	(118)	(118)
	<u>55,080</u>	<u>55,080</u>
<u>Tier 2 capital</u>		
• Stage 1 and 2 ECL and regulatory reserve	83	82
Total capital	<u>55,163</u>	<u>55,162</u>

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

	2022 September RM'000	2022 March RM'000
Credit risk	6,666	6,598
Operational risk	57,951	49,716
	<u>64,617</u>	<u>56,314</u>

Detailed disclosures on risk exposures above, as prescribed under BNM's Guidelines on CAFIB - Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

31. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

(k) Capital adequacy (Contd)

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

	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
2022 September				
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	120,681	120,681	-	-
Total On-Balance Sheet Exposures	<u>120,681</u>	<u>120,681</u>	<u>-</u>	<u>-</u>
Off-Balance Sheet Exposures:				
Credit-Related Exposures	6,665	6,665	6,665	533
Total Off-Balance Sheet Exposures	<u>6,665</u>	<u>6,665</u>	<u>6,665</u>	<u>533</u>
Total On and Off-Balance Sheet Exposures	<u>127,346</u>	<u>127,346</u>	<u>6,665</u>	<u>533</u>
(ii) Large Exposure Risk Requirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(iii) Operational Risk			<u>57,951</u>	<u>4,636</u>
Total RWA and Capital Requirements	<u>127,346</u>	<u>127,346</u>	<u>64,616</u>	<u>5,169</u>
2022 March				
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	103,529	103,529	-	-
Total On-Balance Sheet Exposures	<u>103,529</u>	<u>103,529</u>	<u>-</u>	<u>-</u>
Off-Balance Sheet Exposures:				
Credit-Related Exposures	6,598	6,598	6,598	528
Total Off-Balance Sheet Exposures	<u>6,598</u>	<u>6,598</u>	<u>6,598</u>	<u>528</u>
Total On and Off-Balance Sheet Exposures	<u>110,127</u>	<u>110,127</u>	<u>6,598</u>	<u>528</u>
(ii) Large Exposure Risk Requirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(iii) Operational Risk			<u>49,716</u>	<u>3,977</u>
Total RWA and Capital Requirements	<u>110,127</u>	<u>110,127</u>	<u>56,314</u>	<u>4,505</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (CONTD)**

32. THE OPERATIONS OF INTERNATIONAL CURRENCY BUSINESS UNIT

The Bank has obtained approval from BNM to set up an International Currency Business Unit ("ICBU") to promote Islamic Banking business. The ICBU is permitted to conduct a wide range of Islamic banking business in international currencies other than Malaysian Ringgit and the currency of Israel as per the Guidelines on the Establishment of International Currency Business Unit issued by BNM.

The following breakdown shows the Bank's financing and advances and deposits from customers which are conducted through ICBU.

(a) Financing and advances

(i) By type:

	2022 September RM'000	2022 March RM'000
<i>At amortised cost</i>		
Term financing		
• Syndicated Islamic financing	628,770	609,051
• Islamic term financing loan	56,340	290,917
Revolving credits	<u>2,316,635</u>	<u>2,103,594</u>
Gross financing and advances at amortised cost	3,001,745	3,003,562
Impairment allowances financing and advances		
• Stage 1 - 12-month ECL	<u>(339)</u>	<u>(421)</u>
Net financing and advances at amortised cost	3,001,406	3,003,141
<i>At fair value</i>		
Syndicated Islamic financing	<u>386,116</u>	<u>229,068</u>
Net financing and advances	<u>3,387,522</u>	<u>3,232,209</u>
Gross financing and advances		
<i>At amortised cost</i>	3,001,745	3,003,562
<i>At fair value</i>	<u>386,116</u>	<u>229,068</u>
	<u>3,387,861</u>	<u>3,232,630</u>

(ii) By contract:

Murabahah Financing-i	2,747,683	2,726,491
Ijarah Financing-i	197,722	217,639
Istina Financing-i	56,340	59,433
Wakalah Financing-i	<u>386,116</u>	<u>229,068</u>
	<u>3,387,861</u>	<u>3,232,630</u>

(b) Deposits from customers

(i) By type and contract:

	2022 September RM'000	2022 March RM'000
<i>At amortised cost</i>		
Demand deposits - Qard	<u>-</u>	<u>750</u>
	<u>-</u>	<u>750</u>

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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 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:

	2022 September		2022 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	10,431,356	834,509	9,654,121	772,331
Market Risk	1,441,518	115,321	1,336,617	106,929
Operational Risk	923,159	73,853	832,703	66,616
	<u>12,796,033</u>	<u>1,023,683</u>	<u>11,823,441</u>	<u>945,876</u>

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

2. CAPITAL MANAGEMENT

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

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

The Bank-wide stress testing process assesses the Bank's capital requirements under stress events including plausible, exceptional but plausible scenario and worst case scenario, to gauge the ability of the Bank's capital to withstand and absorb external shocks. The results of the stress test are to facilitate the formulation of pre-emptive remedial actions if the stress test reveals that the Bank's capital will be adversely affected under such events. The results of the stress test together with remedial actions, if any, are tabled to the Risk Management Committee ("RMC") and the Board for deliberations.

(a) Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

	2022 September %	2022 March %
Common equity Tier 1 ("CET 1") capital ratio	28.268	30.535
Tier 1 capital ratio	28.268	30.535
Total capital ratio	<u>29.287</u>	<u>31.555</u>

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

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

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

Please refer to Note 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:

	2022 September RM'000	2022 March RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	3,487,898	3,487,898
• Other reserves	130,432	126,334
	<u>3,818,330</u>	<u>3,814,232</u>
Less: Deferred tax assets	(6,865)	(6,865)
Intangible assets	(68,195)	(78,817)
55% of fair value reserve	(11,940)	(14,577)
Unrealised gain in fair value of loans designated at fair value	(1,111)	-
Regulatory reserve	<u>(112,975)</u>	<u>(103,731)</u>
	3,617,244	3,610,242
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	<u>130,392</u>	<u>120,677</u>
Total capital	<u>3,747,636</u>	<u>3,730,919</u>

2. CAPITAL MANAGEMENT (CONTD)

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

2022 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:					
Sovereigns/Central Banks		8,661,574	8,661,574	224,580	17,966
Public Sector Entities		-	-	-	-
Banks, Development Financial Institutions & MDBs		2,949,505	1,999,727	762,038	60,963
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-
Corporates		23,312,711	6,943,576	7,099,086	567,927
Regulatory Retail		787	787	787	63
Residential Mortgages		13,746	13,746	5,066	405
Equity Exposures		30,670	30,670	30,670	2,454
Other Assets		336,056	336,056	109,247	8,740
Defaulted Exposures		-	-	2,250	180
Total On-Balance Sheet Exposures		35,305,049	17,986,136	8,233,724	658,698
Off-Balance Sheet Exposures:					
Credit-Related Exposures		497,574	497,574	463,158	37,053
Securitisation Exposures		3,000	3,000	2,250	180
Derivatives Financial Instruments		2,831,676	2,831,676	1,732,224	138,578
Total Off-Balance Sheet Exposures		3,332,250	3,332,250	2,197,632	175,811
Total On and Off-Balance Sheet Exposures		38,637,299	21,318,386	10,431,356	834,509
(ii) Large Exposure Risk Requirement					
		-	-	-	-
(iii) Market Risk					
	Long Position	Short Position			
	RM'000	RM'000			
Interest Rate Risk	78,561,530	(77,922,549)		1,303,003	104,240
Foreign Currency Risk	138,515	(10,066)		138,515	11,081
	78,700,045	(77,932,615)		1,441,518	115,321
(iv) Operational Risk					
				923,159	73,853
Total RWA and Capital Requirements		38,637,299	21,318,386	12,796,033	1,023,683

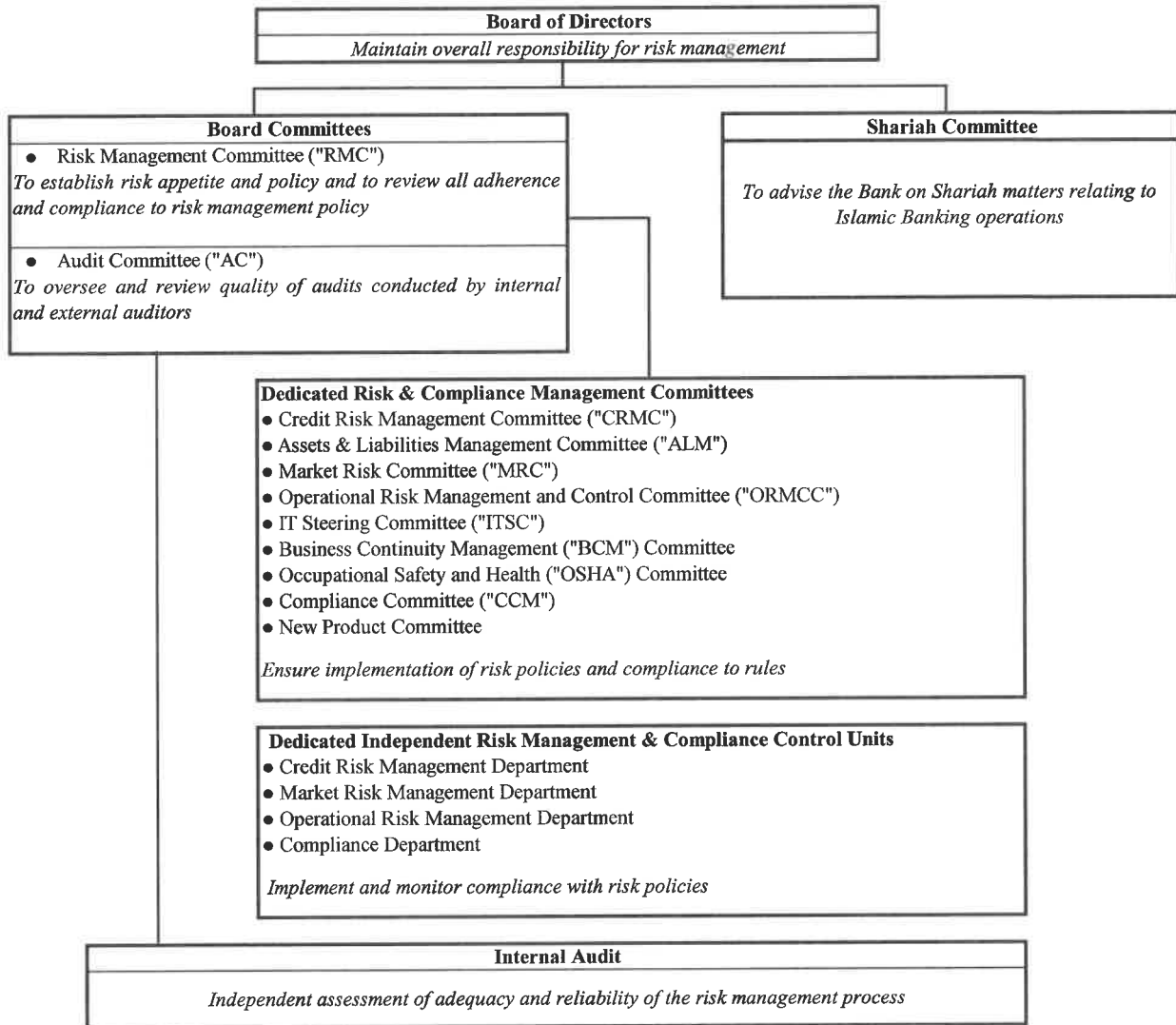
2. CAPITAL MANAGEMENT (CONTD)

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

2022 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:					
Sovereigns/Central Banks		7,767,105	7,767,105	241,753	19,340
Public Sector Entities		-	-	-	-
Banks, Development Financial Institutions & MDBs		1,929,105	1,929,105	499,387	39,951
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-
Corporates		20,595,788	6,156,584	6,257,346	500,588
Regulatory Retail		1,132	1,132	1,132	91
Residential Mortgages		12,494	12,494	5,634	451
Equity Exposures		30,670	30,670	30,670	2,454
Other Assets		587,257	587,257	380,379	30,430
Defaulted Exposures		2,064	2,064	2,064	165
Total On-Balance Sheet Exposures		30,925,615	16,486,411	7,418,365	593,470
Off-Balance Sheet Exposures:					
Credit-Related Exposures		623,486	623,486	540,185	43,215
Securitisation Exposures		3,000	3,000	2,250	180
Derivatives Financial Instruments		2,860,140	2,860,140	1,693,321	135,466
Total Off-Balance Sheet Exposures		3,486,626	3,486,625	2,235,756	178,861
Total On and Off-Balance Sheet Exposures		34,412,241	19,973,036	9,654,121	772,331
(ii) Large Exposure Risk Requirement					
		-	-	-	-
(iii) Market Risk					
	Long Position		Short Position		
	RM'000		RM'000		
Interest Rate Risk	67,558,444		(67,382,773)	1,327,247	106,180
Foreign Currency Risk	9,370		(9,243)	9,370	749
	67,567,814		(67,392,016)	1,336,617	106,929
(iv) Operational Risk					
				832,703	66,616
Total RWA and Capital Requirements		34,412,241	19,973,036	11,823,441	945,876

3. RISK MANAGEMENT FRAMEWORK

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



3. RISK MANAGEMENT FRAMEWORK (CONTD)

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

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

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

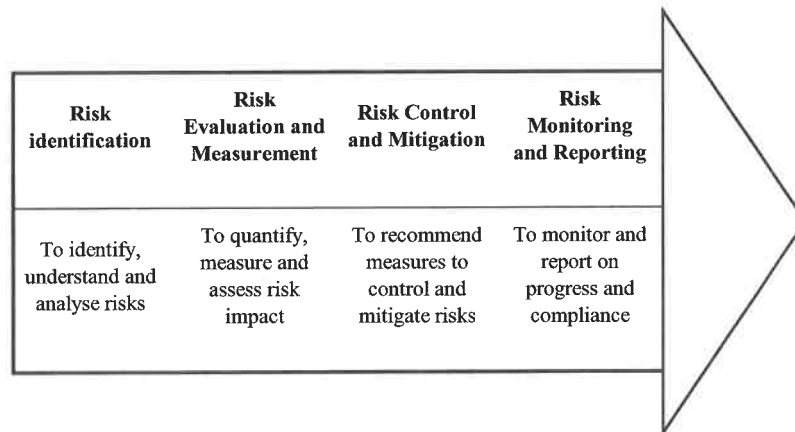
The Shariah Committee ("SC") advises the Bank on Shariah matters relating to the Islamic banking operations. The Committee ensures that the operations of Islamic banking, its products, processes and legal documentation are in line with Shariah principles.

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

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

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

The integrated risk management process follows four broad processes:



3. RISK MANAGEMENT FRAMEWORK (CONTD)

Internal Capital Adequacy Assessment Process ("ICAAP")

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

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

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

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

The Bank's internal capital trigger and target are set to ensure that the Bank's capital level is resilient under stressed economic conditions, commensurate with the risk profile of the Bank and remains above regulatory requirements.

The Bank's capital adequacy ratio is being monitored through Risk Appetite Statement ("RAS") dashboard and is reported to the RMC and the Board on a quarterly basis.

Stress Testing/Reverse Stress Testing

Stress testing framework has been integrated into the Bank's risk management structure and is used as a risk management tool for evaluation of the potential impact on the Bank's capital adequacy and performance under stress conditions. Reverse stress testing ("RST") process is also part of the Bank's stress testing framework with the objective to identify a range of adverse scenarios and trigger points that could potentially threaten the viability of the Bank's business model, including solvency concern and liquidity crunch. The assessment covers the likelihood of such events that could materialise over a time horizon that enables the Bank to identify its potential vulnerabilities and fault lines in its business model.

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

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

4. CREDIT RISK

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

Risk Governance

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

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

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

Risk Management Approach

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

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

Distribution of Credit Exposures

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

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:

2022 September	Cash and Short-Term Funds RM'000	Reverse Repurchase Agreements RM'000	Deposits and Placement with Financial Institutions RM'000	Financial Assets at FVTPL RM'000	Financial Investments at FVOCI RM'000	Loans, Advances and Financing # RM'000	Embedded Loans Measured at FVTPL RM'000	Purchased Receivables # RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitments and Contingencies * RM'000
Agricultural, hunting, forestry and fishing	-	-	-	-	-	-	-	-	-	3,118	-	3,118	96,255
Mining and quarrying	-	-	-	-	-	436,193	52,181	-	-	10,024	-	498,398	2,200
Manufacturing	-	-	-	-	-	1,455,410	572,599	63,546	-	96,432	-	2,187,987	3,821,127
Electricity, gas and water	-	-	-	-	-	1,164,659	2,028,678	-	-	-	-	3,193,337	205,870
Construction	-	-	-	-	-	470,030	411,323	-	-	34	-	881,387	608,250
Wholesale, retail trade, restaurants and hotels	-	-	-	-	-	670,813	664,833	-	-	33,482	-	1,369,128	2,663,635
Transport, storage and communication	-	-	-	-	-	1,253,087	280,466	-	-	20	-	1,533,573	850,650
Finance, insurance, real estate and business services	1,549,448	-	352,762	-	28,078	2,790,706	10,813,734	1,025,676	971	689,628	-	17,251,003	1,731,221
Government and government agencies	6,470,300	136,399	834,891	505,678	743,324	-	-	-	-	-	-	8,690,592	-
Households	-	-	-	-	-	14,833	-	-	-	-	-	14,833	387
Others	-	-	-	-	2,592	440,466	3,381	-	-	-	-	446,439	500
	8,019,748	136,399	1,187,653	505,678	773,994	8,696,197	14,827,195	1,089,222	971	832,738	-	36,069,795	9,980,095
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	37,643	37,643	-
	8,019,748	136,399	1,187,653	505,678	773,994	8,696,197	14,827,195	1,089,222	971	832,738	37,643	36,107,438	9,980,095

Stated at gross.

* Commitments and contingencies excluding derivative financial assets and embedded loans measured at FVTPL.

4. CREDIT RISK (CONT'D)

Distribution of Credit Exposures (Contd)

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

2022 March	Cash and Short-Term Funds		Deposits and Placement with Financial Institutions		Financial Investments at FVOCI		Loans, Advances and Financing #		Embedded Loans Measured at FVTPL		Purchased Receivables #		Collateral Deposits Placed		Derivative Financial Assets		Other Financial Assets		On-Balance Sheet Total		Commitments and Contingencies *	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	-	-	-	-	-	-	466,906	-	-	-	-	-	-	-	1,002	-	-	-	467,908	-	15,000	-
Mining and quarrying	-	-	-	-	-	-	229,067	-	52,492	-	-	-	-	-	987	-	-	-	282,546	-	52,200	-
Manufacturing	-	-	-	-	-	-	1,305,157	-	562,972	44,422	-	-	-	-	29,452	-	-	-	1,942,003	-	3,774,010	-
Electricity, gas and water	-	-	-	-	-	-	813,332	-	1,013,355	-	-	-	-	-	4,916	-	-	-	1,831,603	-	704,570	-
Construction	-	-	-	-	-	-	422,841	-	424,188	-	-	-	-	-	929	-	-	-	847,958	-	533,970	-
Wholesale, retail trade, restaurants and hotels	-	-	-	-	-	-	661,352	-	766,871	-	-	-	-	-	13,757	-	-	-	1,441,980	-	2,325,441	-
Transport, storage and communication	-	-	-	-	-	-	1,508,766	-	261,868	-	-	-	-	-	44,797	-	-	-	2,025,887	-	544,620	-
Finance, insurance, real estate and business services	500,558	379,666	-	-	-	210,456	2,599,860	9,481,140	943,947	43,125	237,312	-	-	-	-	-	-	-	14,213,686	-	1,520,787	-
Government and government agencies	6,114,200	877,740	-	-	-	772,614	-	-	-	-	-	-	-	-	-	-	-	-	7,764,554	-	-	-
Households	-	-	-	-	-	-	15,974	-	-	-	-	-	-	-	-	-	-	-	15,974	-	437	-
Others	-	-	-	-	-	2,592	397,457	14,202	-	-	-	-	-	-	-	-	-	-	414,251	-	500	-
	6,614,758	1,257,406	-	-	-	1,013,740	8,420,712	12,577,088	988,369	43,125	333,152	-	-	-	-	-	-	-	31,248,350	-	9,471,535	-
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,603	75,603	-	-	-
	6,614,758	1,257,406	-	-	-	1,013,740	8,420,712	12,577,088	988,369	43,125	333,152	-	-	-	-	-	-	75,603	31,323,953	-	9,471,535	-

Stated at gross.

* Commitments and contingencies excluding derivative financial assets and embedded loans measured at FVTPL.

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

	2022 September		2022 March	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Cash and short-term funds	7,560,469	459,279	6,244,368	370,390
Reverse repurchase agreements	136,399	-	-	-
Deposits and placement with financial institutions	835,070	352,583	877,796	379,610
Financial assets at FVTPL	505,678	-	-	-
Financial investments at FVOCI	452,460	321,535	667,925	345,815
Loans, advances and financing	7,178,041	1,518,156	7,079,819	1,340,893
Embedded loans measured at FVTPL *	13,693,752	1,133,442	12,522,920	54,168
Purchased receivables	134,619	954,603	115,887	872,482
Collateral deposits placed	971	-	43,125	-
Derivative financial assets	711,757	120,980	235,453	97,699
Other assets	37,643	-	75,603	-
On-Balance Sheet Exposures	31,246,859	4,860,578	27,862,896	3,461,057
Off-Balance Sheet Exposures	3,028,852	303,398	3,067,466	419,160
	34,275,711	5,163,976	30,930,362	3,880,217

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(c) The following tables present the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 61% (2022 March: 58%) of the Bank's exposures to customers are short-term, having contractual maturity of one year or less:

2022 September	Up to 1	1 to 3	3 to 12	1 to 5	Over 5	No Specific	Total
	Month	Months	Months	Years	Years	Maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	7,560,469	-	-	-	-	459,279	8,019,748
Reverse repurchase agreements	136,399	-	-	-	-	-	-
Deposits and placement with financial institutions	1,153,908	-	-	-	-	33,745	1,187,653
Financial assets at FVTPL	-	-	-	237,610	268,068	-	505,678
Financial investments at FVOCI	-	-	64,180	679,145	-	30,670	773,995
Loans, advances and financing	4,098,739	1,312,422	844,453	1,732,275	708,308	-	8,696,197
Embedded loans measured at FVTPL	148,948	1,100,305	4,155,980	8,720,659	701,302	-	14,827,194
Purchased receivables	391,547	574,593	94,255	28,827	-	-	1,089,222
Collateral deposits placed	971	-	-	-	-	-	971
Derivative financial assets	80,514	109,508	270,724	300,364	71,627	-	832,737
Other assets	-	-	-	-	-	37,643	37,643
	13,571,495	3,096,828	5,429,592	11,698,880	1,749,305	561,337	35,971,038

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(c) The following tables present the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 61% (2022 March: 58%) of the Bank's exposures to customers are short-term, having contractual maturity of one year or less: (Contd)

2022 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	6,244,368	-	-	-	-	370,390	6,614,758
Deposits and placement with financial institutions	1,242,360	-	-	-	-	15,046	1,257,406
Financial assets at FVTPL	-	-	-	-	-	-	-
Financial investments at FVOCI	69,027	69,154	80,485	764,404	-	30,670	1,013,740
Loans, advances and financing	3,705,763	771,172	1,623,572	1,658,901	661,304	-	8,420,712
Embedded loans measured at FVTPL	101,272	91,411	3,083,718	8,287,463	1,013,224	-	12,577,088
Purchased receivables	442,025	343,940	169,491	32,913	-	-	988,369
Collateral deposits placed	43,125	-	-	-	-	-	43,125
Derivative financial assets	27,890	19,164	50,648	199,564	35,886	-	333,152
Other assets	-	-	-	-	-	75,603	75,603
	11,875,830	1,294,841	5,007,915	10,943,245	1,710,414	491,709	31,323,954

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(i) Off-Balance Sheet Exposures

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

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

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

(ii) Counterparty Credit Risk on Derivative Financial Instruments

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

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

(iii) Risk Management Approach

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

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

(iv) Credit Rating Downgrade

In the event of a one-notch downgrade of rating for the Bank, based on the terms of the existing CSA of ISDA, the estimated additional collateral to be posted was RM9,251,000 for 30 September 2022 (2022 March: RM8,410,000).

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iv) Credit Rating Downgrade (Contd)

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2022 September				
Contingent Liabilities				
Direct credit substitutes	143,324		143,316	132,384
Transaction related contingent items	627,008		313,375	288,263
Short-term self liquidating trade-related contingencies	128,447		25,681	27,357
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	82,445		16,128	16,128
• exceeding one year	387		193	145
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness				
	8,983,484		(1,119)	(1,119)
Securitisation exposures	15,000		3,000	2,250
	<u>9,980,095</u>		<u>500,574</u>	<u>465,408</u>
Embedded Loans				
Foreign exchange related contracts				
• one year or less	6,826,028	283,885	431,070	185,624
• over one year to five years	12,620,086	556,570	1,509,943	806,732
• over five years	2,434,248	114,818	372,964	201,801
Interest rate related contracts				
• one year or less	5,173,675	9,925	11,298	5,521
• over one year to five years	9,245,841	137,335	312,921	137,384
• over five years	528,000	30,731	59,331	29,665
	<u>36,827,878</u>	<u>1,133,264</u>	<u>2,697,527</u>	<u>1,366,727</u>
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	20,860,684	427,868	592,455	402,875
• over one year to five years	5,080,434	263,973	(844,336)	(275,785)
• over five years	785,611	51,594	188,369	129,319
Interest rate related contracts				
• one year or less	6,397,068	29,606	5,961	2,466
• over one year to five years	5,373,387	36,392	87,292	45,356
• over five years	1,058,923	20,032	96,079	53,691
Currency options *				
• one year or less	207,106	2,258	5,365	5,365
	<u>39,831,230</u>	<u>832,737</u>	<u>134,149</u>	<u>365,497</u>
	<u>86,639,203</u>	<u>1,966,001</u>	<u>3,332,250</u>	<u>2,197,632</u>

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iv) Credit Rating Downgrade (Contd)

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2022 March				
Contingent Liabilities				
Direct credit substitutes	197,085		197,075	145,090
Transaction related contingent items	697,498		348,565	312,544
Short-term self liquidating trade-related contingencies	282,005		56,387	61,146
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
• not exceeding one year	116,926		23,369	23,369
• exceeding one year	437		218	164
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness				
	8,162,584		(2,128)	(2,128)
Securitisation exposures	15,000		3,000	2,250
	<u>9,471,535</u>		<u>626,486</u>	<u>542,435</u>
Embedded Loans				
Foreign exchange related contracts				
• one year or less	5,319,812	71,468	206,800	108,596
• over one year to five years	11,511,516	220,162	1,026,917	545,507
• over five years	2,501,699	53,172	319,649	163,951
Interest rate related contracts				
• one year or less	2,857,681	1,207	(7,452)	(4,000)
• over one year to five years	11,206,633	110,242	270,720	115,554
• over five years	773,000	20,240	62,370	31,185
	<u>34,170,341</u>	<u>476,491</u>	<u>1,879,004</u>	<u>960,793</u>
Derivative Financial Instruments				
Foreign exchange related contracts				
• one year or less	17,725,302	89,073	313,264	221,610
• over one year to five years	4,773,218	190,000	358,210	309,529
• over five years	662,483	20,863	138,808	101,914
Interest rate related contracts				
• one year or less	4,297,130	7,562	7,225	3,583
• over one year to five years	4,025,627	9,565	68,439	33,958
• over five years	1,358,554	15,022	92,140	58,884
Currency options *				
• one year or less	132,205	1,067	3,050	3,050
	<u>32,974,519</u>	<u>333,152</u>	<u>981,136</u>	<u>732,528</u>
	<u>76,616,395</u>	<u>809,643</u>	<u>3,486,626</u>	<u>2,235,756</u>

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(e) Securitisation Exposures

The Bank acts as principal adviser, lead arranger, lead manager, facility agent and/or liquidity provider for third party securitisation with originators. Bankruptcy remote special purpose vehicles ("SPV"), Merdeka Kapital Bhd ("MKB") 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.

MKB (Conventional Securitization SPV) has 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. 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:

	2022 September RM'000	2022 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
2022 September				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180
2022 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 the customer's standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

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

- (a) for corporate loans - secured by corporate guarantees and charges over properties or assets being financed.
- (b) for retail mortgages - charges over residential properties.
- (c) for derivatives - additional margin for exposures above the agreed threshold.

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

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

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

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

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

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

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

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
2022 September				
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	8,661,574	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,949,505	949,778	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	23,312,711	787,559	15,581,576	-
Regulatory Retail	787	-	-	-
Residential Mortgages	13,746	-	-	-
Equity Exposures	30,670	-	-	-
Other Assets	336,056	-	-	-
Defaulted Exposures	-	-	-	-
Total On-Balance Sheet Exposures	35,305,049	1,737,337	15,581,576	-
Off-Balance Sheet Exposures:				
Credit-related exposures	497,574	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	2,831,676	-	-	-
Total Off-Balance Sheet Exposures	3,332,250	-	-	-
Total Credit Exposures	38,637,299	1,737,337	15,581,576	-
2022 March				
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,767,105	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	1,929,105	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,595,788	687,739	13,751,465	-
Regulatory Retail	1,132	-	-	-
Residential Mortgages	12,494	-	-	-
Equity Exposures	30,670	-	-	-
Other Assets	587,257	-	-	-
Defaulted Exposures	2,064	-	-	-
Total On-Balance Sheet Exposures	30,925,615	687,739	13,751,465	-
Off-Balance Sheet Exposures:				
Credit-related exposures	623,486	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	2,860,140	-	-	-
Total Off-Balance Sheet Exposures	3,486,626	-	-	-
Total Credit Exposures	34,412,241	687,739	13,751,465	-

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

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

Corporates

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

Banking Institutions

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

Sovereigns and Central Banks

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

4. CREDIT RISK (CONTD)

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

2022 September

Credit Exposure	Ratings of Sovereign and Central Banks by Approved ECAIs					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures Sovereign/Central Banks	8,661,574	-	-	-	-	8,661,574

Credit Exposure

On and Off Balance Sheet Exposures Banks, Development Financial Institutions & MDBs	Ratings of Banking Institutions by Approved ECAIs					Total
	1	2	3	4	5	
	2,864,594	1,509,431	-	75,900	8,363	4,458,288

Credit Exposure

On and Off Balance Sheet Exposures Public Sector Entities Insurance Cos, Securities Firms & Fund Managers Corporates Regulatory Retail Residential Mortgages Other Assets Securitisation Exposure Equity Exposure	Ratings of Corporate by Approved ECAIs					Total
	1	2	3	4	Unrated	
	-	-	-	-	37,378	37,378
	-	-	-	-	149,180	149,180
	1,134,674	2,774	-	-	23,808,979	24,946,427
	-	-	-	-	787	787
	-	-	-	-	13,939	13,939
	-	-	-	-	336,056	336,056
	-	-	-	-	3,000	3,000
	-	-	-	-	30,670	30,670
	1,134,674	2,774	-	-	24,379,989	25,517,437

4. CREDIT RISK (CONTD)

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

2022 March

Credit Exposure	Ratings of Sovereign and Central Banks by Approved ECAIs					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures Sovereign/Central Banks	7,767,105	-	-	-	-	7,767,105

Credit Exposure	Ratings of Banking Institutions by Approved ECAIs					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures Banks, Development Financial Institutions & MDBs	1,965,742	1,376,754	-	24,668	19,218	3,386,382

Credit Exposure	<----- Ratings of Corporate by Approved ECAIs ----->					Total
	1	2	3	4	Unrated	
On and Off Balance Sheet Exposures Public Sector Entities	-	-	-	-	12,243	12,243
Insurance Cos, Securities Firms & Fund Managers Corporates	1,220,095	5,077	-	-	21,235,639	148,865
Regulatory Retail	-	-	-	-	1,132	22,460,811
Residential Mortgages	-	-	-	-	14,776	1,132
Other Assets	-	-	-	-	587,257	14,776
Securitisation Exposure	-	-	-	-	3,000	587,257
Equity Exposure	-	-	-	-	30,670	3,000
	1,220,095	5,077	-	-	22,033,582	30,670
						23,258,754

4. CREDIT RISK (CONT'D)

Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd)

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

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Risk-Weighted Assets RM'000
	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	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	
0%	7,538,675	-	-	-	2,001	-	-	-	-	220,814	7,761,490	-
20%	1,122,899	-	2,268,351	-	347,115	-	-	-	-	7,494	3,745,859	1,025,932
35%	-	-	-	-	-	-	7,637	-	-	-	7,637	2,673
50%	-	-	1,160,908	-	2,774	-	2,390	-	-	-	1,166,072	757,298
75%	-	-	-	-	-	-	1,278	3,000	-	-	4,278	3,209
100%	-	37,378	75,900	149,180	8,225,401	787	2,635	-	30,670	107,748	8,629,699	8,629,699
150%	-	-	3,351	-	-	-	-	-	-	-	3,351	12,545
Total Exposures	8,661,574	37,378	3,508,510	149,180	8,577,291	787	13,940	3,000	30,670	336,056	21,318,386	10,431,356

Risk-Weighted Assets
by Exposures

224,580	37,378	1,416,079	149,180	8,453,723	787	7,462	2,250	30,670	109,247	10,431,356
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Average Risk Weight

3%	100%	40%	100%	99%	100%	54%	75%	100%	33%	49%
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Deduction from
Total Capital

-	-	-	-	-	-	-	-	-	-	-
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4. CREDIT RISK (CONTD)

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

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

Risk Weights	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Other Assets RM'000		
0%	6,558,338	-	-	-	36,786	-	-	-	-	200,916	6,796,040	-
20%	1,208,767	-	1,965,742	-	532,356	-	-	-	-	7,452	3,714,317	880,411
35%	-	-	-	-	-	-	8,200	-	-	-	8,200	2,870
50%	-	-	1,376,754	-	5,077	-	2,483	-	-	-	1,384,314	692,157
75%	-	-	-	-	-	-	1,370	3,000	-	-	4,370	3,278
100%	-	12,243	24,668	148,865	7,447,388	1,132	2,723	-	30,670	378,889	8,046,578	8,046,578
150%	-	-	19,218	-	-	-	-	-	-	-	19,218	28,827
Total Exposures	7,767,105	12,243	3,386,382	148,865	8,021,607	1,132	14,776	3,000	30,670	587,257	19,973,037	9,654,121

Risk-Weighted Assets by Exposures

Average Risk Weight

Deduction from Total Capital

241,753	12,243	1,135,020	148,865	7,693,947	1,132	7,862	2,250	30,670	380,379	9,654,121
3%	100%	34%	100%	96%	100%	53%	75%	100%	65%	48%
-	-	-	-	-	-	-	-	-	-	-

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:

	2022 September				2022 March			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Neither past due nor credit-impaired								
Normal grades	5,643,738	2,346,099	-	7,989,837	5,258,397	2,682,866	-	7,941,263
Close watch	-	317,338	-	317,338	-	247,550	-	247,550
Past due but not credit-impaired								
Normal grades	2,110	-	-	2,110	2,104	26	-	2,130
Close watch	-	-	-	-	-	-	-	-
Credit-impaired								
Past due	-	-	745	745	-	-	685	685
Not past due	-	-	51	51	-	-	16	16
	<u>5,645,848</u>	<u>2,663,437</u>	<u>796</u>	<u>8,310,081</u>	<u>5,260,501</u>	<u>2,930,442</u>	<u>701</u>	<u>8,191,644</u>

	2022 September RM'000	2022 March RM'000
Gross credit-impaired loans as a percentage of gross loans, advances and financing	<u>0.01%</u>	<u>0.01%</u>

(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 2022 was 0.03% (2022 March: 0.03%).

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

	2022 September RM'000	2022 March RM'000
Household	<u>2,110</u>	<u>2,130</u>

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

	2022 September		2022 March	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Past due but not credit-impaired	<u>2,110</u>	<u>-</u>	<u>2,130</u>	<u>-</u>

4. CREDIT RISK (CONTD)

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

(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.

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(i), 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(g) and Note 7(h) to the financial statement.

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

	2022 September		2022 March	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
	Expected	Expected	Expected	Expected
	Credit Loss	Credit Loss	Credit Loss	Credit Loss
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	-	-	187	-
Mining and quarrying	51	-	-	-
Manufacturing	13,827	-	12,410	-
Electricity, gas and water	6,391	-	5,720	-
Construction	1,270	-	1,264	-
Wholesale, retail trade, restaurants and hotels	1,094	-	1,117	-
Transport, storage and communication	256	-	471	-
Finance, insurance, real estate and business services	1,528	-	1,927	-
Households	266	249	277	240
	<u>24,683</u>	<u>249</u>	<u>23,373</u>	<u>240</u>

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

	Stage 3	Stage 3
	Lifetime ECL	Lifetime ECL
	Credit-Impaired	Credit-Impaired
	2022 March	2022 September
	RM'000	RM'000
Household	240	249
	<u>240</u>	<u>249</u>
	9	9
	<u>9</u>	<u>9</u>

4. CREDIT RISK (CONTD)

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

(c) 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:

	2022 September RM'000	2022 March RM'000
Malaysia		
• Stage 1 - 12-month ECL	4,179	4,471
• Stage 2 - lifetime ECL not credit-impaired	20,304	18,555
• Stage 3 - lifetime ECL credit-impaired	249	240
	<u>24,732</u>	<u>23,266</u>
Other countries		
• Stage 1 - 12-month ECL	136	189
• Stage 2 - lifetime ECL not credit-impaired	64	158
	<u>200</u>	<u>347</u>

Economic sector for loans written off:

	2022 September RM'000	2022 March RM'000
Household	-	32

Islamic Banking Business

	2022 September		2022 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	<u>6,666</u>	<u>533</u>	<u>6,598</u>	<u>528</u>

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
2022 September				
Interest rate risk - general interest rate risk	78,561,530	(77,922,549)	1,303,003	104,240
Foreign exchange risk	138,515	(10,066)	138,515	11,081
	<u>78,700,045</u>	<u>(77,932,615)</u>	<u>1,441,518</u>	<u>115,321</u>
2022 March				
Interest rate risk - general interest rate risk	67,558,444	(67,382,773)	1,327,247	106,180
Foreign exchange risk	9,370	(9,243)	9,370	749
	<u>67,567,814</u>	<u>(67,392,016)</u>	<u>1,336,617</u>	<u>106,929</u>

Risk Governance

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

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

Risk Management Approach

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

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

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

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

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

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

The following tables sets out the Bank's sensitivity to interest rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans or early withdrawal of deposits. As at 31 March 2022, the Bank had an overall positive interest rate gap of RM7,911,633,000 (2022 March: RM7,709,875,000), 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:

	2022 September	2022 March
	Increase/(Decrease) RM'000	RM'000
Impact on earnings from 200 bps parallel shift		
MYR	132,444	125,897
USD	(58,521)	(37,415)
SGD	(340)	(226)
Others	(4,768)	(2,590)
Total	68,815	85,666
Impact on economic value from 200 bps parallel shift		
MYR	25,086	25,248
USD	11,847	20,905
SGD	686	627
Others	(4,787)	(1,356)
Total	32,831	45,424

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

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

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(a) 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							Trading Book RM'000	Total RM'000	Effective Interest Rate %
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000				
2022 September										
Financial assets										
Cash and short-term funds	7,560,469	-	-	-	-	459,279	-	8,019,748	2.38	
Reverse repurchase agreements	136,399	-	-	-	-	-	-	136,399	2.26	
Deposits and placements with financial institutions	1,153,908	-	-	-	-	33,745	-	1,187,653	-	
Financial assets at FVTPL	-	-	-	237,611	268,067	-	-	505,678	0.99	
Financial investments at FVOCI	-	-	64,180	679,145	-	30,670	-	773,995	2.28	
Loans, advances and financing	4,098,501	1,312,422	844,453	1,732,224	706,437	1,364	-	8,695,401	3.76	
- Non-impaired	26	-	-	13	508	-	-	547	-	
- Impaired *	-	-	-	-	-	(24,683)	-	(24,683)	-	
- 12-month ECL and Lifetime ECL not credit-impaired	148,948	1,100,305	4,155,980	8,720,660	701,301	-	-	14,827,194	3.76	
Embedded loans measured at FVTPL	391,547	574,593	94,255	28,827	-	(295)	-	1,088,927	3.11	
Purchased receivables	971	-	-	-	-	-	971	971	3.08	
Collateral deposits placed	-	-	-	-	-	-	832,737	832,737	-	
Derivative financial assets	-	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	37,643	-	37,643	-	
	13,490,769	2,987,320	5,158,868	11,398,480	1,676,313	537,723	832,737	36,082,210		
Non-financial assets										
Property, plant and equipment	-	-	-	-	-	19,970	-	19,970	-	
Intangible assets	-	-	-	-	-	68,195	-	68,195	-	
Right-of-use assets	-	-	-	-	-	1,754	-	1,754	-	
Prepayments	-	-	-	-	-	1,436	-	1,436	-	
Deferred tax assets	-	-	-	-	-	6,865	-	6,865	-	
	-	-	-	-	-	98,220	-	98,220	-	
Total assets	13,490,769	2,987,320	5,158,868	11,398,480	1,676,313	635,943	832,737	36,180,430		

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

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(a) Interest Rate Risk (Contd)

2022 September	Non-Trading Book							Effective Interest Rate %	
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000		Total RM'000
Liabilities									
Deposits from customers	5,494,029	1,625,206	152,772	-	-	4,203,188	-	11,475,195	2.52
Deposits and placements of banks and other financial institutions	65,180	147,959	50,449	-	-	106,430	-	370,018	2.16
Financial liabilities at fair value through profit or loss	-	-	-	78,156	39,944	-	-	118,100	
Collateral deposits received	5,083,240	984,986	4,181,945	7,408,494	1,370,370	-	-	19,029,035	2.89
Derivative financial liabilities	-	-	-	-	-	-	700,124	700,124	
Other liabilities	-	-	-	-	-	195,950	-	195,950	2.88
Sukuk	-	-	250,000	-	-	-	-	250,000	2.27
Obligation on securities sold on repurchase agreements	-	373	-	-	-	-	-	373	
	10,642,449	2,758,524	4,635,166	7,486,650	1,410,314	4,505,568	700,124	32,138,422	
On-balance sheet interest sensitivity gap	2,848,320	228,796	523,702	3,911,830	265,999	(3,869,625)	132,613	4,042,008	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	638,891	638,891	
Total interest sensitivity gap	2,848,320	228,796	523,702	3,911,830	265,999	(3,869,625)	771,504	4,680,899	

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(a) Interest Rate Risk (Contd)

	Non-Trading Book							Effective Interest Rate %
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000	Trading Book RM'000	
2022 March								
Financial assets								
Cash and short-term funds	6,244,368	-	-	-	-	370,390	-	6,614,758
Deposits and placements with financial institutions	1,242,360	-	-	-	-	15,046	-	1,257,406
Financial investments at FVOCI	69,027	69,154	80,485	764,404	-	30,670	-	1,013,740
Loans, advances and financing								
- Non-impaired	3,705,530	771,173	1,623,571	1,658,853	660,640	244	-	8,420,011
- Impaired *	28	-	-	13	420	-	-	461
- 12-month ECL and Lifetime ECL not credit-impaired	-	-	-	-	-	(23,373)	-	(23,373)
Embedded loans measured at FVTPL	101,272	91,411	3,083,718	8,287,463	1,013,224	-	-	12,577,088
Purchased receivables	442,025	343,940	169,491	32,913	-	(423)	-	987,946
Collateral deposits placed	43,125	-	-	-	-	-	-	43,125
Derivative financial assets	-	-	-	-	-	-	333,152	333,152
Other assets	-	-	-	-	-	75,603	-	75,603
	11,847,735	1,275,678	4,957,265	10,743,646	1,674,284	468,157	333,152	31,299,917
Non-financial assets								
Property, plant and equipment	-	-	-	-	-	22,211	-	22,211
Intangible assets	-	-	-	-	-	78,817	-	78,817
Right-of-use assets	-	-	-	-	-	3,250	-	3,250
Prepayments	-	-	-	-	-	4,199	-	4,199
Deferred tax assets	-	-	-	-	-	6,865	-	6,865
	-	-	-	-	-	115,342	-	115,342
Total assets	11,847,735	1,275,678	4,957,265	10,743,646	1,674,284	583,499	333,152	31,415,259

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

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(a) Interest Rate Risk (Contd)

	Non-Trading Book						Trading Book RM'000	Total RM'000	Effective Interest Rate %
	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000			
2022 March									
Liabilities									
Deposits from customers	4,677,752	1,490,341	87,361	-	-	-	10,601,212	1.23	
Deposits and placements of banks and other financial institutions	282,517	107,922	128,448	-	-	2,868	521,755	1.50	
Collateral deposits received	7,267,384	299,555	1,930,963	5,249,240	1,045,173	-	15,792,315	0.60	
Derivative financial liabilities	-	-	-	-	-	-	305,229		
Other liabilities	-	-	-	-	-	104,033	104,033		
Sukuk	-	-	250,000	-	-	-	250,000	2.88	
	12,227,653	1,897,819	2,396,772	5,249,240	1,045,173	4,452,659	27,574,544		
On-balance sheet interest sensitivity gap	(379,918)	(622,141)	2,560,493	5,494,406	629,111	(3,869,160)	27,924	3,840,715	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	175,671	175,671	
Total interest sensitivity gap	(379,918)	(622,141)	2,560,493	5,494,406	629,111	(3,869,160)	203,595	4,016,386	

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 2022, the NOP of the Bank stood at RM 128,449,872 (long position) (2022 March: RM127,201 (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 2022, potential maximum loss computed for Scenario 1 to be RM139,454,000 (2022 March: RM69,611,000), Scenario 2 to be RM149,224,000 (2022 March: RM76,050,000) and Scenario 3 to be RM197,606,000 (2022 March: RM111,738,000).

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)

Risk Management Approach (Contd)

(b) Foreign Exchange Risk

2022 September	Denominated in						
	USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	CNY RM'000	Others RM'000
Assets							
Cash and short-term funds	-	179,796	66,083	42,997	34,851	100,506	35,045
Deposits and placements with financial institutions	-	1,153,908	-	-	-	-	-
Financial investments at FVOCI	-	321,535	-	-	-	-	-
Loans, advances and financing	5,492,076	30,802	-	-	-	-	-
Embedded loans measured at FVTPL	12,139,685	-	-	-	-	-	-
Purchased receivables	695,373	-	-	-	-	290,160	-
Collateral deposits placed	971	-	-	-	-	-	-
	<u>18,328,105</u>	<u>1,686,041</u>	<u>66,083</u>	<u>42,997</u>	<u>34,851</u>	<u>390,666</u>	<u>35,045</u>
Liabilities							
Deposits from customers	3,838,836	326,752	38,715	40,640	1,964	85,483	6,601
Deposits and placements of banks and other financial institutions	-	-	-	-	-	263,588	-
Collateral deposits received	17,252,064	1,293,405	-	-	-	-	-
Other liabilities	7,864	4,580	-	117	-	-	3,919
	<u>21,098,764</u>	<u>1,624,737</u>	<u>38,715</u>	<u>40,757</u>	<u>1,964</u>	<u>349,071</u>	<u>10,520</u>
Net financial (liabilities)/ assets exposure	<u>(2,770,659)</u>	<u>61,304</u>	<u>27,368</u>	<u>2,240</u>	<u>32,887</u>	<u>41,595</u>	<u>24,525</u>

2022 March	Denominated in						
	USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	CNY RM'000	Others RM'000
Assets							
Cash and short-term funds	-	172,260	31,054	37,159	30,323	54,887	44,348
Deposits and placements with financial institutions	-	1,242,360	-	-	-	-	-
Financial investments at FVOCI	210,456	345,815	-	-	-	-	-
Loans, advances and financing	5,196,736	30,421	-	-	-	49,866	-
Embedded loans measured at FVTPL	9,943,516	-	-	-	-	-	-
Purchased receivables	702,739	-	-	-	-	197,653	-
	<u>16,053,447</u>	<u>1,790,856</u>	<u>31,054</u>	<u>37,159</u>	<u>30,323</u>	<u>302,406</u>	<u>44,348</u>
Liabilities							
Deposits from customers	3,512,003	291,879	29,956	32,822	1,230	50,958	4,220
Deposits and placements of banks and other financial institutions	282,518	-	-	-	-	236,370	-
Collateral deposits received	14,379,975	1,392,550	-	-	-	-	-
Other liabilities	4,032	3,167	-	142	-	1,502	1,743
	<u>18,178,528</u>	<u>1,687,596</u>	<u>29,956</u>	<u>32,964</u>	<u>1,230</u>	<u>288,830</u>	<u>5,963</u>
Net financial (liabilities)/ assets exposure	<u>(2,125,081)</u>	<u>103,260</u>	<u>1,098</u>	<u>4,195</u>	<u>29,093</u>	<u>13,576</u>	<u>38,385</u>

(c) Equity Risk

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

The Bank currently hold equity investments amounting to RM30,670,000 (2022 March: RM30,670,000) 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.

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

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There are no significant market risk exposures as at 30 September 2022 (2022 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") and Net Stable Funding Ratio ("NSFR") requirements issued by BNM. In addition, the Bank maintains a liquidity compliance buffer to meet any unexpected cash outflows. The day-to-day funding management, is undertaken by treasury operations and this includes the maintenance of a portfolio of highly liquid assets, that can be easily liquidated to meet the unforeseeable demand in cash flows arising from the maturity of deposits and loans. As at 30 September 2022, the Bank holds a sizeable balance of government securities (MGS & GI) amounting to RM927,468,000 (2022 March: RM426,799,000) or 72% (2022 March: 42%) 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 stability in liquidity. The Bank accesses the wholesale markets by taking money market deposits to meet short-term obligations and to maintain its presence in the local money market space. The Bank has also obtained a Liquidity Support Letter from its Parent Bank and has given full support of fund related to any liquidity matter at any time.

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

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

The Bank hold sufficient high-quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-day horizon for Liquidity Coverage Ratio ("LCR"). The Bank is maintaining stable source of funds to support assets and off-balance sheet activities for Net Stable Funding Ratio ("NSFR"). LCR and NSFR are part of the Basel III reform package which comprises measures to further strengthen the existing capital and liquidity standards for banking institutions. As of end September 2022, the Bank complies with the minimum LCR and NSFR as stipulated by BNM.

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There are no significant liquidity risk exposures as at 30 September 2022 (2022 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:

	2022 September		2022 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	923,159	73,853	832,703	66,616

Risk Governance

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

Operational Risk Management Framework

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

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

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

The framework adopted 3-lines of defense ("3LOD") model to manage operational risk with clear roles and responsibilities reflected for each line of defense. In 2022, we continue to strengthen the effectiveness of our 3LOD to better manage the risk. First line of defense identifies and manages the conducive control environment associated with their business function, while second line of defense represented by Risk & Compliance departments sets policy & control standards and manages enforcement, undertakes assessment & monitoring activities to manage risks. Third line of defense represented by Audit provides independent challenge to the risk management posture and process to provide assurance of effectiveness to the Board.

7. OPERATIONAL RISK (CONTD)

Risk and Control Assessments

Risk and control assessment is a periodic set of activities and programs to manage the different types of operational risk. Among others (but not limited to) are Risk & Control Self Assessment (RCSA), Global Control Self Assessment (GCSA), Periodic Review of Outsourcing Parties, Self Inspection Program, Product Review, System Risk Evaluation, Cyber Maturity Assessment, etc. These activities are carried out in collaboration with first line of defence as the risk owner to manage operational risk within acceptable level.

Business Continuity Management

The Bank's Business Continuity Management ("BCM") programme is in compliance with requirements of BNM, the holding company and in line with International Standards ISO22301 to ensure all critical business functions can continue in the event of a disruption.

During the Covid-19 pandemic period, we successfully implemented business continuity responses and continued to offer essential services and maintained service level agreements to serve our customers with minimal disruption. No major impact arised from pandemic infection or third party dependencies in the past one year. The Crisis Management Team ("CMT") chaired by CEO monitors and manages responses to any incident escalated from the business functions to ensure continuity of our business.

Reporting

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

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	2022 September		2022 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	57,951	4,636	49,716	3,977

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 2022.