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

Company No : 199401016638 (302316-U)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2021

MUFG BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Company No : 199401016638 (302316-U)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2021

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UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2021

	Note	2021 September RM'000	2021 March RM'000
ASSETS			
Cash and short-term funds	11	5,080,461	7,152,000
Deposits and placement with financial institutions	12	1,402,834	1,709,173
Financial assets at fair value through profit or loss	13	197,564	233,986
Financial assets at fair value through other comprehensive income	14	895,353	669,258
Loans, advances and financing	15	7,559,965	8,166,774
Embedded loans measured at fair value through profit or loss	16	13,746,278	12,881,961
Purchased receivables	17	930,404	971,744
Collateral deposits placed		215,899	330,340
Derivative financial assets	18	360,788	433,259
Statutory deposits with Bank Negara Malaysia		-	-
Other assets		30,693	51,504
Property, plant and equipment		23,585	26,131
Intangible assets		81,587	94,988
Rights-of-use assets		4,684	6,218
Current tax assets		14,472	15,311
Deferred tax assets		7,299	7,299
TOTAL ASSETS		30,551,866	32,749,946
LIABILITIES AND SHAREHOLDER'S FUNDS			
Deposits from customers	19	9,388,710	10,858,905
Deposits and placements of banks and other financial institutions	20	233,593	295,098
Collateral deposits received		16,560,182	16,930,535
Derivative financial liabilities	18	320,946	392,111
Other liabilities	21	82,992	113,161
Lease liabiliies		4,870	6,283
Sukuk		250,000	250,000
Obligation on securities sold on repurchase agreements		-	303,494
TOTAL LIABILITIES		26,841,293	29,149,587
SHARE CAPITAL		200,000	200,000
RESERVES		3,510,573	3,400,359
SHAREHOLDER'S FUNDS		3,710,573	3,600,359
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		30,551,866	32,749,946
COMMITMENTS AND CONTINGENCIES	22	77,241,616	70,830,913

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

	Note	2nd Quarter Ended		Six Months Ended	
		2021 September RM'000	2020 September RM'000	2021 September RM'000	2020 September RM'000
Operating revenue		89,602	85,198	221,383	193,933
Interest income	23	64,857	69,762	130,173	165,173
Interest expense	24	(18,407)	(24,388)	(41,645)	(58,390)
Net interest income		46,450	45,374	88,528	106,783
Net income from embedded loans measured at FVTPL	25	22,558	5,565	58,527	11,932
Net income from Islamic Banking Window operations	31	2,159	1,166	8,830	1,943
Other operating income	26	18,435	33,136	65,498	73,318
Operating income		89,602	85,241	221,383	193,976
Other operating expenses	27	(33,673)	(35,509)	(86,527)	(82,453)
Operating profit before allowance for impairment		55,929	49,732	134,856	111,523
Reversal of/(Allowance for) impairment on financial instrument	28	13,381	11,367	16,001	17,137
Profit before tax		69,310	61,099	150,857	128,660
Tax expense		(19,564)	(21,325)	(41,114)	(46,350)
Profit for the period		49,746	39,774	109,743	82,310
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Foreign currency translation in respect of expected credit loss		-	-	-	-
Items that are or may be reclassified subsequently to profit or loss					
Change in fair value reserve:					
- Debt instruments at FVOCI		(1,270)	2,265	467	4,237
Change in expected credit loss reserve		4	(5)	4	(2)
Other comprehensive (loss)/income for the period, net of tax		(1,266)	2,260	471	4,235
Total comprehensive income for the period		48,480	42,034	110,214	86,545
Profit attributable to :					
Owner of the Bank		49,746	39,774	109,743	82,310
Total comprehensive income attributable to :					
Owner of the Bank		48,480	42,034	110,214	86,545
Basic earnings per share (sen)		24.9	19.9	54.9	41.2

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

	<---- Attributable to Shareholder of the Bank ---->						
	<---- Non-distributable ---->				Distributable		
	Share capital RM'000	Regulatory reserve RM'000	Defined benefit reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
2021 September							
At beginning of the period	200,000	103,731	(4,252)	346	27,509	3,273,025	3,600,359
Profit for the period	-	-	-	-	-	109,743	109,743
Other comprehensive income	-	-	-	4	467	-	471
Total comprehensive income	-	-	-	4	467	109,743	110,214
At end of the period	200,000	103,731	(4,252)	350	27,976	3,382,768	3,710,573
2020 September							
At beginning of the period	200,000	107,284	(5,801)	349	26,714	2,963,159	3,291,705
Profit for the period	-	-	-	-	-	82,310	82,310
Other comprehensive income	-	-	-	(2)	4,237	-	4,235
Total comprehensive income	-	-	-	(2)	4,237	82,310	86,545
At end of the period	200,000	107,284	(5,801)	347	30,951	3,045,469	3,378,250

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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2021

	2021 September RM'000	2020 September RM'000
Cash Flows From Operating Activities		
Profit before tax	150,857	128,660
Adjustments for:		
Gain/(Loss) on disposal of property, plant and equipment	2	-
Depreciation of property, plant and equipment	2,636	3,074
Depreciation of right-of-use assets	1,728	1,817
Amortisation of intangible assets	13,921	14,182
Provision for retirement benefits	1,784	2,115
Dividend income	(253)	(240)
Interest income from financial assets at fair value through other comprehensive income	(7,938)	(8,977)
Interest income from financial assets at fair value through profit or loss	(3,492)	(6,762)
(Reversal of)/Allowance for impairment on financial instruments	(16,001)	(17,137)
Finance cost on lease liabilities	103	144
Unrealised loss on changes in trading securities	1,180	1,137
Unrealised loss on changes in fair value of derivative financial instruments	9,244	59,085
Unrealised gain on changes in fair value of loans measured at fair value	(8,745)	1,108
Unrealised loss/(gain) on changes in fair value of financial assets at fair value through profit or loss	18,384	53,568
Operating profit before changes in working capital	163,410	231,774
(Increase)/Decrease in operating assets:		
Financial assets at fair value through profit or loss	144,889	(300)
Financial assets at fair value through other comprehensive income	(175,970)	10,435
Loans, advances and financing	621,797	2,056,950
Embedded loans measured at fair value through profit or loss	(863,358)	2,406,677
Collateral deposits placed	114,441	(380,314)
Purchased receivables	41,280	(158,861)
Derivative financial assets	284,348	558,126
Statutory deposits with Bank Negara Malaysia	-	42,397
Other assets	326,956	(137,275)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	(1,470,195)	1,339,586
Deposits and placements of banks and other financial institutions	(61,505)	(387,937)
Collateral deposits received	(370,353)	(3,189,357)
Derivative financial liabilities	(302,884)	(638,892)
Other liabilities	(24,762)	209,110
Obligation on securities sold on repurchase agreement	(303,494)	-
Cash generated from/(used in) operations	(1,875,400)	1,962,118
Income taxes paid	(43,100)	(43,006)
Payment of staff gratuities	(3,096)	(533)
Net cash generated from/(used in) operating activities	(1,921,596)	1,918,579

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

	2021 September RM'000	2020 September RM'000
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(92)	(896)
Purchase of intangible assets	(520)	(47,446)
Proceeds from disposal of property, plant and equipment		-
Proceeds from disposal of intangible assets		-
Proceeds from sale of financial assets at fair value through other comprehensive income		100,847
Proceeds from sale of financial assets at fair value through profit or loss	385,281	980,298
Purchase of financial assets at fair value through other comprehensive income	(41,220)	(145,944)
Purchase of financial assets at fair value through profit or loss	(494,928)	(994,910)
Dividend received	253	240
Interest income from financial assets at fair value through other comprehensive income	(500)	6,952
Interest income from financial assets at fair value through profit or loss	3,492	6,762
Net cash used in investing activities	(148,234)	(94,097)
Cash Flows From Financing Activity		
Repayment for lease liabilities	(1,709)	(1,800)
Net cash used in financing activity	(1,709)	(1,800)
Net increase in cash and cash equivalents	(2,071,539)	1,822,682
Cash and cash equivalents at beginning of quarter	7,152,000	4,050,436
Cash and cash equivalents at end of quarter	5,080,461	5,873,118
Cash outflows for leases as a lessee		
Included in net cash from operating activities:		
Payment relating to short-term leases	110	172
Payment relating to leases of low-valued assets	578	524
Interest paid in relation to lease liabilities	103	144
Included in net cash from financing activities:		
Payment of lease liabilities	1,709	1,800
Total cash outflows for lease	2,500	2,640

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

1 BASIS OF PREPARATION

The unaudited condensed interim financial report for the quarter ended 30 September 2021 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 2021. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 March 2021.

The following are accounting standards, 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 June 2020
- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 April 2021
- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023
- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1 BASIS OF PREPARATION (CONTD)

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

- from the annual period beginning on 1 April 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020;

- from the annual period beginning on 1 April 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021;

- from the annual period beginning on 1 April 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021;

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

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

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

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

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

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

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

2 AUDIT REPORT

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

3 SEASONAL OR CYCLICAL FACTORS

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

4 EXCEPTIONAL OR EXTRAORDINARY ITEMS

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

5 CHANGES IN ESTIMATES

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

6 CHANGES IN DEBT AND EQUITY SECURITIES

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

7 DIVIDEND PAID

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

8 SUBSEQUENT EVENTS

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

9 REVIEW OF PERFORMANCE

The Bank's profit before taxation for the financial period ended 30 September 2021 was RM150.9 million, an increase of 17.25% or RM22.2 million compared to the corresponding period last year. Operating income increased by RM27.4 million from RM193.98 million to RM221.38 million whilst operating expenses increases by RM4.1 million mainly attributed to higher administrative and other expenses during the financial period.

Total assets decreased marginally from RM32.7 billion to RM30.6 billion compared to 31 March 2021. The Bank's CET 1/Tier 1 capital ratio and total capital ratio remained strong at 27.636% and 28.655% respectively.

10 PROSPECTS

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

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

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

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

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

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

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (CONTD.)**

11 CASH AND SHORT-TERM FUNDS

	2021 September RM'000	2021 March RM'000
At amortised cost		
Cash and balances with banks and other financial institutions	27,033	21,377
Money at call and deposit placements maturing within three months	5,053,428	7,130,623
	5,080,461	7,152,000

12 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2021 September RM'000	2021 March RM'000
At amortised cost		
Licensed bank		
• Malaysia	1,103,234	1,409,165
• Other countries	299,600	300,008
	1,402,834	1,709,173

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

	2021 September RM'000	2021 March RM'000
Money market instruments:		
Malaysian Government Securities	156,593	59,343
Government Investment Issues	40,971	174,643
	197,564	233,986

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

	2021 September RM'000	2021 March RM'000
Money market instruments		
Malaysian Government Securities	409,856	411,711
Government Investment Issues	20,839	20,990
Japanese Government Bonds	225,432	-
Sukuk	209,999	207,330
	866,126	640,031
Non-money market instruments:		
Unquoted shares	29,227	29,227
Total	895,353	669,258

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

	2021 September RM'000	2021 March RM'000
12-Month ECL Stage 1		
At beginning of the period	346	349
Allowance made/(written back) due to changes in credit risk	4	(3)
Deferred tax impact	-	-
At end of the period	350	346

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (CONTD.)

15 LOANS, ADVANCES AND FINANCING

	2021 September RM'000	2021 March RM'000
(a) By type:		
At amortised cost		
Overdrafts	6,110	7,778
Term loans		
• Housing loans	10,019	10,475
• Other term loans	3,909,283	4,224,348
Revolving credits	3,331,791	3,633,878
Bills receivable	99,756	130,691
Claims on customers under acceptance credits	-	-
Staff loans	6,842	7,043
	7,363,801	8,014,213
Unearned interest	(303)	(193)
Gross loans, advances and financing at amortised cost	7,363,498	8,014,020
Impairment allowances on loans, advances and financing		
• Stage 1 - 12 month ECL	(8,456)	(5,392)
• Stage 2 - lifetime ECL not credit-impaired	(18,779)	(37,062)
• Stage 3 - lifetime ECL credit-impaired	(230)	(230)
Net loans, advances and financing at amortised cost	7,336,033	7,971,336
At fair value		
Other term loans	223,932	195,438
Net loans, advances and financing	7,559,965	8,166,774
Gross loans, advances and financing		
At amortised cost	7,363,498	8,014,020
At fair value	223,932	195,438
	7,587,430	8,209,458
(b) By maturity structure:		
Maturing within one year	3,891,218	4,425,059
More than one year to three years	1,351,868	1,967,247
More than three years to five years	1,067,985	605,591
More than five years	1,276,359	1,211,561
	7,587,430	8,209,458
(c) By type of customer:		
Domestic non-bank financial institutions	1,260,390	655,413
Domestic business enterprises		
• Small medium enterprises	11,162	425,530
• Others	4,275,268	4,454,575
Individuals	16,616	17,245
Foreign entities	2,023,994	2,656,695
	7,587,430	8,209,458
(d) By interest rate sensitivity:		
Fixed rate		
• Staff loans	3,660	3,978
Variable rates	7,583,770	8,205,480
	7,587,430	8,209,458

15 LOANS, ADVANCES AND FINANCING (CONTD.)

	2021 September RM'000	2021 March RM'000
(e) By economic sector:		
Agricultural, hunting, forestry and fishing	444,024	483,194
Mining and quarrying	223,932	195,438
Manufacturing	1,401,665	1,375,244
Electricity, gas and water	1,196,132	1,251,630
Construction	418,722	220,455
Wholesale and retail trade and restaurants and hotels	658,501	485,972
Transport, storage and communication	1,331,024	1,871,084
Finance, insurance, real estate and business services	1,478,762	1,894,658
Households	16,861	17,517
Others	417,807	414,266
	7,587,430	8,209,458
(f) By geographical location:		
Malaysia	6,210,332	6,591,878
Other countries	1,377,098	1,617,580
	7,587,430	8,209,458
(g) Credit-impaired loans by economic sector is as follows:		
Household	664	664
(h) Credit-impaired loans by geographical location is as follows:		
Malaysia	664	664
(i) Movements in credit-impaired loans, advances and financing are as follows:		
At beginning of the period	664	425,620
Classified as impaired during the period	173	267,235
Amount recovered	(85)	(199,937)
Reclassified as performing	(56)	(492,254)
Amount written off	(32)	-
At end of the period	664	664

15 LOANS, ADVANCES AND FINANCING (CONTD.)

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

	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL Credit-impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2021	5,392	37,062	230	42,684
Transfer to 12-Month ECL (Stage 1)	433	(7,040)	-	(6,607)
Transfer to lifetime ECL not credit-impaired (Stage 2)	(74)	88	-	14
Transfer to lifetime ECL credit-impaired (Stage 3)	(3)	-	-	(3)
New financial assets originated	6,298	8,976	-	15,274
Financial assets derecognised (other than write-off)	(4,066)	(18,106)	-	(22,172)
Net remeasurement due to changes in credit risk	476	(2,201)	8	(1,717)
Amount written off			(8)	(8)
At 30 September 2021	8,456	18,779	230	27,465
At 1 April 2020	13,619	13,381	50,777	77,777
Transfer to 12-Month ECL (Stage 1)	2	-	-	2
Transfer to lifetime ECL not credit-impaired (Stage 2)	(1,644)	18,547	(32,930)	(16,027)
Transfer to lifetime ECL credit-impaired (Stage 3)	(2)	-	11	9
New financial assets originated	3,610	18,514	-	22,124
Financial assets derecognised (other than write-off)	(6,316)	(13,380)	(17,649)	(37,345)
Net remeasurement due to changes in credit risk	(3,877)	-	21	(3,856)
At 31 March 2021	5,392	37,062	230	42,684

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

	2021 September RM'000	2021 March RM'000
At fair value		
Embedded loans with term loans nature	13,366,553	12,502,735
Embedded loans with revolving credits nature	379,725	379,226
	13,746,278	12,881,961

Loans measured at FVTPL included RM13,448,054,000 (March 2021: RM12,552,576,000) of outstanding balance for loans, advances and financing, and fair value for derivative financial assets and liabilities of RM125,282,000 (March 2021: RM174,265,000) and credit spread of RM172,942,000 (March 2021: RM155,120,000).

Included in embedded loans are fair value from derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM3,855,000 (2021 March: RM2,278,000) and RM40,000 (March 2021: RM38,000) respectively.

(a) By maturity structure:

	2021 September RM'000	2021 March RM'000
Maturing within one year	3,758,846	4,130,246
More than one year to three years	5,693,001	3,924,620
More than three years to five years	2,641,952	2,923,260
More than five years	1,652,479	1,903,835
	13,746,278	12,881,961

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

	2021 September RM'000	2021 March RM'000
(b) By type of customer:		
Domestic non-bank financial institutions	9,000,461	8,192,776
Domestic business enterprises		
• Small medium enterprises	12,983	13,629
• Others	4,903,217	4,928,676
	13,916,661	13,135,081
Domestic financial institutions *	(150,583)	(255,360)
Foreign entities *	(19,800)	2,240
	13,746,278	12,881,961
(c) By interest rate sensitivity:		
Variable rates	13,746,278	12,881,961
(d) By economic sector:		
Mining and quarrying	-	1,030
Manufacturing	850,106	875,398
Electricity, gas and water	1,385,490	1,389,610
Construction	653,502	662,638
Wholesale, retail trade, restaurants and hotels	857,021	825,516
Transport, storage and communication	282,210	297,538
Finance, insurance, real estate and business services	9,702,983	8,823,119
Others	14,966	7,112
	13,746,278	12,881,961
(e) By geographical location:		
Malaysia	13,710,628	12,824,901
Other countries	35,650	57,060
	13,746,278	12,881,961

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

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

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

	2021 September			2021 March		
	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000
At fair value						
Embedded loans with term loans nature:						
Foreign currency swaps	10,521,109	265,517	71,959	10,232,082	372,622	60,775
Interest rate swaps	2,618,636	103,767	-	2,736,612	115,183	190
	13,139,745	369,284	71,959	12,968,694	487,805	60,965
Embedded loans with revolving credits nature:						
Foreign currency swaps	378,437	-	1,660	378,437	558	-
Interest rate swaps	-	-	-	-	-	-
	378,437	-	1,660	378,437	558	-
Cover deals:						
Foreign currency swaps	9,103,886	118,432	141,338	9,364,939	120,788	195,435
Interest rate swaps	13,795,516	25,058	172,535	13,064,466	28,587	207,073
	22,899,402	143,490	313,873	22,429,404	149,375	402,508
	36,417,584	512,774	387,492	35,776,536	637,738	463,473
Set off		(387,492)	(387,492)		(463,473)	(463,473)
Net assets		125,282	-		174,265	-

17 PURCHASED RECEIVABLES

	2021 September RM'000	2021 March RM'000
At amortised cost		
Purchased receivables	930,794	972,074
Impairment allowances on purchased receivables		
Stage 1 - 12-month ECL	(132)	(330)
Stage 2 - lifetime ECL not credit-impaired	(258)	-
	930,404	971,744

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 RM916,515,000 (2021 March: RM939,569,000).

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

	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit-impaired Stage 2 RM'000	Lifetime ECL Credit-impaired Stage 3 RM'000	Total RM'000
At 1 April 2021	330	-	-	330
Transfer to Lifetime ECL not credit impaired (Stage 2)	(71)	30		(41)
New financial assets originated	26	228	-	254
Financial assets derecognised (other than write-off)	(107)	-	-	(107)
Net remeasurement due to changes in credit risk	(46)	-	-	(46)
At 30 September 2021	132	258	-	390
At 1 April 2020	258	59	10	327
New financial assets originated	282	-	-	282
Financial assets derecognised (other than write-off)	(82)	(59)	(10)	(151)
Net remeasurement due to changes in credit risk	(128)	-	-	(128)
At 31 March 2021	330	-	-	330

18 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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

	2021 September			2021 March		
	Notional	Fair Value		Notional	Fair Value	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
At fair value	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives*						
Foreign exchange related contracts						
Forwards	12,639,579	69,316	53,762	10,682,373	86,495	75,131
Swaps	6,362,544	192,431	172,311	7,184,321	231,808	202,707
Interest rate related contracts						
Swaps	12,624,684	97,969	94,079	8,507,330	113,918	113,933
Other derivatives						
Currency options	230,263	1,072	794	168,317	1,038	340
	31,857,070	360,788	320,946	26,542,341	433,259	392,111

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM67,585,000 (March 2021: RM76,590,000) and RM91,298,000 (March 2021: RM116,871,000) respectively.

19 DEPOSITS FROM CUSTOMERS

	2021 September RM'000	2021 March RM'000
At amortised cost		
Demand deposits	4,441,484	3,783,145
Money market deposits	1,714,514	1,944,289
Savings deposits	100	102
Fixed deposits	3,232,612	5,131,369
	9,388,710	10,858,905

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

	2021 September RM'000	2021 March RM'000
Due within six months	3,151,805	5,091,010
Six months to one year	77,941	37,229
Above one year	2,866	3,130
	3,232,612	5,131,369

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

	2021 September RM'000	2021 March RM'000
Government and statutory authorities	-	332,445
Domestic business enterprises	9,122,133	10,236,557
Individuals	1,630	1,625
Foreign entities	189,005	211,529
Domestic other entities	75,942	76,749
	9,388,710	10,858,905

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021 September RM'000	2021 March RM'000
At amortised cost		
Licensed banks	233,593	295,098

21 OTHER LIABILITIES

		2021 September RM'000	2021 March RM'000
Provision for retirement benefits		29,955	31,267
Impairment allowances on commitment and contingencies	(a)		
Stage 1 - 12-month ECL		561	390
Stage 2 - lifetime ECL not credit-impaired		1,010	2,258
Stage 3 - lifetime ECL credit-impaired		-	-
Accrued interest payable		7,868	8,158
Bills payable		11,458	3,885
Other payables and accruals		32,140	67,203
		82,992	113,161

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

		Lifetime ECL		
	12-month ECL Stage 1 RM'000	Not credit-impaired Stage 2 RM'000	Credit-impaired Stage 3 RM'000	Total RM'000
At 1 April 2021	390	2,258	-	2,648
Transfer to 12-Month ECL (Stage 1)	36	(1,134)	-	(1,098)
Transfer to Lifetime ECL not credit-impaired (Stage 2)	(6)	4	-	(2)
New financial assets originated	388	930	-	1,318
Financial assets derecognised (other than write-off)	(213)	(786)	-	(999)
Net remeasurement due to changes in credit risk	(34)	(262)	-	(296)
At 30 September 2021	561	1,010	-	1,571
At 1 April 2020	1,303	241	717	2,261
Transfer to 12-Month ECL (Stage 1)	2	(61)	(61)	(120)
Transfer to Lifetime ECL not credit-impaired (Stage 2)	(171)	1,015	-	844
New financial assets originated	373	1,239	-	1,612
Financial assets derecognised (other than write-off)	(801)	(152)	(656)	(1,609)
Net remeasurement due to changes in credit risk	(316)	(24)	-	(340)
At 31 March 2021	390	2,258	-	2,648

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22 COMMITMENTS AND CONTINGENCIES

	2021 September				2021 March			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Credit-related Exposures								
Direct credit subsitutes	181,475		181,452	130,322	138,206		138,182	122,924
Transaction-related contingent items	603,385		301,551	265,863	599,062		298,377	257,804
Short-term self-liquidating trade-related contingencies	541,158		108,212	111,147	307,507		61,498	62,904
Other commitments, such as formal standby facilties and credit lines, with an original maturity of :								
- not exceeding one year	242,506		48,469	48,469	215,759		43,137	43,137
- exceeding one year	527		264	208	42		21	16
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,498,044		(1,354)	(1,354)	7,320,619		(1,452)	(1,452)
Securitisation exposures	15,000		3,000	2,250	15,000		3,000	2,250
	9,082,095		641,594	556,904	8,596,195		542,763	487,583
Embedded loans								
Foreign exchange related contracts								
- one year or less	6,053,608	62,169	136,409	77,349	6,827,290	106,956	258,337	154,355
- over one year to five years	11,662,566	271,570	1,076,179	619,692	10,627,071	326,033	1,081,359	587,107
- over five years	2,287,258	59,770	262,629	153,676	2,521,097	60,979	365,802	191,745
Interest rate related contracts								
- one year or less	5,159,755	2,710	898	676	4,416,340	2,535	4,081	2,526
- over one year to five years	10,622,196	114,070	277,394	114,480	9,852,554	101,282	228,838	101,426
- over five years	632,200	12,045	37,179	21,814	1,532,183	39,953	100,397	40,351
	36,417,583	522,334	1,790,688	987,687	35,776,535	637,738	2,038,814	1,077,510
Derivative Financial Instruments:								
Foreign exchange related contracts								
- one year or less	12,824,417	76,018	209,906	158,131	11,235,040	101,591	223,082	169,305
- over one year to five years	4,825,716	115,551	454,747	377,724	5,023,301	139,085	495,681	410,493
- over five years	1,351,989	70,179	270,388	192,081	1,608,353	77,627	285,434	183,261
Interest rate related contracts								
- one year or less	7,060,510	6,087	9,230	6,213	1,992,658	3,120	4,603	2,574
- over one year to five years	4,024,078	60,695	94,068	49,917	4,863,059	80,113	113,288	66,277
- over five years	1,540,097	31,186	123,470	83,764	1,651,613	30,685	135,225	91,041
Currency options								
- one year or less	115,131	1,072	2,799	2,799	84,159	1,038	2,301	2,301
	31,741,938	360,788	1,164,608	870,629	26,458,183	433,259	1,259,614	925,252
Total	77,241,616	883,122	3,596,890	2,415,220	70,830,913	1,070,997	3,841,191	2,490,345

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	2nd Quarter Ended		Six Months Ended	
	2021 September RM'000	2020 September RM'000	2021 September RM'000	2020 September RM'000
23 INTEREST INCOME				
Loans, advances and financing measured at amortised cost and at fair value	38,044	46,154	71,329	112,911
Money at call and deposit placements with financial institutions	19,983	16,362	47,414	36,523
Financial assets at FVTPL	2,551	3,031	3,492	6,762
Financial investments at FVOCI	4,279	4,215	7,938	8,977
	64,857	69,762	130,173	165,173
24 INTEREST EXPENSE				
Deposits and placements of banks and other financial institutions	11,749	17,889	28,503	45,145
Deposits from other customers	6,658	6,499	13,142	13,245
	18,407	24,388	41,645	58,390
25 NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL				
Interest income	38,858	45,008	76,624	113,189
Interest expense	(29,194)	(33,476)	(58,027)	(90,540)
Unrealised gain/(loss) in fair value of embedded loans	(5,672)	(29,408)	8,745	(53,568)
Realised gain in fair value of embedded loans	18,566	23,441	31,185	42,851
	22,558	5,565	58,527	11,932
26 OTHER OPERATING INCOME				
Fee income				
Commission	581	488	1,307	935
Guarantee fees	760	792	1,475	1,660
Service charges and fees	442	481	1,035	987
Commitment fees	772	240	1,333	461
Other fee income	2,463	2,594	4,453	6,730
	5,018	4,595	9,603	10,773
Investment income				
Gross dividends	37	129	253	240
Realised loss in fair value of derivative financial instruments	23,503	(675)	19,072	(13,247)
Realised (loss)/gain in fair value of financial assets at FVTPL	(1,534)	3,536	(4,622)	9,601
Unrealised gain/(loss) in fair value of derivative financial instruments	(25,972)	(51,172)	(9,244)	(60,176)
Unrealised gain in fair value of financial assets at FVTPL	(2,442)	(1,641)	1,180	(1,137)
Unrealised gain in fair value of loans measured at fair value	(19,032)	684	(18,384)	1,108
Foreign exchange gain	31,589	76,251	52,381	122,157
Net premium (paid)/received for options	-	(17)	-	(17)
	6,149	27,095	40,636	58,529
Other income				
Other operating income	7,268	1,446	15,259	4,016
	18,435	33,136	65,498	73,318

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	2nd Quarter Ended		Six Months Ended	
	2021 September RM'000	2020 September RM'000	2021 September RM'000	2020 September RM'000
27 OTHER OPERATING EXPENSES				
Personnel expenses	16,665	19,974	43,864	47,613
Establishment related expenses	9,874	10,398	20,290	21,109
Promotion and marketing related expenses	232	385	540	714
Administrative and other expenses	6,902	4,752	21,833	13,017
	33,673	35,509	86,527	82,453
Personnel expenses				
- Wages, salaries and bonus	14,941	16,994	36,086	38,401
- Defined benefit plan	892	1,058	1,784	2,116
- Defined contribution plan	1,757	2,505	4,206	5,091
- Other employee benefits	(925)	(583)	1,788	2,005
	16,665	19,974	43,864	47,613
Establishment related expenses				
- Depreciation of property, plant and equipment	1,326	1,501	2,636	3,074
- Amortisation of intangible assets	6,879	7,127	13,921	14,182
- Depreciation of right-of-use assets	876	895	1,728	1,817
- Hire of equipment	165	93	681	524
- Repair and maintenance	39	168	76	216
- Expenses relating to short-term leases and leases of low-value assets	450	456	843	882
- Others	139	158	405	414
	9,874	10,398	20,290	21,109
Promotion and marketing related expenses				
- Advertising and publicity	-	-	11	51
- Others	232	385	529	663
	232	385	540	714
Administrative and other expenses				
- Cash collateral fees	14	139	18	409
- Communication expenses	189	363	349	606
- Legal and professional fees	215	163	393	208
- Others	6,484	4,087	21,073	11,794
	6,902	4,752	21,833	13,017

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28 (WRITEBACK)/ALLOWANCE FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS

	2nd Quarter Ended		Six Months Ended	
	2021 September RM'000	2020 September RM'000	2021 September RM'000	2020 September RM'000
Stage 1 and 2 expected credit losses made during the year	(2,679)	(1,615)	17,915	54,914
Stage 1 and 2 expected credit losses written back	(10,706)	(4,335)	(34,147)	(25,619)
Stage 3 expected credit losses made during the year	4	(6,142)	8	2,441
Stage 3 expected credit losses written back	8	(1,382)	-	(50,982)
Other movements	18	2,112	240	2,114
Bad debts written back	(18)	(5)	(9)	(5)
	(13,381)	(11,367)	(16,001)	(17,137)
(a) (Reversal of)/Allowance for impairment on loans, advances and financing				
Stage 1 and 2 expected credit losses made during the year	(3,207)	(2,528)	16,270	53,323
Stage 1 and 2 expected credit losses written back	(9,247)	(3,055)	(31,489)	(24,082)
Stage 3 expected credit losses made during the year	4	(6,165)	8	2,346
Stage 3 expected credit losses written back	8	(882)	-	(50,294)
Impaired loans, advances and financing written off	(8)	-	(8)	-
Other movements	-	2,112	240	2,114
Bad debts written back	-	(5)	(9)	(5)
	(12,450)	(10,523)	(14,988)	(16,598)
(b) (Reversal of)/Allowance for impairment on purchased receivables				
Stage 1 and 2 expected credit losses made during the year	156	(263)	284	210
Stage 1 and 2 expected credit losses written back	(86)	(98)	(224)	(222)
Stage 3 expected credit losses written back	-	-	-	(10)
	70	(373)	60	(22)
(c) (Reversal of)/Allowance for impairment on off-balance sheet exposures				
Stage 1 and 2 expected credit losses made during the year	368	1,176	1,357	1,381
Stage 1 and 2 expected credit losses written back	(1,373)	(1,183)	(2,434)	(1,313)
Stage 3 expected credit losses made during the year	-	35	-	95
Stage 3 expected credit losses written back	-	-	-	(678)
	(1,005)	28	(1,077)	(515)
(d) (Reversal of)/Allowance for impairment on financial investments at FVOCI				
Stage 1 and 2 expected credit losses made during the year	4	-	4	-
Stage 1 and 2 expected credit losses written back	-	1	-	(2)
	4	1	4	(2)

29 CAPITAL ADEQUACY

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

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

	2021 September	2021 March
Common equity Tier 1 ("CET 1") capital ratio	27.636%	28.697%
Tier 1 capital ratio	27.636%	28.697%
Total capital ratio	28.655%	29.704%

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

	2021 September RM'000	2021 March RM'000
<u>CET 1 and Tier 1 capital</u>		
• Paid-up share capital	200,000	200,000
• Retained profits	3,273,025	3,273,025
• Other reserves	127,805	127,334
	3,600,830	3,600,359
<u>Less</u>		
• Deferred tax assets	(7,299)	(7,299)
• Intangible assets	(81,587)	(94,988)
• 55% of fair value reserve	(15,387)	(15,130)
• Regulatory reserve	(103,731)	(103,731)
	3,392,827	3,379,211
<u>Tier 2 capital</u>		
• Stage 1 and 2 ECL and regulatory reserve	125,122	118,637
Total Capital	3,517,949	3,497,848

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29 CAPITAL ADEQUACY (CONT'D)

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

2021 September

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		5,547,789	5,547,789	232,356	18,588
Public Sector Entities		14,472	14,472	2,894	232
Banks, Development Financial Institutions & MDBs		2,929,259	2,929,259	730,815	58,465
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-
Corporates		21,027,249	6,093,350	6,233,295	498,664
Regulatory Retail		1,155	1,155	1,155	92
Residential Mortgages		13,391	13,391	6,174	494
Equity Exposures		29,227	29,227	29,227	2,338
Other Assets		551,262	551,262	356,600	28,528
Defaulted Exposures		2,037	2,037	2,031	162
Total On-Balance Sheet Exposures		30,115,841	15,181,942	7,594,547	607,564
Off-Balance Sheet Exposures :					
Credit-related exposures		638,594	638,594	554,654	44,372
Securitisation exposures		3,000	3,000	2,250	180
Derivatives financial instruments		2,955,296	2,955,296	1,858,316	148,665
Total Off-Balance Sheet Exposures		3,596,890	3,596,890	2,415,220	193,217
Total On and Off-Balance Sheet Exposures		33,712,731	18,778,832	10,009,767	800,781
(ii) Large Exposure Risk Requirement		-	-	-	-
	Long Position	**Short Position**			
(iii) Market Risk					
Interest Rate Risk	69,164,428	68,816,012		1,447,900	115,832
Foreign Exchange Risk	7,351	(26,778)		26,775	2,142
	69,171,779	68,789,234		1,474,675	117,974
(iv) Operational Risk				792,492	63,399
Total RWA and Capital Requirements		33,712,731	18,778,832	12,276,934	982,154

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (CONTD.)

29 CAPITAL ADEQUACY (CONTD.)

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

2021 March

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (CONTD.)

30 CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2021 September RM'000	2021 March RM'000
Outstanding credit exposures with connected parties	407,209	375,564
Total credit exposures	27,567,591	36,429,388
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	1.5%	1.0%
- as a proportion of total capital	11.6%	10.7%

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (CONTD.)**

31 THE OPERATIONS OF ISLAMIC BANKING WINDOW

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2021

		2021 September RM'000	2021 March RM'000
ASSETS			
Cash and short-term funds	(a)	91,000	74,000
Deposits and placement with financial institutions	(b)	243	801
Other assets		5	3
TOTAL ASSETS		91,248	74,804
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(c)	15,132	8,530
Other liabilities	(d)	26,902	25,708
TOTAL LIABILITIES		42,034	34,238
CAPITAL FUND		25,000	25,000
RESERVE		24,214	15,566
ISLAMIC BANKING FUNDS		49,214	40,566
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		91,248	74,804
COMMITMENTS AND CONTINGENCIES	(e)	6,796	12,108

Islamic financing based on Commodity Murabahah (Tawarruq) of RM1,046,260,521 (2021 March: RM848,257,231) was financed under an internal Wakalah scheme and is reported at the entity level.

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (CONTD.)**

31 THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD.)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2021

		2nd Quarter Ended		Six Months Ended	
		2021 September RM'000	2020 September RM'000	2021 September RM'000	2020 September RM'000
Income derived from investment of Islamic Banking Capital funds	(f)	439	1,279	797	1,575
Expenses derived from financing	(g)	-	(968)	(1)	(969)
Other operating income	(h)	1,720	855	8,034	1,337
Total net income		2,159	1,166	8,830	1,943
Other operating expenses	(i)	(54)	(99)	(160)	(253)
Operating profit before allowance for impairment		2,105	1,067	8,670	1,690
Writeback of/(Allowance for) impairment on commitment and contingen	(j)	(25)	42	(22)	(20)
Profit before tax		2,080	1,109	8,648	1,670
Tax expense		-	-	-	-
Profit for the period		2,080	1,109	8,648	1,670

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

	Capital Fund RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Total RM'000
2021 September				
At beginning of the period	25,000	118	15,448	40,566
Transfer from retained profits	-	-	-	-
Profit for the period	-	-	8,648	8,648
At end of the period	25,000	118	24,096	49,214
2020 September				
At beginning of the period	25,000	18	12,042	37,060
Transfer from retained profits	-	68	(68)	-
Profit for the period	-	-	1,670	1,670
At end of the period	25,000	86	13,644	38,730

UNAUDITED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 SEPTEMBER 2021

	2021 September RM'000	2020 September RM'000
Cash flows from operating activities		
Profit before tax	8,648	1,670
Adjustments for:		
(Reversal of)/Allowance for impairment on commitments and contingencies	22	20
Operating profit before working capital changes	8,670	1,690
(Decrease)/Increase in operating assets:		
Deposits and placement with financial institutions	558	397
Other assets	(2)	(236)
(Decrease)/Increase in operating liabilities:		
Deposits from customers	6,602	400,019
Other liabilities	1,172	15,130
Net cash from operating activities	17,000	417,000
Net increase in cash and cash equivalents	17,000	417,000
Cash and cash equivalents at beginning of period	74,000	47,000
Cash and cash equivalents at end of period	91,000	464,000

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

Basis of 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 2021.

(a) Cash and short-term funds

	2021 September RM'000	2021 March RM'000
Cash and balances with banks and other financial institution	91,000	74,000

(b) Deposits and placement with financial institutions

	2021 September RM'000	2021 March RM'000
At amortised cost		
Licensed bank		
• Malaysia	243	801

(c) Deposits from customers

	2021 September RM'000	2021 March RM'000
(i) By type of deposits:		
Current accounts (Qard)	14,964	8,365
Fixed deposits (Tawarruq)	168	165
	15,132	8,530
(ii) The maturity structure of fixed deposits are as follows:		
Due within one year	168	165
(iii) By type of customer:		
Domestic non-bank financial institutions	14,964	8,365
Domestic other enterprises	168	165
	15,132	8,530

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.

31 THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD.)

(d) Other liabilities

		2021 September RM'000	2021 March RM'000
Impairment allowances on commitment and contingencies	(i)		
Stage 1 - 12-months ECL not credit-impaired		26	4
Accruals and provisions for operational expenses		26,876	25,704
		26,902	25,708

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

	12-month ECL	Lifetime ECL		
	Not credit-impaired	Not credit-impaired	Credit-impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 April 2021	4	-	-	4
New financial assets originated	26	-	-	26
Financial assets derecognised (other than write-off)	(4)	-	-	(4)
At 30 September 2021	26	-	-	26
At 1 April 2020	-	14	-	14
Transfer to 12-Month ECL (Stage 1)	-	(14)	-	(14)
New financial assets originated	4	-	-	4
At 31 March 2021	4	-	-	4

(e) Commitments and contingencies

	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
30.09.2021				
Contingent liabilities				
Transaction related contingent items	6,796		6,794	6,794
	6,796		6,794	6,794
31.03.2021				
Contingent liabilities				
Transaction related contingent items	12,108		9,405	9,405
	12,108		9,405	9,405

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (CONTD.)

31 THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD.)

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

	2nd Quarter Ended		Six Months Ended	
	2021 September RM'000	2020 September RM'000	2021 September RM'000	2020 September RM'000
Money at call and placements with financial institutions	439	1,279	797	1,575

(g) Expenses derived from financing

	2nd Quarter Ended		Six Months Ended	
	2021 September RM'000	2020 September RM'000	2021 September RM'000	2020 September RM'000
Deposits from customers	-	968	1	969

(h) Other Operating Income

	2nd Quarter Ended		Six Months Ended	
	2021 September RM'000	2020 September RM'000	2021 September RM'000	2020 September RM'000
Other fee income	1,720	855	8,034	1,337

(i) Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	2021 September RM'000	2020 September RM'000	2021 September RM'000	2020 September RM'000
Personnel expenses	24	51	75	144
Other expenses	30	48	85	109
	54	99	160	253

(j) Allowance for impairment on commitment and contingencies

	2nd Quarter Ended		Six Months Ended	
	2021 September RM'000	2020 September RM'000	2021 September RM'000	2020 September RM'000
Stage 1 and 2 ECL made during the year	26	(42)	26	20
Stage 1 and 2 expected credit losses written back	(1)	-	(4)	-
	25	(42)	22	20

31 THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD.)

(k) Capital Adequacy

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

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

	2021 September	2021 March
Common equity tier 1 capital ratio	64.759%	62.564%
Tier 1 capital ratio	64.759%	62.564%
Total capital ratio	64.895%	62.746%

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

	2021 September RM'000	2021 March RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	25,000	25,000
• Retained profits	15,448	15,448
• Other reserves	118	118
	40,566	40,566
Less		
• Regulatory reserve	(118)	(118)
	40,448	40,448
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	85	118
Total capital	40,533	40,566

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

	2021 September RM'000	2021 March RM'000
Credit risk	6,794	9,405
Operational risk	55,665	55,246
	62,459	64,651

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.

31 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)

(k) Capital Adequacy (Contd)

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

	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
2021 September				
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	91,248	91,248	-	-
Total On-Balance Sheet Exposures	91,248	91,248	-	-
Off-Balance Sheet Exposures:				
Credit-Related Exposures	6,794	6,794	6,794	544
Total Off-Balance Sheet Exposures	6,794	6,794	6,794	544
Total On and Off-Balance Sheet Exposures	98,042	98,042	6,794	544
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) Operational Risk			55,665	4,453
Total RWA and Capital Requirements	98,042	98,042	62,459	4,997
2021 March				
Exposure Class				
(i) Credit Risk				
On-Balance Sheet Exposures:				
Other Assets	74,804	74,804	-	-
Total On-Balance Sheet Exposures	74,804	74,804	-	-
Off-Balance Sheet Exposures:				
Credit-Related Exposures	9,405	9,405	9,405	752
Total Off-Balance Sheet Exposures	9,405	9,405	9,405	752
Total On and Off-Balance Sheet Exposures	84,209	84,209	9,405	752
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) Operational Risk			55,246	4,420
Total RWA and Capital Requirements	84,209	84,209	64,651	5,172

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (CONTD.)**

32 THE OPERATIONS OF INTERNATIONAL CURRENCY BUSINESS UNIT

The Bank has obtained approval from BNM to set up an Internaitonal 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:

	2021 September RM'000	2021 March RM'000
At amortised cost		
Term financing		
Syndicated Islamic financing	1,297,138	1,363,549
Islamic term financing loan	298,142	532,449
Revolving credit	833,566	1,184,189
Gross financing and advances at amortised cost	2,428,846	3,080,187
Impairment allowances financing and advances		
Stage 1 - 12 month ECL	(602)	(668)
Net financing and advances at amortised cost	2,428,244	3,079,519
At fair value		
Syndicated Islamic financing	223,932	195,438
Net financing and advances	2,652,176	3,274,957
Gross financing and advances		
At amortised cost	2,428,846	3,080,187
At fair value	223,932	195,438
	2,652,778	3,275,625

(b) By contract:

	2021 September RM'000	2021 March RM'000
Murabahah Financing-i	1,453,699	2,085,968
Ijarah Financing-i	975,147	994,220
Wakalah Financing-i	223,932	195,438
	2,652,778	3,275,625

(b) Deposits from customers

(i) By type and contract:

	2021 Septembe RM'000	2021 March RM'000
At amortised cost		
Demand deposits - Qard	719	1,165
Fixed deposits - Tawarruq	-	187,146
	719	188,311

PILLAR 3 DISCLOSURES

1. OVERVIEW

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

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

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

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

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

The Bank's Pillar 3 Disclosure is governed by BNM's Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3) which set out the minimum disclosure standards. The approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information is not audited as this is not a requirement.

1. OVERVIEW (CONTD)

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

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

	2021 September		2021 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	10,009,767	800,781	9,490,988	759,280
Market Risk	1,474,675	117,974	1,419,545	113,564
Operational Risk	792,492	63,399	865,055	69,204
	12,276,934	982,154	11,775,588	942,048

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.

2. CAPITAL MANAGEMENT (CONTD)

(a) Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

	2021 September %	2021 March %
Common equity Tier 1 ("CET 1") capital ratio	27.636	28.697
Tier 1 capital ratio	27.636	28.697
Total capital ratio	28.655	29.704

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

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

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

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

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

	2021 September RM'000	2021 March RM'000
CET 1 and Tier 1 capital		
• Paid-up share capital	200,000	200,000
• Retained profits	3,273,025	3,273,025
• Other reserves	127,805	127,334
	3,600,830	3,600,359
Less		
• Deferred tax assets	(7,299)	(7,299)
• Intangible assets	(81,587)	(94,988)
• 55% of fair value reserve	(15,387)	(15,130)
• Regulatory reserve	(103,731)	(103,731)
	3,392,827	3,379,211
Tier 2 capital		
• Stage 1 and 2 ECL and regulatory reserve	125,122	118,637
Total capital	3,517,948	3,497,848

2. CAPITAL MANAGEMENT (CONTD)

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

2021 September

Exposure Class	Long Position	Gross Exposures RM'000 / Short Position	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk					
On-Balance Sheet Exposures :					
Sovereigns/Central Banks		5,547,789	5,547,789	232,356	18,588
Public Sector Entities		14,472	14,472	2,894	232
Banks, Development Financial Institutions & MDBs		2,929,259	2,929,259	730,815	58,465
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-
Corporates		21,027,249	6,093,350	6,233,295	498,664
Regulatory Retail		1,155	1,155	1,155	92
Residential Mortgages		13,391	13,391	6,174	494
Equity Exposures		29,227	29,227	29,227	2,338
Other Assets		551,262	551,262	356,600	28,528
Defaulted Exposures		2,037	2,037	2,031	162
Total On-Balance Sheet Exposures		30,115,841	15,181,942	7,594,547	607,564
Off-Balance Sheet Exposures :					
Credit-related exposures		638,594	638,594	554,654	44,372
Securitisation exposures		3,000	3,000	2,250	180
Derivatives financial instruments		2,955,296	2,955,296	1,858,316	148,665
Total Off-Balance Sheet Exposures		3,596,890	3,596,890	2,415,220	193,217
Total On and Off-Balance Sheet Exposures		33,712,731	18,778,832	10,009,767	800,781
(ii) Large Exposure Risk Requirement		-	-	-	-
	Long Position	**Short Position**			
(iii) Market Risk					
Interest Rate Risk	69,164,428	68,816,012		1,447,900	115,832
Foreign Exchange Risk	7,351	(26,778)		26,775	2,142
	69,171,779	68,789,234		1,474,675	117,974
(iv) Operational Risk				792,492	63,399
Total RWA and Capital Requirements		33,712,731	18,778,832	12,276,934	982,154

2. CAPITAL MANAGEMENT (CONTD)

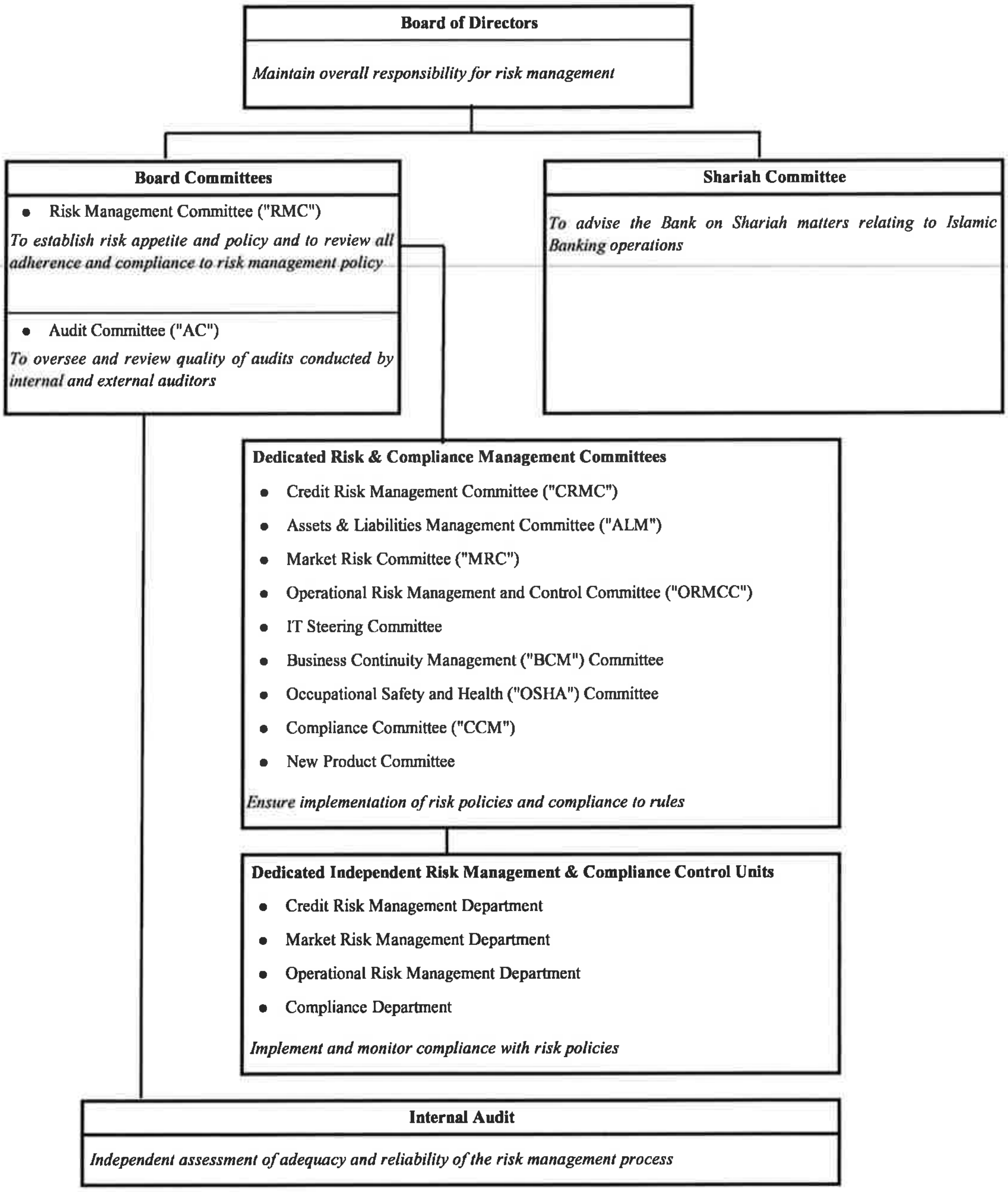
(c) The components of risk-weighted assets of the Bank are as follows: (Contd)

2021 March

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

3. RISK MANAGEMENT FRAMEWORK

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



3. RISK MANAGEMENT FRAMEWORK (CONTD)

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

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

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

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

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

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

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

The integrated risk management process follows four broad processes:

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

3. RISK MANAGEMENT FRAMEWORK (CONTD)

Internal Capital Adequacy Assessment Process ("ICAAP")

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

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

The 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, geography and maturity. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

2021 September	Cash and Short-Term Funds RM'000	Deposits and Placement with Financial Institutions RM'000	Financial Assets at FVTPL RM'000	Financial Investments at FVOCI RM'000	Loans, Advances and Financing # RM'000	Embedded Loans Measured at FVTPL RM'000	Purchased Receivables RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitment and Contingencies * RM'000
Agricultural	-	-	-	-	444,024	-	-	-	3,225	-	-	447,249	50,000
Manufacturing	-	-	-	-	1,401,665	850,106	14,212	-	22,794	-	-	2,288,777	700
Electricity, gas and water	-	-	-	-	1,196,132	1,385,490	-	-	11,135	-	-	2,592,757	3,439,703
Mining and quarrying	-	-	-	-	223,932	-	-	-	1,280	-	-	225,212	925,282
Construction	-	-	-	-	418,722	653,502	-	-	176	-	-	1,072,400	481,129
Wholesale and retail trade and restaurants and hotels	-	-	-		658,501	857,021	68	-	11,655	-	-	1,527,245	2,425,654
Transport, storage and communication	-	-	-	209,999	1,331,024	282,210	-	-	46,145	-	-	1,869,378	373,310
Finance, insurance and business services	1,349,461	1,373,172	-	26,825	1,478,762	9,702,983	916,514	215,899	264,378	-	-	15,327,994	1,381,290
Government and government agencies	3,731,000	29,662	197,564	656,127	-	-	-	-	-	-	-	4,614,353	-
Households	-	-	-	-	16,861	-	-	-	-	-	-	16,861	527
Others	-	-	-	2,402	417,807	14,966	-	-	-	-	-	435,175	4,500
	5,080,461	1,402,834	197,564	895,353	7,587,430	13,746,278	930,794	215,899	360,788	-	-	30,417,401	9,082,095
Other assets not subject to credit risk	- ^	-	-	-	-	-	-	-	-	-	30,140	30,140	-
	5,080,461	1,402,834	197,564	895,353	7,587,430	13,746,278	930,794	215,899	360,788	-	30,140	30,447,541	9,082,095

Stated at gross.
* Commitments and contingencies excluding derivative financial assets and embedded loans measured at FVTPL.
^ Cash and short-term funds excluding cash in hand.

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

2021 March	Cash and Short-Term Funds RM'000	Deposits and Placement with Financial Institutions RM'000	Financial Assets at FVTPL RM'000	Financial Investments at FVOCI RM'000	Loans, Advances and Financing # RM'000	Embedded Loans Measured at FVTPL RM'000	Purchased Receivables RM'000	Collateral Deposits Placed RM'000	Derivative Financial Assets RM'000	Statutory Deposits with BNM RM'000	Other Financial Assets RM'000	On-Balance Sheet Total RM'000	Commitment and Contingencies * RM'000
Agricultural	-	-	-	-	483,194	-	-	-	6,939	-	-	490,133	50,000
Manufacturing	-	-	-	-	1,375,244	875,398	32,381	-	25,031	-	-	2,308,054	700
Electricity, gas and water	-	-	-	-	1,251,630	1,389,610	-	-	10,042	-	-	2,651,282	3,621,127
Mining and quarrying	-	-	-	-	195,438	1,030	-	-	279	-	-	196,747	746,500
Construction	-	-	-	-	220,455	662,638	-	-	245	-	-	883,338	551,198
Wholesale and retail trade and restaurants and hotels	-	-	-	-	485,972	825,516	123	-	15,922	-	-	1,327,533	1,975,645
Transport, storage and communication	-	-	-	207,330	1,871,084	297,538	-	-	57,541	-	-	2,433,493	333,850
Finance, insurance and business services	1,183,888	437,516	-	26,825	1,894,658	8,823,119	939,570	330340	317,260	-	-	13,953,176	1,312,633
Government and government agencies	5,964,800	1,271,657	233,986	432,701	-	-	-	-	-	-	-	7,903,144	-
Households	-	-	-	-	17,517	-	-	-	-	-	-	17,517	42
Others	-	-	-	2,402	414,266	7,112	-	-	-	-	-	423,780	4,500
	7,148,688	1,709,173	233,986	669,258	8,209,458	12,881,961	972,074	330,340	433,259	-	-	32,588,196	8,596,195
Other assets not subject to credit risk	3,312 ^	-	-	-	-	-	-	-	-	-	48,744	52,056	-
	7,152,000	1,709,173	233,986	669,258	8,209,458	12,881,961	972,074	330,340	433,259	-	48,744	32,640,252	8,596,195

Stated at gross.
* Commitment and contingencies excluding derivative financial assets and embedded loans measured at FVTPL.
^ Cash and short-term funds excluding cash in hand.

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:

	2021 September		2021 March	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Cash and short-term funds	4,591,168	489,293	6,628,291	523,709
Deposits and placement with financial institutions	1,103,234	299,600	1,409,165	300,008
Financial assets at fair value through profit or loss	197,564		233,986	-
Financial investments at fair value through other comprehensive income	895,353		669,258	-
Loans, advances and financing	6,210,331	1,377,098	6,591,878	1,617,580
Embedded loans measured at FVTPL *	13,710,628	35,650	12,824,901	57,060
Purchased receivables	81,742	849,052	79,373	892,700
Collateral deposits placed	215,899		330,340	-
Derivative financial assets	215,265	145,522	264,480	168,779
Statutory deposits with Bank Negara Malaysia	-	-	-	-
Other assets	30,140	-	48,744	-
On-Balance Sheet Exposures	27,251,325	3,196,216	29,080,416	3,559,836
Off-Balance Sheet Exposures	3,148,270	448,620	3,394,215	446,977
	30,399,595	3,644,836	32,474,631	4,006,813

* The credit balances are exposure after netting off 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 49% (March 2021: 56%) of the Bank's exposures to customers is short-term, having contractual maturity of one year or less:

2021 September	Up to 1 Month RM'000	1 to 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Over 5 Years RM'000	No Specific Maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	4,591,168	-	-	-	-	489,293	5,080,461
Deposits and placement with financial institutions	1,373,166	-	-	-	-	29,668	1,402,834
Financial assets at FVTPL	-	-	-	83,310	114,254	-	197,564
Financial investments at FVOCI	-	-	261,787	604,339	-	29,227	895,353
Loans, advances and financing	2,419,012	497,784	974,423	2,419,853	1,276,358	-	7,587,430
Embedded loans measured at FVTPL	557,792	64,790	3,136,264	8,334,953	1,652,479	-	13,746,278
Purchased receivables	142,755	536,578	185,106	66,355	-	-	930,794
Collateral deposits placed	215,899	-	-	-	-	-	215,899
Derivative financial assets	18,785	15,677	48,715	176,246	101,365	-	360,788
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	30,140	30,140
	9,318,577	1,114,829	4,606,295	11,685,056	3,144,456	578,328	30,447,541

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)

2021 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	6,624,978	-	-	-	-	527,022	7,152,000
Deposits and placement with financial institutions	1,665,712	-	-	-	-	43,461	1,709,173
Financial assets at FVTPL	-	-	-	174,643	59,343	-	233,986
Financial investments at FVOCI	-	-	30,546	609,485	-	29,227	669,258
Loans, advances and financing	3,280,043	845,967	299,049	2,572,838	1,211,561	-	8,209,458
Embedded loans measured at FVTPL	129,432	665,404	3,335,410	6,847,881	1,903,834	-	12,881,961
Purchased receivables	203,276	514,181	200,314	54,303	-	-	972,074
Collateral deposits placed	330,340	-	-	-	-	-	330,340
Derivative financial assets	20,258	27,294	58,197	219,198	108,312	-	433,259
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	48,744	48,744
	12,254,039	2,052,846	3,923,515	10,478,348	3,283,050	648,454	32,640,253

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(i) Off-Balance Sheet Exposures

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

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

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

(ii) Counterparty Credit Risk on Derivative Financial Instruments

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

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

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

(iii) Risk Management Approach

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

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

(iv) Credit Rating downgrade

In the event of a one-notch downgrade of rating for the Bank, based on the terms of the existing CSA of ISDA, the estimated additional collateral to be posted was RM8,376,000 for 30 September 2021 (March 2021: RM8,305,000).

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

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

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

	2021 September				2021 March			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Credit-related Exposures								
Direct credit subsitutes	181,475		181,452	130,322	138,206		138,182	122,924
Transaction-related contingent items	603,385		301,551	265,863	599,062		298,377	257,804
Short-term self-liquidating trade-related contingencies	541,158		108,212	111,147	307,507		61,498	62,904
Other commitments, such as formal standby facilties and credit lines, with an original maturity of :								
- not exceeding one year	242,506		48,469	48,469	215,759		43,137	43,137
- exceeding one year	527		264	208	42		21	16
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,498,044		(1,354)	(1,354)	7,320,619		(1,452)	(1,452)
Securitisation exposures	15,000		3,000	2,250	15,000		3,000	2,250
	9,082,095		641,594	556,904	8,596,195		542,763	487,583
Embedded loans								
Foreign exchange related contracts								
- one year or less	6,053,608	62,169	136,409	77,349	6,827,290	106,956	258,337	154,355
- over one year to five years	11,662,566	271,570	1,076,179	619,692	10,627,071	326,033	1,081,359	587,107
- over five years	2,287,258	59,770	262,629	153,676	2,521,097	60,979	365,802	191,745
Interest rate related contracts								
- one year or less	5,159,755	2,710	898	676	4,416,340	2,535	4,081	2,526
- over one year to five years	10,622,196	114,070	277,394	114,480	9,852,554	101,282	228,838	101,426
- over five years	632,200	12,045	37,179	21,814	1,532,183	39,953	100,397	40,351
	36,417,583	522,334	1,790,688	987,687	35,776,535	637,738	2,038,814	1,077,510
Derivative Financial Instruments:								
Foreign exchange related contracts								
- one year or less	12,824,417	76,018	209,906	158,131	11,235,040	101,591	223,082	169,305
- over one year to five years	4,825,716	115,551	454,747	377,724	5,023,301	139,085	495,681	410,493
- over five years	1,351,989	70,179	270,388	192,081	1,608,353	77,627	285,434	183,261
Interest rate related contracts								
- one year or less	7,060,510	6,087	9,230	6,213	1,992,658	3,120	4,603	2,574
- over one year to five years	4,024,078	60,695	94,068	49,917	4,863,059	80,113	113,288	66,277
- over five years	1,540,097	31,186	123,470	83,764	1,651,613	30,685	135,225	91,041
Currency options								
- one year or less	115,131	1,072	2,799	2,799	84,159	1,038	2,301	2,301
	31,741,938	360,788	1,164,608	870,629	26,458,183	433,259	1,259,614	925,252
Total	77,241,616	883,122	3,596,890	2,415,220	70,830,913	1,070,997	3,841,191	2,490,345

4. CREDIT RISK (CONTD)

Distribution of Credit Exposures (Contd)

(e) Securitisation Exposures

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

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

Risk Management Approach

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

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

Regulatory Capital Requirements

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

	2021 September RM'000	2021 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
2021 September				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180
2021 March				
Off-balance sheet				
• Auto loans	15,000	3,000	2,250	180
	15,000	3,000	2,250	180

4. CREDIT RISK (CONTD)

Credit Risk Mitigation

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

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

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

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

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

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

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.

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.

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.

2021 September **Exposure Class**	**Total Exposures before CRM RM'000**	**Total Exposures covered by Guarantees RM'000**	**Total Exposures covered by Financial Collaterals RM'000**	**Total Exposures covered by Other Eligible Collaterals RM'000**
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	5,547,789	-	-	-
Public Sector Entities	14,472	-	-	-
Banks, Development Financial Institutions & MDBs	2,929,259	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	21,027,249	699,721	14,234,178	-
Regulatory Retail	1,155	-	-	-
Residential Mortgages	13,391	-	-	-
Equity Exposures	29,227	-	-	-
Other Assets	551,262	-	-	-
Defaulted Exposures	2,037	-	-	-
Total On-Balance Sheet Exposures	30,115,841	699,721	14,234,178	-
Off-Balance Sheet Exposures:				
Credit-related exposures	638,594	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	2,955,296	-	-	-
Total Off-Balance Sheet Exposures	3,596,890	-	-	-
Total Credit Exposures	33,712,731	699,721	14,234,178	-

4. CREDIT RISK (CONTD)

Credit Risk Mitigation (Contd)

2021 March **Exposure Class**	**Total Exposures before CRM RM'000**	**Total Exposures covered by Guarantees RM'000**	**Total Exposures covered by Financial Collaterals RM'000**	**Total Exposures covered by Other Eligible Collaterals RM'000**
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,903,209	-	-	-
Public Sector Entities	22,608	-	-	-
Banks, Development Financial Institutions & MDBs	2,923,482	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	20,734,649	726,328	14,567,164	-
Regulatory Retail	1,366	-	-	-
Residential Mortgages	13,660	-	-	-
Equity Exposures	29,226	-	-	-
Other Assets	567,518	-	-	-
Defaulted Exposures	2,191	-	-	-
Total On-Balance Sheet Exposures	32,197,909	726,328	14,567,164	-
Off-Balance Sheet Exposures:				
Credit-related exposures	539,763	-	-	-
Securitisation exposures	3,000	-	-	-
Derivatives financial instruments	3,298,428	-	-	-
Total Off-Balance Sheet Exposures	3,841,191	-	-	-
Total Credit Exposures	36,039,100	726,328	14,567,164	-

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.

4. CREDIT RISK (CONTD)

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

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

Corporates

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

Banking Institutions

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

Sovereigns and Central Banks

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

4. CREDIT RISK (CONTD)

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

2021 September

Credit Exposure	<---- Ratings of Sovereign and Central Banks by Approved ECAIs ---->							
	1	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
On and Off Balance Sheet Exposures								
Sovereign / Central Banks	5,547,788	-	-	-	-	-	-	5,547,788

Credit Exposure	<---- Ratings of Banking Institutions by Approved ECAIs ---->							
	1	**2**	**3**	**4**	**5**	**6**	**Unrated**	**Total**
On and Off Balance Sheet Exposures								
Banks, Development Financial Institutions & MDBs	2,798,504	1,519,003	-	69,625	5,870	-	-	4,393,002

Credit Exposure	<---- Ratings of Corporate by Approved ECAIs ---->					
	1	**2**	**3**	**4**	**Unrated**	**Total**
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	25,036	25,036
Insurance Cos, securities firms & fund managers	-	-	-	-	174,550	174,550
Corporates	1,172,789	10,970	-	-	21,788,259	22,972,018
Regulatory retail	-	-	-	-	1,155	1,155
Residential mortgages	-	-	-	-	15,650	15,650
Other assets	-	-	-	-	551,305	551,305
Securitisation exposure	-	-	-	-	3,000	3,000
Equity exposure	-	-	-	-	29,227	29,227
	1,172,789	10,970	-	-	22,588,182	23,771,941

4. CREDIT RISK (CONTD)

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

2021 March

Credit Exposure	<------ Ratings of Sovereign and Central Banks by Approved ECAIs ------>							
	1	2	3	4	5	6	Unrated	Total
On and Off Balance Sheet Exposures								
Sovereign / Central Banks	7,903,209	-	-	-	-	-	-	7,903,209

Credit Exposure	<------ Ratings of Banking Institutions by Approved ECAIs ------>							
	1	2	3	4	5	6	Unrated	Total
On and Off Balance Sheet Exposures								
Banks, Development Financial Institutions & MDBs	2,699,667	1,627,155	-	5,952	35,390	-	-	4,368,164

Credit Exposure	<------ Ratings of Corporate by Approved ECAIs ------>					
	1	2	3	4	Unrated	Total
On and Off Balance Sheet Exposures						
Public Sector Entities	-	-	-	-	43,194	43,194
Insurance Cos, securities firms & fund managers	-	-	-	-	146,808	146,808
Corporates	1,405,082	13,045	-	-	21,542,617	22,960,744
Regulatory retail	-	-	-	-	1,366	1,366
Residential mortgages	-	-	-	-	15,872	15,872
Other assets	-	-	-	-	567,518	567,518
Securitisation exposure	-	-	-	-	3,000	3,000
Equity exposure	-	-	-	-	29,226	29,226
	1,405,082	13,045	-	-	22,349,601	23,767,728

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.

2021 September	<---- Exposures after Netting and Credit Risk Mitigation ---->											
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	4,386,006	-	-	-	-	-	-	-	-	188,352	4,574,358	-
20%	1,161,782	14,472	2,798,504	-	473,068	-	-	-	-	7,887	4,455,713	1,031,087
35%	-	-	-	-	-	-	7,937	-	-	-	7,937	2,778
50%	-	-	1,519,003	-	10,970	-	3,462	-	-	-	1,533,435	766,718
75%	-	-	-	-	-	-	1,559	3,000	-	-	4,559	3,419
100%	-	10,564	69,625	174,550	7,554,081	1,155	2,692	-	29,227	355,066	8,196,960	8,196,960
150%	-	-	5,870	-	-	-	-	-	-	-	5,870	8,805
Total Exposures	5,547,788	25,036	4,393,002	174,550	8,038,119	1,155	15,650	3,000	29,227	551,305	18,778,832	10,009,767
Risk-Weighted Assets by Exposures	232,356	13,458	1,397,632	174,550	7,794,124	1,155	8,370	2,250	29,227	356,643	10,009,767	
Average Risk Weight	4%	54%	32%	100%	97%	100%	53%	75%	100%	65%	53%	
Deduction from Total Capital			-					-	-		-	

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

4. CREDIT RISK (CONTD)

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

2021 March	<---------- Exposures after Netting and Credit Risk Mitigation ---------->										
Risk Weights	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Securitisation Exposures RM'000	Equity Exposures RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	6,675,008	-	-	-	40,686	-	-	-	-	170,358	6,886,052	-
20%	1,228,201	22,608	2,699,667	-	678,754	-	-	-	-	40	4,629,270	1,071,120
35%	-	-	-	-	-	-	8,344	-	-	-	8,344	2,920
50%	-	-	1,627,155	-	13,045	-	2,684	-	-	-	1,642,884	821,442
75%	-	-	-	-	-	-	1,988	3,000	-	-	4,988	3,740
100%	-	20,586	5,952	146,808	6,934,767	1,366	2,856	-	29,226	397,120	7,538,681	7,538,681
150%	-	-	35,390	-	-	-	-	-	-	-	35,390	53,085
Total Exposures	7,903,209	43,194	4,368,164	146,808	7,667,252	1,366	15,872	3,000	29,226	567,518	20,745,609	9,490,988
Risk-Weighted Assets by Exposures	245,640	25,108	1,412,548	146,808	7,222,305	1,366	8,609	2,250	29,226	397,128	9,490,988	
Average Risk Weight	3%	58%	32%	100%	94%	100%	54%	75%	100%	70%	46%	
Deduction from Total Capital			-					-	-		-	

4. CREDIT RISK (CONTD)

Credit Quality of Gross Loans, Advances and Financing

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

	30.09.2021				31.03.2021			
	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	5,427,077	1,677,474	-	7,104,551	7,170,893	376,877	-	7,547,770
Close watch	-	255,992	-	255,992	-	463,023	-	463,023
Past due but not credit-impaired								
Normal grades	2,291	-	-	2,291	2,563	-	-	2,563
Close watch	-	-	-	-	-	-	-	-
Credit-impaired								-
Past due	-	-	645	645	-	-	643	643
Not past due	-	-	19	19	-	-	21	21
	5,429,368	1,933,466	664	7,363,498	7,173,456	839,900	664	8,014,020

	30.09.2021	31.03.2021
Gross credit-impaired loans as a percentage of gross loans, advances and financing	0.01%	0.01%

(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 2021 was 0.03% (March 2021: 0.03%).

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

	2021 September RM'000	2021 March RM'000
Household	2,291	2,563

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

	2021 September		2021 March	
	Malaysia RM'000	Other Countries RM'000	Malaysia RM'000	Other Countries RM'000
Past due but not credit-impaired	2,291	-	2,563	-

(b) Credit-impaired Loans, Advances and Financing

The Bank assesses, at each reporting period, whether there is any objective evidence that an individually significant loan is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

4. CREDIT RISK (CONTD)

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

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

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

Credit-impaired loans, advances and financing are loans whereby payments of principal or interest or both are past due for three (3) months or more, or loans which are past due for less than three (3) months which exhibit indications of credit weaknesses, or impaired loans which have been restructured/rescheduled, but where repayments based on the revised terms have yet to fulfil the observation period required under the Bank's impairment policy.

The movements in impaired loans, advances and financing are set out in Note 15(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 15(h) to the financial statement.

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

	2021 September		2021 March	
	Stage 1 and 2 ECL RM'000	Stage 3 ECL RM'000	Stage 1 and 2 ECL RM'000	Stage 3 ECL RM'000
Agricultural, hunting, forestry and fishing	183	-	1	-
Mining and quarrying	-	-	-	-
Manufacturing	13,920	-	18,319	-
Electricity, gas and water	5,377	-	5,421	-
Construction	1,884	-	14,029	-
Wholesale and retail trade and restaurants and hotels	776	-	1,507	-
Transport, storage and communication	532	-	546	-
Finance, insurance, real estate and business services	4,274		2,483	-
Households	289	230	148	230
Others	-	-	-	-
	27,235	230	42,454	230

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

	Stage 3 Lifetime ECL Credit-Impaired 2021 March RM'000	(Writeback)/ Allowance for the Period RM'000	Stage 3 Lifetime ECL Credit-Impaired 2021 September RM'000
Household	230	-	230
	230	-	230

4. CREDIT RISK (CONTD)

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

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

Impairment allowances by geographical location:

	2021 September RM'000	2021 March RM'000
Malaysia		
• Stage 1 - 12-month ECL	8,161	4,853
• Stage 2 - lifetime ECL not credit impaired	18,777	37,061
• Stage 3 - lifetime ECL credit impaired	230	230
	27,168	42,144
Other countries		
• Stage 1 - 12-month ECL	297	540
• Stage 2 - lifetime ECL not credit impaired	-	-
	297	540

Economic sector for loans written off:

	2021 September RM'000	2021 March RM'000
Finance, insurance, real estate and business services	-	-
Household	32	-
	32	-

Islamic Banking Business

	2021 September		2021 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	6,794	544	9,405	752

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
2021 September				
Interest rate risk- general interest rate risk	69,164,428	68,816,012	1,447,900	115,832
Foreign exchange risk	7,351	(26,778)	26,775	2,142
	69,171,779	68,789,234	1,474,675	117,974
2021 March				
Interest rate risk- general interest rate risk	63,299,765	62,898,305	1,306,788	104,543
Foreign exchange risk	6,207	(112,757)	112,757	9,021
	63,305,972	62,785,548	1,419,544	113,564

Risk Governance

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

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

Risk Management Approach

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

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

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

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

5. MARKET RISK

Risk Management Approach (Contd)

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

The following tables also sets out the Bank's sensitivity to interest rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans or early withdrawal of deposits. As at 30 September 2021, the Bank had an overall positive interest rate gap of RM7,568,000 (2021 March: RM6,737,000), being the net difference between interest sensitive assets and liabilities.

Sensitivity of Profit

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

	2021 September	2021 March
	Increase / (Decrease)	
	RM'000	RM'000
Impact on earnings from 200 bps parallel shift		
MYR	109,771	117,445
USD	(31,354)	(38,241)
SGD	(247)	(220)
Others	(3,520)	(4,202)
Total	74,649	74,782
Impact on economic value from 200 bps parallel shift		
MYR	31,575	25,855
USD	20,370	15,692
JPY	695	695
Others	3,612	7,995
Total	56,252	50,237

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

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

5. MARKET RISK (CONTD)

Interest Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables indicate the effective interest rate at the reporting date and the Bank's sensitivity to the interest rate by time band based on the earlier of contractual reprising date and maturity date:

	<---------- Non-Trading Book				---------->			
2021 September	**Up to 1 Month RM'000**	**1 to 3 Months RM'000**	**3 to 12 Months RM'000**	**1 to 5 Years RM'000**	**Over 5 Years RM'000**	**Non-Interest Sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**	**Effective Interest Rate %**
Financial assets									
Cash and short-term funds	4,591,168	-	-	-	-	489,293	-	5,080,461	0.97
Deposits and placements with financial institutions	1,373,166	-	-	-	-	29,668	-	1,402,834	-
Financial assets at FVTPL	-	-	-	-	-	-	197,564	197,564	1.05
Financial investments at FVOCI	-	-	261,787	604,339	-	29,227	-	895,353	2.25
Loans, advances and financing									
- Not credit-impaired	2,418,823	497,748	974,722	2,419,782	1,284,618	(36,162)	-	7,559,531	1.84
- Credit-impaired *	78	14	-	48	345	(51)	-	434	
Embedded loans measured at FVTPL	557,791	64,790	3,136,264	8,334,953	1,652,480	-	-	13,746,278	1.18
Purchased receivables	142,755	536,578	185,106	66,355	-	(390)	-	930,404	1.02
Collateral deposits placed	215,899	-	-	-	-	-	-	215,899	1.49
Derivative financial assets	-	-	-	-	-	-	360,788	360,788	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	30,140	-	30,140	
	9,299,680	1,099,130	4,557,879	11,425,477	2,937,443	541,725	558,352	30,419,686	
Non-financial assets									
Property, plant and equipment	-	-	-	-	-	23,585	-	23,585	
Intangible assets	-	-	-	-	-	81,587	-	81,587	
Right-of-use assets	-	-	-	-	-	4,684	-	4,684	
Prepayment	-	-	-	-	-	553	-	553	
Current tax assets	-	-	-	-	-	14,472	-	14,472	
Deferred tax assets	-	-	-	-	-	7,299	-	7,299	
	-	-	-	-	-	132,180	-	132,180	
Total assets	9,299,680	1,099,130	4,557,879	11,425,477	2,937,443	673,905	558,352	30,551,866	

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

5. MARKET RISK (CONTD)

Interest Rate Risk (Contd)

	<---------- Non-Trading Book					---------->			
2021 September	**Up to 1 Month RM'000**	**1 to 3 Months RM'000**	**3 to 12 Months RM'000**	**1 to 5 Years RM'000**	**Over 5 Years RM'000**	**Non-Interest Sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**	**Effective Interest Rate %**
Liabilities									
Deposits from customers	3,819,428	1,024,806	100,126	2,866	-	4,441,484	-	9,388,710	1.15
Deposits and placements of banks and financial institutions	9,064	142,008	80,278			2,243	-	233,593	2.82
Collateral deposits received	6,283,343	52,610	2,201,836	5,871,271	2,151,122	-	-	16,560,182	0.15
Derivative financial liabilities	-	-	-	-	-	-	320,946	320,946	
Other liabilities	-	-	-	-	-	82,992	-	82,992	
Sukuk	-	-	-	250,000	-	-	-	250,000	1.74
	10,111,835	1,219,424	2,382,240	6,124,137	2,151,122	4,526,719	320,946	26,836,423	
On-balance sheet interest sensitivity gap	(812,155)	(120,294)	2,175,639	5,301,340	786,321	(3,852,814)	237,406	3,715,443	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	348,416	348,416	
Total interest sensitivity gap	(812,155)	(120,294)	2,175,639	5,301,340	786,321	(3,852,814)	585,822	4,063,859	

5. MARKET RISK (CONTD)

Interest Rate Risk (Contd)

	Non-Trading Book								
2021 March	**Up to 1 Month RM'000**	**1 to 3 Months RM'000**	**3 to 12 Months RM'000**	**1 to 5 Years RM'000**	**Over 5 Years RM'000**	**Non-Interest Sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**	**Effective Interest Rate %**
Financial assets									
Cash and short-term funds	6,624,978	-	-	-	-	527,022	-	7,152,000	1.09
Deposits and placements with financial institutions	1,665,712	-	-	-	-	43,461	-	1,709,173	0.01
Financial assets at FVTPL	-	-	-	-	-	-	233,986	233,986	3.54
Financial investments at FVOCI	-	-	30,546	609,485	-	29,227	-	669,258	3.17
Loans, advances and financing									
- Not credit-impaired	3,279,865	846,147	299,015	2,572,750	1,201,340	(32,777)	-	8,166,340	1.65
- Credit-impaired *	77	-	14	65	306	(28)	-	434	
Embedded loans measured at FVTPL	129,432	665,404	3,335,410	6,847,880	1,903,834	1	-	12,881,961	1.19
Purchased receivables	203,276	514,181	200,314	54,303	-	(330)	-	971,744	1.31
Collateral deposits placed	330,340	-	-	-	-	-	-	330,340	1.00
Derivative financial assets	-	-	-	-	-	-	433,259	433,259	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	48,744	-	48,744	
	12,233,680	2,025,732	3,865,299	10,084,483	3,105,480	615,320	667,245	32,597,239	
Non-financial assets									
Property, plant and equipment	-	-	-	-	-	26,131	-	26,131	
Intangible assets	-	-	-	-	-	94,988	-	94,988	
Right-of-use assets	-	-	-	-	-	6,218	-	6,218	
Prepayment	-	-	-	-	-	2,760	-	2,760	
Current tax assets	-	-	-	-	-	15,311	-	15,311	
Deferred tax assets	-	-	-	-	-	7,299	-	7,299	
	-	-	-	-	-	152,707	-	152,707	
Total assets	12,233,680	2,025,732	3,865,299	10,084,483	3,105,480	768,026	667,245	32,749,946	

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

5. MARKET RISK (CONTD)

Interest Rate Risk (Contd)

	Non-Trading Book								
2021 March	**Up to 1 Month RM'000**	**1 to 3 Months RM'000**	**3 to 12 Months RM'000**	**1 to 5 Years RM'000**	**Over 5 Years RM'000**	**Non-Interest Sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**	**Effective Interest Rate %**
Liabilities									
Deposits from customers	5,603,494	1,373,715	95,421	3,130	-	3,783,145	-	10,858,905	1.16
Deposits and placements of banks and other financial institutions	3,161	124,923	164,449	-	-	2,565	-	295,098	3.04
Collateral deposits received	5,682,394	764,117	1,990,375	6,119,751	2,373,898	-	-	16,930,535	0.20
Derivative financial liabilities	-	-	-	-	-	-	392,111	392,111	
Other liabilities	-	-	-	-	-	113,161	-	113,161	
Sukuk	-	-	-	250,000	-	-	-	250,000	2.88
Obligation on securities sold on repurchase agreements	-	303,494	-	-	-	-	-	303,494	1.74
	11,289,049	2,566,249	2,250,245	6,372,881	2,373,898	3,898,871	392,111	29,143,304	
On-balance sheet interest sensitivity gap	944,631	(540,517)	1,615,054	3,711,602	731,582	(3,130,845)	275,134	3,606,642	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	401,460	401,460	
Total interest sensitivity gap	944,631	(540,517)	1,615,054	3,711,602	731,582	(3,130,845)	676,594	4,008,102	

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 2021, the NOP of the Bank stood at RM19,426,735 (short position) (2021 March: RM106,549,988 (short 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 2021, potential maximum loss computed for Scenario 1 to be RM79,594,000 (2021 March: RM75,191,000), Scenario 2 to be RM88,580,000 (2021 March: RM83,646,000) and Scenario 3 to be RM131,409,000 (2021 March: RM123,442,000).

Stress testing is conducted quarterly to determine the adequacy of capital in meeting the impact of extreme market rate movements on the Bank's statement of financial position. Stress testing is performed to provide early warnings of potential losses to facilitate the proactive management of interest rate risk.

The reported amount are based on the Bank's position as of reporting date. The projection also assumes that all other variables are held constant and that all positions run to maturity.

5. MARKET RISK (CONTD)

FOREIGN CURRENCY RISK

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

	2021 September Denominated in						2021 March Denominated in					
	USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	Others RM'000	USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	AUD RM'000	Others RM'000
Assets												
Cash and short-term funds	39,594	217,919	84,967	38,453	27,752	80,610	128,540	218,491	31,149	39,243	19,116	87,170
Deposits and placements with financial institutions	-	1,373,167	-	-	-	-	290,675	1,375,037	-	-	-	-
Financial investments at FVOCI	209,999	225,432	-	-	-	-	207,330	-	-	-	-	-
Loans, advances and financing	4,377,501	31,228	-	-	-	-	5,486,978	38,525	-	-	-	375
Embedded loans measured at FVTPL	11,226,057	-	-	-	-	-	10,400,805	-	-	-	-	-
Purchased receivables	679,821	-	-	-	-	188,244	612,312	-	-	-	-	283,842
Collateral deposits placed	32,499	-	-	-	-	-	99,439	-	-	-	-	-
	16,565,471	1,847,746	84,967	38,453	27,752	268,854	17,226,079	1,632,053	31,149	39,243	19,116	371,387
Liabilities												
Deposits from customers	2,851,624	329,479	14,408	36,205	1,667	36,864	3,457,902	291,875	11,152	34,795	54	36,293
Deposits and placements of banks and other financial institutions	-	-	-	-	-	181,351	-	-	-	-	-	292,532
Collateral deposits received	15,048,997	1,511,185	-	-	-	-	15,417,292	1,513,243	-	-	-	-
Other liabilities	2,705	10,305	4	1,219	-	3,947	13,875	3,878	23	67	-	2,855
	17,903,326	1,850,969	14,412	37,424	1,667	222,162	18,889,069	1,808,996	11,175	34,862	54	331,680
Net financial (liabilities)/assets exposure	(1,337,855)	(3,223)	70,555	1,029	26,085	46,692	(1,662,990)	(176,943)	19,974	4,381	19,062	39,707

5. MARKET RISK (CONTD)

Risk Management Approach (Contd)

(c) Equity Risk

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

The Bank currently hold equity investments amounting to RM29,227,000 (2021 March: RM29,227,000) which are privately held for social economic purpose and is unquoted and stated at fair value through other comprehensive income and adjusted for impairment loss, if any.

Islamic Banking Business

There are no market risk exposures as at the reporting period (2021 March: Nil).

6. LIQUIDITY RISK

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

Risk Governance

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

Risk Management Approach

The liquidity risk management of the Bank, is aligned with the Liquidity Coverage Ratio ("LCR") requirements issued by BNM which became effective from 1 June 2015. In addition, the Bank maintains a liquidity compliance buffer to meet any unexpected cash outflows. The day-to-day funding management, is undertaken by treasury operations and this includes the maintenance of a portfolio of highly liquid assets, that can be easily liquidated to meet the unforeseeable demand in cash flows arising from the maturity of deposits and loans. As at 30 September 2021, the Bank holds a sizeable balance of Malaysia government securities amounting to RM628,259,000 (2021 March: 666,687,000) or 57% (2021 March: 74%) and Japan government securities of RM225,432,000 (2021 March: nil) or 21% (2021 March: nil) as of its portfolio of securities.

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

6. LIQUIDITY RISK (CONTD)

Risk Management Approach (Contd)

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

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

The Bank hold sufficient high-quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-day horizon for Liquidity Coverage Ratio ("LCR"). The Bank is maintaining stable source of funds to support assets and off-balance sheet activities for Net Stable Funding Ratio ("NSFR"). LCR and NSFR are part of the Basel III reform package which comprises measures to further strengthen the existing capital and liquidity standards for banking institutions. As of end March 2021, the Bank complies to the minimum LCR and NSFR as stipulated by BNM.

Islamic Banking Business

There are no significant liquidity risk exposures as at the reporting period (2021 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:

	2021 September		2021 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	792,492	63,399	865,055	69,204

7. OPERATIONAL RISK (CONTD)

Risk Governance

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

Operational Risk Management Framework

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

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

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

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

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

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

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

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

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

7. OPERATIONAL RISK (CONTD)

Business Continuity Management

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

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

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

Reputational Risk Management Framework

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

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

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

IT Risk Management Framework

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

Reporting

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

7. OPERATIONAL RISK (CONTD)

Islamic Banking Business

	2021 September		2021 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	55,665	4,453	55,246	4,420

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 2021.

Attachment per Para 10.4 (d)

Financial Analysis for Submission to Bank Negara Malaysia

Name of Institution : **MUFG Bank (Malaysia) Berhad (formerly known as Bank of Tokyo - Mitsubishi UFJ (Malaysia) Berhad)**
Financial Quarter Ended : **30-Sep-2021**

1. Financial Highlights for the Past Three Years

	30/09/2021 (H2) (RM mil)	30/09/2020 (H1) (RM mil)	30/09/2019 (H0) (RM mil)	△ H2-H1 (RM mil)	%	△ H1-H0 (RM mil)	%
Profit/(Loss) before tax and extraordinary item [PBT]	150,857	128,660	135,729	22,197	17.25%	(7,069)	-5.21%
Taxation	41,114	46,350	52,514	(5,236)	-11.30%	(6,164)	-11.74%
Profit(Loss) after tax before extraordinary item [PAT]	109,743	82,310	83,215	27,433	33.33%	(905)	-1.09%
Extraordinary item	0	0	0	0	#DIV/0!	0	#DIV/0!
Profit(Loss) after tax and extraordinary item	109,743	82,310	83,215	27,433	33.33%	(905)	-1.09%
Interim Dividend - Amount	0	0	0	0	#DIV/0!	0	#DIV/0!
- Rate (%)	0.00%	0.00%	0.00%	0	#DIV/0!	0	#DIV/0!
Transfer to Statutory reserve	0	0	0	0	0.00%	0	0.00%
Total Assets	**30,551,866**	**31,787,273**	**30,664,500**	(1,235,407)	-3.89%	1,122,773	3.66%
Loans, advances and financing	7,559,965	7,953,768	7,287,762	(393,803)	-4.95%	666,006	9.14%
Net impaired loans	664	69,407	43,108	(68,743)	-99.04%	26,299	61.01%
Embedded loans measured at FVTPL	13,746,278	13,087,986	14,839,625	658,292	5.03%	(1,751,639)	-11.80%
Financial assets at FVTPL	197,564	177,891	349,248	19,673	11.06%	(171,357)	-49.06%
Financial assets at FVOCI	895,353	710,984	628,986	184,369	25.93%	81,998	13.04%
Deposits and placement with financial institutions	1,402,834	1,885,620	1,364,470	(482,786)	-25.60%	521,150	38.19%
Total Liabilities	**26,841,293**	**28,409,023**	**27,447,986**	(1,567,730)	-5.52%	961,037	3.50%
Deposits from customers	9,388,710	10,382,359	9,005,208	(993,649)	-9.57%	1,377,151	15.29%
Deposits and placement of banks and FIs	233,593	671,271	946,899	(437,678)	-65.20%	(275,627)	-29.11%
Obligations on Securities sold under Repo	0	303,493	0	(303,493)	-100.00%	303,493	#DIV/0!
Sukuk	250,000	0	0	250,000	#DIV/0!	0	#DIV/0!
Collateral deposits	16,560,182	16,441,200	16,685,851	118,982	0.72%	(244,651)	-1.47%
Subordinated term loans	0	0	0	0	#DIV/0!	0	#DIV/0!
Total shareholders' funds	**3,710,573**	**3,216,514**	**2,946,941**	494,059	15.36%	269,573	9.15%
Share capital	200,000	200,000	200,000	0	0.00%	0	0.00%
Statutory reserve	0	0	0	0	#DIV/0!	0	#DIV/0!
Regulatory reserve	103,731	93,078	125,662	10,653	11.45%	(32,584)	-25.93%
Other reserves	3,406,842	3,085,172	2,890,852	321,670	10.43%	194,320	6.72%
Commitments and Contingencies	**77,241,616**	**73,750,567**	**75,607,032**	**3,491,049**	**4.73%**	**(1,856,464)**	**-2.46%**
Return (PBT) on average shareholder's funds	4.36%	4.17%	4.40%	0.18%	4.33%	-0.23%	-5.21%
Return (PAT) on average shareholder's funds	3.17%	2.67%	2.70%	0.50%	18.63%	-0.03%	-1.09%
Return (PBT) on average total assets	0.48%	0.41%	0.43%	0.07%	17.46%	-0.01%	-3.45%
Return (PAT) on average total assets	0.35%	0.26%	0.26%	0.09%	33.57%	0.00%	0.74%
Earnings per share (sen)	54.9	41.2	41.6	13.7	33.33%	(0.5)	-1.09%

Note:

The information disclosed (where applicable) should be adjusted accordingly to the nature of business of that institution.
H2 refers to the current financial period, H1 refers to the preceding year corresponding financial period and H0 refers to the previous preceding year corresponding financial period.