

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

**Company No : 199401016638 (302316-U)**

**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED  
30 JUNE 2020**

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

**Company No : 199401016638 (302316-U)**

**UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE QUARTER ENDED**  
**30 JUNE 2020**

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020**

	Note	2020 June RM'000	2020 March RM'000 (Unaudited)
<b>ASSETS</b>			
Cash and short-term funds	11	4,504,924	4,050,436
Deposits and placements with financial institutions	12	2,434,772	1,745,811
Financial assets at fair value through profit or loss	13	253,677	164,115
Financial assets at fair value through other comprehensive income	14	641,440	671,200
Loans, advances and financing	15	8,130,673	9,994,120
Embedded loans measured at fair value through profit or loss	16	13,739,590	15,501,578
Purchased receivables	17	698,130	772,992
Collateral deposits placed		286,804	160,214
Derivative financial assets	18	488,038	537,866
Statutory deposits with Bank Negara Malaysia		-	42,397
Right-of-use assets		7,986	8,907
Other assets		140,459	14,296
Property, plant and equipment		25,448	26,975
Intangible assets		99,308	60,955
Current tax assets		-	2,450
<b>TOTAL ASSETS</b>		<u>31,451,248</u>	<u>33,754,311</u>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>			
Deposits from customers	19	9,474,000	9,042,773
Deposits and placements of banks and other financial institutions	20	1,027,526	1,059,208
Collateral deposits received		16,668,961	19,630,557
Obligations on Securities sold under Repo		303,494	-
Derivative financial liabilities	18	491,155	536,502
Lease liabilities		8,139	8,865
Other liabilities		147,338	192,409
Deferred tax liabilities		-	-
Provision for tax		2,127	-
<b>TOTAL LIABILITIES</b>		<u>28,122,740</u>	<u>30,470,314</u>
<b>SHARE CAPITAL</b>		200,000	200,000
<b>RESERVES</b>		3,128,508	3,083,997
<b>SHAREHOLDER'S FUNDS</b>		<u>3,328,508</u>	<u>3,283,997</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>		<u>31,451,248</u>	<u>33,754,311</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	21	<u>69,613,529</u>	<u>74,879,582</u>

**MUFG BANK (MALAYSIA) BERHAD**  
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 30 JUNE 2020**

	Note	1 <sup>st</sup> Quarter Ended		Three Months Ended	
		2020 June RM'000	2019 June RM'000	2020 June RM'000	2019 June RM'000
Operating revenue		108,735	80,152	108,735	86,629
Interest income	22	95,411	115,887	95,411	115,887
Interest expense	23	(37,413)	(51,816)	(37,413)	(51,816)
Net interest income		57,998	64,071	57,998	64,071
Net income from embedded loans measured at FVTPL	24	9,778	6,296	9,778	6,296
Net income from Islamic Banking operations	29	777	366	777	366
Other operating income	25	40,182	15,896	40,182	15,896
Operating income		108,735	86,629	108,735	86,629
Other operating expenses	26	(46,944)	(41,280)	(46,944)	(41,280)
Operating profit before allowance for impairment		61,791	45,349	61,791	45,349
Reversal of/(Allowance for) impairment on financial instruments	27	5,770	(2,755)	5,770	(2,755)
Profit before tax		67,561	42,594	67,561	42,594
Tax expense		(25,025)	(29,250)	(25,025)	(29,250)
Profit for the period		42,536	13,344	42,536	13,344
<b>Other comprehensive income net of tax</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Foreign currency translation in respect of expected credit loss		-	-	-	2,056
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Change in fair value of financial assets at fair value through other comprehensive income		1,972	(503)	1,972	5,376
Change in expected credit loss reserve		3	-	3	9
Total comprehensive income for the period		44,511	12,841	44,511	20,785
Profit attributable to :					
Owner of the Bank		42,536	30,155	42,536	30,155
Total comprehensive income attributable to :					
Owner of the Bank		44,511	29,652	44,511	29,652
Basic earnings per share (sen)		21.3	15.1	21.3	15.1

**MUFG BANK (MALAYSIA) BERHAD**  
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED 30 JUNE 2020**

	<----- Attributable to Shareholder of the Bank ----->						Total
	<----- Non-distributable ----->				Distributable		
	Share capital	Regulatory reserve	Defined benefit reserve	ECL reserve	Fair value reserve	Retained profits	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>2020 June</b>							
At beginning of the period	200,000	55,990	(5,801)	352	27,851	3,005,605	3,283,997
Profit for the period	-	-	-	-	-	42,536	42,536
Transfer to regulatory reserve	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	3	1,972	-	1,975
Total comprehensive income	-	-	-	3	1,972	42,536	44,511
At end of the period	200,000	55,990	(5,801)	355	29,823	3,048,141	3,328,508
<b>2019 June</b>							
At beginning of the period	200,000	93,078	(5,801)	337	23,120	2,818,571	3,129,305
Profit for the period	-	-	-	-	-	42,536	42,536
Other comprehensive income	-	-	-	9	5,376	2,056	7,441
Total comprehensive income	-	-	-	9	5,376	44,592	49,977
Transfer to retained profits	-	-	-	-	-	-	-
At end of the period	200,000	93,078	(5,801)	346	28,496	2,863,163	3,179,282

**MUFG BANK (MALAYSIA) BERHAD**  
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**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE QUARTER ENDED 30 JUNE 2020**

	2020 June RM'000	2019 June RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before tax	67,561	42,594
Adjustments for:		
Depreciation of property, plant and equipment	1,573	1,221
Depreciation of right-of-use assets	922	1,092
Amortisation of intangible assets	7,055	2,898
Provision for retirement benefits	1,058	1,026
Dividend income	(111)	(111)
Loss on disposal of property, plant and equipment	-	76
Interest income from financial assets at fair value through other comprehensive income	(5,112)	(4,143)
Amortisation and accretion of financial assets at fair value through other comprehensive income	350	223
Interest income from financial assets at fair value through profit or loss	(3,731)	(1,146)
(Write back)/Allowance for impairment on financial instruments	(5,770)	2,755
Unrealised loss on changes in fair value of financial assets at fair value through profit or loss	24,160	37,519
Unrealised gain on changes in trading securities	(504)	(88)
Unrealised loss on changes in fair value of derivative financial instruments	8,580	4,713
Operating profit before changes in working capital	96,031	88,629
(Increase)/Decrease in operating assets:		
Financial assets at fair value through profit or loss	(301)	-
Financial assets at fair value through other comprehensive income	4,919	(2,910)
Loans, advances and financing	1,869,528	114,482
Embedded loans measured at fair value through profit or loss	1,757,534	1,060,751
Collateral deposits placed	(126,590)	41,368
Purchased receivables	74,512	101,915
Statutory deposits with Bank Negara Malaysia	42,397	23,530
Derivative financial assets	467,187	149,894
Other assets	(815,123)	(143,543)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	431,227	(426,639)
Deposits and placements of banks and other financial institutions	(31,681)	137,413
Collateral deposits received	(2,961,596)	(1,090,007)
Derivative financial liabilities	(490,993)	(168,207)
Other liabilities	257,881	(15,016)
Cash generated from/(used in) operations	574,932	(128,340)
Income taxes paid	(20,448)	(33,308)
Income tax refund	-	-
Payment of staff gratuities	(403)	(1,648)
Net cash generated from/(used in) operating activities	554,081	(163,296)

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

	<b>2020 June</b> <b>RM'000</b>	<b>2019 June</b> <b>RM'000</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(46)	(258)
Proceeds from disposal of property, plant and equipment	-	8
Purchase of intangible assets	(45,408)	(7,337)
Proceeds from sale of financial assets at fair value through other comprehensive income	70,935	-
Purchase of financial assets at fair value through other comprehensive income	(41,359)	-
Interest income from financial assets at fair value through other comprehensive income	1,999	3,979
Proceeds from disposal of financial assets at fair value through profit or loss	547,716	352,441
Purchase of financial assets at fair value through profit or loss	(636,473)	(403,126)
Interest income from financial assets at fair value through profit or loss	3,731	1,146
Payment for lease liabilities	(799)	(1,172)
Dividend received	111	111
Net cash generated from/(used in) investing activities	<u>(99,593)</u>	<u>(54,208)</u>
<b>Net increase in cash and cash equivalents</b>	<b>454,488</b>	<b>(217,504)</b>
<b>Cash and cash equivalents at beginning of quarter</b>	<b>4,050,436</b>	<b>5,314,486</b>
<b>Cash and cash equivalents at end of quarter</b>	<b><u>4,504,924</u></b>	<b><u>5,096,982</u></b>

**MUFG BANK (MALAYSIA) BERHAD**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE QUARTER ENDED 30 JUNE 2020**

**1 BASIS OF PREPARATION**

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

The unaudited condensed interim financial report have been prepared in accordance with MFRS 134 : *Interim Financial Reporting* issued by the Malaysian Accounting Standard Board ("MASB") and Bank Negara Malaysia's Guidelines on Financial Reporting. The unaudited interim financial report should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2020. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 March 2020.

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

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

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

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

- MFRS 17, *Insurance Contracts*

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

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

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

- from the annual period beginning on 1 April 2020 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2020, except for amendments to MFRS 3, *Business Combinations – Definition of a Business* which is not applicable to the Bank.
- from the annual period beginning on 1 April 2021 for the accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2021.

The Bank does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Bank.



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

**1 BASIS OF PREPARATION (CONTD)**

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Bank, except for the adoption of the following during the current financial period:

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

On 25 March 2020, BNM implemented additional measures to assist borrowers/customers experiencing temporary financial constraints due to the COVID-19. The key measures affecting regulatory and accounting treatment and classifications are as follows:

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

- Banking institutions will grant an automatic moratorium on all loan/financing repayments/payments, principal and interest (except for credit card balances) by individuals and small-medium enterprise ("SME") borrowers/customers for a period of 6 months from 1 April 2020. The automatic moratorium is applicable to loans/financing that are:
  - i) not in arrears exceeding 90 days as at 1 April 2020; and
  - ii) denominated in Malaysian Ringgit.
- For corporate borrowers/customers, banking institutions are strongly encouraged to facilitate requests for a moratorium on loan/financing repayment/payment, additional financing to support immediate cash flows and the rescheduling and restructuring ("R&R") of existing facilities in a way that will enable viable corporations to preserve jobs and swiftly resume economic activities when conditions stabilise and improve.
- For loans/financing above with arrears not exceeding 90 days which are granted a moratorium, conversion to term loan/financing or R&R and received by banking institutions on or before 31 December 2020, and pursuant to section 47(1) of the Financial Services Act 2013 ("FSA") and section 57(1) of the Islamic Financial Services Act 2013 ("IFSA"), the following regulatory treatment shall apply:
  - i) The moratorium period is excluded in the determination of the period in arrears for the purpose of regulatory and accounting classifications;
  - ii) The loans/financing need not be reported as R&R in the Central Credit Reference Information System ("CCRIS"); and
  - iii) The R&R loans/financing need not be classified as credit-impaired in CCRIS.

**(b) Drawdown of prudential buffers**

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

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

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

**2 AUDIT REPORT**

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

**3 SEASONAL OR CYCLICAL FACTORS**

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

**4 EXCEPTIONAL OR EXTRAORDINARY ITEMS**

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

**5 CHANGES IN ESTIMATES**

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

**6 CHANGES IN DEBT AND EQUITY SECURITIES**

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

**7 DIVIDEND PAID**

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

**8 SUBSEQUENT EVENTS**

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

**MUFG BANK (MALAYSIA) BERHAD**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
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**9 REVIEW OF PERFORMANCE**

The Bank's profit before taxation for the financial period ended 30 June 2020 was RM67.6 million, increase of 58.62% or RM24.9 million compared to the corresponding period last year. Operating income increased by RM22.1 million from RM86.6 million to RM108.7 million whilst operating expenses increased by RM5.6 million mainly attributed to higher amortisation of intangible assets.

Total assets decreased from RM33.8 billion to RM31.4 billion compared to 31 March 2020. The Bank's CET 1/Tier 1 capital ratio and total capital ratio remained strong at 23.3593% and 24.2628% respectively.

**10 PROSPECTS**

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

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

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

The large degree of uncertainty over the outcome of the outbreak presents a major downside risk to the economy. An uncontained or further deterioration of the outbreak would result in more severe or prolonged restrictions on overall economic activities, posing a further drag on growth into 2021. Moreover, uncertainty over the country's political stability following the recent change in the ruling coalition and the government's ability to manage the outbreak could pose further downside risks to growth.

The other major challenge is the limited fiscal policy space to respond to the crisis. While the recently announced stimulus packages could help to mitigate the immediate impact of the outbreak, a deeper economic policy response would be needed should the health crisis deepen and result in a longer duration of economic disruption. More targeted fiscal policy interventions would be needed to help mitigate the impact of the crisis on vulnerable households and businesses, as well as increase public health capacity. This is further complicated by the plunge in commodity prices, which would put additional strain on fiscal space and in turn may increase the burden on monetary policy as a key policy tool.

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

**11 CASH AND SHORT-TERM FUNDS**

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<i>At amortised cost</i>		
Cash and balances with banks and other financial institutions	30,712	17,322
Money at call and deposit placements maturing within three months	4,474,212	4,033,114
	<u>4,504,924</u>	<u>4,050,436</u>

**12 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<i>At amortised cost</i>		
Licensed bank		
• Malaysia	2,116,724	1,229,321
• Other countries	318,048	516,490
	<u>2,434,772</u>	<u>1,745,811</u>

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

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<b>Money market instruments:</b>		
Malaysian Government Securities	<u>253,677</u>	<u>164,115</u>

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

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	399,919	428,146
Sukuk	212,545	214,078
	<u>612,464</u>	<u>642,224</u>
<b>Non-money market instruments:</b>		
Unquoted bonds	-	-
Unquoted shares	28,976	28,976
	<u>28,976</u>	<u>28,976</u>
Total	<u>641,440</u>	<u>671,200</u>

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

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<b>12-Month ECL Stage 1</b>		
At 1 April	352	337
Allowance made / (written back) due to changes in credit risk	3	20
Deferred tax impact	-	(5)
At 30 June / 31 March	<u>355</u>	<u>352</u>

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

**15 LOANS, ADVANCES AND FINANCING**

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<b>(a) By type:</b>		
<i>At amortised cost</i>		
Overdrafts	5,940	12,278
Term loans		
• Housing loans	10,935	10,883
• Other term loans	4,557,573	4,195,563
Revolving credits	3,279,832	5,061,852
Bills receivable	147,882	125,752
Claims on customers under acceptance credits	75,426	562,099
Staff loans	7,361	7,231
	<u>8,084,948</u>	<u>9,975,658</u>
Unearned interest	(480)	(4,154)
Gross loans, advances and financing	<u>8,084,468</u>	<u>9,971,504</u>
Impairment allowances on loans, advances and financing		
• Stage 1 - 12 month ECL	(11,439)	(13,619)
• Stage 2 - lifetime ECL not credit impaired	(50,385)	(13,381)
• Stage 3 - lifetime ECL credit impaired	(9,875)	(50,777)
Net loans, advances and financing	<u>8,012,769</u>	<u>9,893,727</u>
<i>At fair value</i>		
Other term loans	117,903	100,393
Net loans, advances and financing	<u>8,130,673</u>	<u>9,994,120</u>
<b>Gross loans, advances and financing</b>		
<i>At amortised cost</i>	8,084,468	9,971,504
<i>At fair value</i>	117,903	100,393
	<u>8,202,372</u>	<u>10,071,897</u>
<b>(b) By maturity structure:</b>		
Maturing within one year	4,263,201	6,059,366
More than one year to three years	1,713,643	1,329,210
More than three years to five years	948,897	1,452,362
More than five years	1,276,631	1,230,959
	<u>8,202,372</u>	<u>10,071,897</u>
<b>(c) By type of customer:</b>		
Domestic non-bank financial institutions	592,657	616,595
Domestic business enterprises		
• Small medium enterprises	435,419	443,271
• Others	5,514,466	6,280,510
Individuals	17,983	17,791
Foreign entities	1,641,846	2,713,730
	<u>8,202,372</u>	<u>10,071,897</u>
<b>(d) By interest rate sensitivity:</b>		
Fixed rate		
• Staff loans	4,495	4,342
Variable rates	8,197,877	10,067,555
	<u>8,202,372</u>	<u>10,071,897</u>

**MUFG BANK (MALAYSIA) BERHAD****(Incorporated in Malaysia)****NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED 30 JUNE 2020****15 LOANS, ADVANCES AND FINANCING (CONTD.)**

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<b>(e) By economic sector:</b>		
Agricultural, hunting, forestry and fishing	511,878	734,097
Mining and quarrying	208,408	191,117
Manufacturing	1,818,444	1,837,829
Electricity, gas and water	1,283,176	1,729,798
Construction	181,378	244,657
Wholesale and retail trade and restaurants and hotels	720,031	687,341
Transport, storage and communication	2,041,176	2,129,517
Finance, insurance, real estate and business services	969,882	2,047,077
Households	18,295	18,115
Others	449,704	452,348
	<u>8,202,372</u>	<u>10,071,897</u>
<b>(f) By geographical location:</b>		
Malaysia	6,561,318	8,435,637
Other countries	1,641,054	1,636,260
	<u>8,202,372</u>	<u>10,071,897</u>
<b>(g) Movements in impaired loans, advances and financing are as follows:</b>		
At beginning of the period	425,620	732
Classified as impaired during the period	80,248	475,499
Amount recovered	(90,499)	(10,578)
Reclassified as performing	(236,567)	(39,998)
Amount written off	-	(35)
At end of the period	<u>178,802</u>	<u>425,620</u>
<b>(h) Credit-impaired loans by economic sector is as follows:</b>		
Household	703	698
Manufacturing	103,195	424,922
Transport, storage and communication	74,904	-
	<u>178,802</u>	<u>425,620</u>
<b>(i) Credit-impaired loans by geographical location is as follows:</b>		
Malaysia	<u>178,802</u>	<u>425,620</u>

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	12 month ECL	Lifetime ECL		Total RM'000
		Not credit impaired	Credit impaired	
		Stage 1 RM'000	Stage 2 RM'000	
<b>At 1 April 2020</b>	13,619	13,381	50,777	77,777
Transfer to 12-Month ECL (Stage 1)	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,085)	34,244	(32,930)	(771)
Transfer to Lifetime ECL credit impaired (Stage 3)	-	(172)	479	307
New financial assets originated	5,735	15,783	8,031	29,549
Financial assets derecognised (other than write-off)	(5,905)	(12,864)	(16,037)	(34,806)
Net remeasurement due to changes in credit risk	75	13	(445)	(357)
Amount written off	-	-	-	-
<b>At 30 June 2020</b>	<u>11,439</u>	<u>50,385</u>	<u>9,875</u>	<u>71,699</u>
<b>At 1 April 2019</b>	5,461	4,781	137	10,379
Transfer to 12-Month ECL (Stage 1)	157	(119)	-	38
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(717)	-	20,690	19,973
New financial assets originated	6,352	13,380	29,890	49,622
Financial assets derecognised (other than write-off)	(2,039)	(4,661)	(8)	(6,708)
Net remeasurement due to changes in credit risk	4,405	-	103	4,508
Amount written off	-	-	(35)	(35)
<b>At 31 March 2020</b>	<u>13,619</u>	<u>13,381</u>	<u>50,777</u>	<u>77,777</u>

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

	<b>2020 June</b>	<b>2020 March</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>At fair value</i>		
Embedded loans	<u>13,739,590</u>	<u>15,501,578</u>
<p>Embedded loans included RM13,455,053,000 (2020 March: RM15,144,972,000) of outstanding balance for loans, advances and financing, and fair value for loans and derivatives of RM284,537,000 (2020 March: RM356,606,000).</p> <p>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 RM7,709,000 (2020 March: RM5,604,000) and RM3,319,000 (March 2020: RM17,968,000) respectively.</p>		
<b>(a) By maturity structure:</b>		
Maturing within one year	3,488,848	5,243,159
More than one year to three years	4,142,149	3,683,628
More than three years to five years	4,618,463	5,533,338
More than five years	1,490,129	1,041,453
	<u>13,739,590</u>	<u>15,501,578</u>
<b>(b) By type of customer:</b>		
Domestic financial institutions	(229,556)	(45,310)
Domestic non-bank financial institutions	8,701,772	8,834,156
Domestic business enterprises		
• Small medium enterprises	14,654	14,954
• Others	5,248,330	6,710,142
Individuals	-	-
Foreign entities	4,390	(12,364)
	<u>13,739,590</u>	<u>15,501,578</u>
<b>(c) By interest rate sensitivity:</b>		
Variable rates	<u>13,739,590</u>	<u>15,501,578</u>
<b>(d) By economic sector:</b>		
Mining and quarrying	2,616	3,145
Manufacturing	920,556	928,027
Electricity, gas and water	1,246,716	2,128,957
Construction	907,263	923,236
Wholesale, retail trade, restaurants and hotels	959,107	974,047
Transport, storage and communication	324,899	382,757
Finance, insurance, real estate and business services	9,365,085	10,146,835
Households	-	-
Others	13,349	14,573
	<u>13,739,590</u>	<u>15,501,578</u>
<b>(e) By geographical location:</b>		
Malaysia	13,683,000	15,462,529
Other countries	56,589	39,049
	<u>13,739,590</u>	<u>15,501,578</u>



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**17 PURCHASED RECEIVABLES**

	2020 June RM'000	2020 March RM'000
<i>At amortised cost</i>		
Purchased receivables	698,807	773,319
Impairment allowances on purchased receivables		
Stage 1 - 12 month ECL	(475)	(258)
Stage 2 - lifetime ECL not credit impaired	(190)	(59)
Stage 3 - lifetime ECL credit impaired	(12)	(10)
	<u>698,130</u>	<u>772,992</u>

Purchased receivables relate to receivables acquired by the Bank under the account receivables purchasing and vendors financing product. These amounts owing from obligors have a tenure of within three months. Included in purchased receivables are non-recourse bills receivable amounting to RM680,016,000 (2020 March: RM741,621,000).

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

	12 month ECL Stage 1 RM'000	Lifetime ECL Not credit Stage 2 RM'000	Credit Stage 3 RM'000	Total RM'000
<b>At 1 April 2020</b>	258	59	10	327
Transfer to 12-Month ECL (Stage 1)	-	(3)	-	(3)
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
New financial assets originated	256	190	12	459
Financial assets derecognised (other than write-off)	(65)	(54)	(10)	(130)
Net remeasurement due to changes in credit risk	26	(1)	-	25
Amount written off	-	-	-	-
<b>At 30 June 2020</b>	<u>475</u>	<u>190</u>	<u>12</u>	<u>677</u>
<b>At 1 April 2019</b>	44	4	-	48
Transfer to 12-Month ECL (Stage 1)	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
New financial assets originated	258	59	10	327
Financial assets derecognised (other than write-off)	-	-	-	-
Net remeasurement due to changes in credit risk	(44)	(4)	-	(48)
Amount written off	-	-	-	-
<b>At 31 March 2020</b>	<u>258</u>	<u>59</u>	<u>10</u>	<u>327</u>

**18 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)**

	2020 June			2020 March		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<i>At Fair Value</i>						
<b>Trading Derivatives *</b>						
Foreign exchange related contracts						
• Forwards	7,599,447	61,403	45,939	7,527,316	100,450	71,150
• Swaps	6,584,754	225,547	263,677	7,019,698	252,364	300,383
Interest rate related contracts						
• Swaps	9,864,651	200,605	181,104	10,088,024	184,084	164,435
Other derivatives						
• Currency options	124,443	484	434	195,850	934	499
• Premium yielder investments	-	-	-	1,723,000	35	35
	<u>24,173,296</u>	<u>488,038</u>	<u>491,155</u>	<u>26,553,888</u>	<u>537,866</u>	<u>536,502</u>

\* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the holding company and related companies amounting to RM121,537,000 (March 2020: RM117,795,000) and RM136,671,000 (March 2020: RM129,944,000) respectively.

**MUFG BANK (MALAYSIA) BERHAD****(Incorporated in Malaysia)****NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
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	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<i>At amortised cost</i>		
Demand deposits	3,441,404	3,958,083
Money market deposits	1,626,453	1,551,696
Savings deposits	1,329	4,386
Fixed deposits	4,404,814	3,528,608
	<u>9,474,000</u>	<u>9,042,773</u>

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

Due within six months	4,334,041	3,466,435
Six months to one year	69,698	61,065
Above one year	1,075	1,107
	<u>4,404,814</u>	<u>3,528,608</u>

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

Business enterprises	9,469,959	9,034,767
Individuals	4,041	8,006
	<u>9,474,000</u>	<u>9,042,773</u>

**20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<i>At amortised cost</i>		
Licensed banks	1,027,526	1,059,208
Non-bank financial institutions	-	-
	<u>1,027,526</u>	<u>1,059,208</u>

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**21 COMMITMENTS AND CONTINGENCIES**

	2020 June				2020 March			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
<u>Credit-related Exposures</u>								
Direct credit substitutes	2,975		2,971	1,485	2,275		2,272	1,136
Transaction-related contingent items	853,444		425,017	372,872	842,010		419,256	368,772
Short-term self-liquidating trade-related contingencies	225,201		44,925	44,376	317,090		63,327	52,831
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:								
- not exceeding one year	239,892		47,582	47,582	229,926		45,567	45,567
- exceeding one year	74		37	32	169		84	79
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,733,642		-	-	7,013,689		-	-
Securitisation exposures	15,000		3,000	2,250	15,000		3,000	2,250
	<u>9,070,228</u>		<u>523,532</u>	<u>468,597</u>	<u>8,420,159</u>		<u>533,506</u>	<u>470,635</u>
<u>Embedded loans</u>								
Foreign exchange related contracts								
- one year or less	5,003,962	165,785	234,462	122,195	6,045,686	272,431	303,395	181,664
- over one year to five years	13,216,896	400,882	1,363,322	760,952	14,109,521	469,073	1,488,240	832,226
- over five years	1,389,980	58,677	239,590	165,032	1,437,619	67,314	259,946	177,811
Interest rate related contracts								
- one year or less	3,983,013	5,070	(218) *	(54) *	6,479,298	13,700	12,403	3,243
- over one year to five years	11,373,414	115,877	189,683	82,371	11,221,810	103,760	192,991	79,153
- over five years	1,464,962	60,004	127,977	46,006	1,571,027	56,772	127,876	45,466
	<u>36,432,227</u>	<u>806,295</u>	<u>2,154,815</u>	<u>1,176,502</u>	<u>40,864,961</u>	<u>983,052</u>	<u>2,384,852</u>	<u>1,319,562</u>
<u>Derivative Financial Instruments:</u>								
Foreign exchange related contracts								
- one year or less	8,067,112	74,447	189,424	126,693	7,420,328	104,608	216,355	141,808
- over one year to five years	3,997,897	120,830	379,785	305,009	5,059,742	146,775	334,703	288,306
- over five years	2,119,192	91,673	325,938	238,801	2,066,944	101,430	326,341	246,794
Interest rate related contracts								
- one year or less	2,834,819	525	3,763	1,534	2,908,754	3,860	4,148	1,725
- over one year to five years	4,857,402	76,971	117,166	76,304	4,926,023	68,703	122,084	80,673
- over five years	2,172,430	123,108	152,394	102,275	2,253,246	111,521	154,914	102,227
Currency options								
- one year or less	62,222	484	1,417	1,417	97,925	934	2,403	2,403
Premium yielder investments								
- one year or less	-	-	-	-	861,500	35	12,957	2,591
	<u>24,111,074</u>	<u>488,038</u>	<u>1,169,888</u>	<u>852,032</u>	<u>25,594,462</u>	<u>537,866</u>	<u>1,173,904</u>	<u>866,528</u>
Total	<u>69,613,529</u>	<u>1,294,333</u>	<u>3,848,236</u>	<u>2,497,132</u>	<u>74,879,582</u>	<u>1,520,918</u>	<u>4,092,262</u>	<u>2,656,725</u>

\* Result of netting arising from International Swaps and Derivatives Association ("ISDA") master agreements and Credit Support Annex ("CSA").

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	1st Quarter Ended		Three Months Ended	
	2020 June RM'000	2019 June RM'000	2020 June RM'000	2019 June RM'000
<b>22 INTEREST INCOME</b>				
Loans, advances and financing measured at amortised cost and fair value	66,757	73,337	66,757	73,337
Money at call and deposit placements with financial institutions	20,161	37,484	20,161	37,484
Financial assets at FVTPL	3,731	1,146	3,731	1,146
Financial assets at FVOCI	4,762	3,920	4,762	3,920
	<u>95,411</u>	<u>115,887</u>	<u>95,411</u>	<u>115,887</u>
<b>23 INTEREST EXPENSE</b>				
Deposits and placements of banks and other financial institutions	30,667	43,207	30,667	43,207
Deposits from other customers	6,746	8,609	6,746	8,609
	<u>37,413</u>	<u>51,816</u>	<u>37,413</u>	<u>51,816</u>
<b>24 NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL</b>				
Interest income	68,181	115,741	68,181	115,741
Interest expense	(53,653)	(111,677)	(53,653)	(111,677)
Unrealised loss in fair value of embedded loans	(24,160)	(37,519)	(24,160)	(37,519)
Realised gain in fair value of embedded loans	19,410	39,751	19,410	39,751
	<u>9,778</u>	<u>6,296</u>	<u>9,778</u>	<u>6,296</u>
<b>25 OTHER OPERATING INCOME</b>				
<b>Fee income</b>				
Commission	447	406	447	406
Guarantee fees	868	1,067	868	1,067
Service charges and fees	506	923	506	923
Commitment fees	221	142	221	142
Other fee income	4,136	1,248	4,136	1,248
	<u>6,178</u>	<u>3,786</u>	<u>6,178</u>	<u>3,786</u>
<b>Investment income</b>				
Gross dividends	111	111	111	111
Realised (loss)/gain in fair value of derivative financial instruments	(12,572)	(13,350)	(12,572)	(13,350)
Realised gain in fair value of trading securities	6,065	1,745	6,065	1,745
Unrealised gain/(loss) in fair value of derivative financial instruments	(8,580)	(4,713)	(8,580)	(4,713)
Unrealised gain in fair value of trading securities	504	88	504	88
Foreign exchange gain/(loss)	45,906	25,972	45,906	25,972
Net premium (paid)/received for options	-	(45)	-	(45)
	<u>31,434</u>	<u>9,808</u>	<u>31,434</u>	<u>9,808</u>
<b>Other income</b>				
Other operating income	2,570	2,302	2,570	2,302
	<u>40,182</u>	<u>15,896</u>	<u>40,182</u>	<u>15,896</u>

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	1st Quarter Ended		Three Months Ended	
	2020 June RM'000	2019 June RM'000	2020 June RM'000	2019 June RM'000
<b>26 OTHER OPERATING EXPENSES</b>				
Personnel expenses	27,639	28,154	27,639	28,154
Establishment related expenses	10,711	5,917	10,711	5,917
Promotion and marketing related expenses	329	543	329	543
Administrative and other expenses	8,265	6,666	8,265	6,666
	<u>46,944</u>	<u>41,280</u>	<u>46,944</u>	<u>41,280</u>
<b>Personnel expenses</b>				
- Wages, salaries and bonus	21,407	21,741	21,407	21,741
- Defined benefit plan	1,058	1,026	1,058	1,026
- Defined contribution plan	2,586	2,441	2,586	2,441
- Other employee benefits	2,588	2,946	2,588	2,946
	<u>27,639</u>	<u>28,154</u>	<u>27,639</u>	<u>28,154</u>
<b>Establishment related expenses</b>				
- Depreciation of property, plant and equipment	1,573	1,221	1,573	1,221
- Amortisation of intangible assets	7,055	2,898	7,055	2,898
- Depreciation of right-of-use assets	922	1,092	922	1,092
- Hire of equipment	431	257	431	257
- Repair and maintenance	48	6	48	6
- Rental of premises	426	269	426	269
- Others	256	174	256	174
	<u>10,711</u>	<u>5,917</u>	<u>10,711</u>	<u>5,917</u>
<b>Promotion and marketing related expenses</b>				
- Advertising and publicity	51	37	51	37
- Others	278	506	278	506
	<u>329</u>	<u>543</u>	<u>329</u>	<u>543</u>
<b>Administrative and other expenses</b>				
- Cash collateral fees	270	2,145	270	2,145
- Communication expenses	243	112	243	112
- Legal and professional fees	45	270	45	270
- Others	7,707	4,139	7,707	4,139
	<u>8,265</u>	<u>6,666</u>	<u>8,265</u>	<u>6,666</u>
<b>27 (ALLOWANCE)/WRITEBACK FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS</b>				
Stage 1 and 2 expected credit losses made during the year	(56,395)	(9,297)	(56,395)	(9,297)
Stage 1 and 2 expected credit losses written back	21,150	6,542	21,150	6,542
Stage 3 expected credit losses made during the year	(8,405)	-	(8,405)	-
Stage 3 expected credit losses written back	49,422	13	49,422	13
Impaired loans, advances and financing written off	-	(13)	-	(13)
Other movements	(2)	-	(2)	-
Bad debts written back	-	-	-	-
	<u>5,770</u>	<u>(2,755)</u>	<u>5,770</u>	<u>(2,755)</u>

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

### 28 CAPITAL ADEQUACY

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

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

	2020 June	2020 March
Common equity Tier 1 ("CET 1") capital ratio	23.359%	22.955%
Tier 1 capital ratio	23.359%	22.955%
Total capital ratio	<u>24.263%</u>	<u>23.575%</u>

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

	2020 June RM'000	2020 March RM'000
<u>CET 1 and Tier 1 capital</u>		
· Paid-up share capital	200,000	200,000
· Retained profits	3,005,605	3,005,605
· Other reserves	80,367	78,392
	<u>3,285,972</u>	<u>3,283,997</u>
<u>Less</u>		
· Deferred tax assets	-	-
· Intangible assets	(99,308)	(60,955)
· 55% of fair value reserve	(16,403)	(15,318)
· Regulatory reserve	(55,990)	(55,990)
	<u>3,114,271</u>	<u>3,151,734</u>
<u>Tier 2 capital</u>		
· Stage 1 and 2 ECL and regulatory reserve	120,453	85,202
Total Capital	<u>3,234,724</u>	<u>3,236,936</u>

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**28 CAPITAL ADEQUACY (CONT'D)**

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

**2020 June**

<b>Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk-Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<b>(i) Credit Risk</b>				
On-Balance Sheet Exposures :				
Sovereigns/Central Banks	5,443,323	5,443,323	370,080	29,606
Public Sector Entities	6,214	6,214	1,243	99
Banks, Development Financial Institutions & MDBs	3,238,938	3,238,938	864,170	69,134
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	21,637,325	6,548,191	6,725,328	538,026
Regulatory Retail	1,732	1,732	1,732	139
Residential Mortgages	13,987	13,987	6,563	525
Other Assets	550,056	550,056	376,348	30,108
Equity Exposures	27,856	27,856	27,856	2,228
Defaulted Exposures	2,284	2,284	2,284	183
<b>Total On-Balance Sheet Exposures</b>	<b>30,921,715</b>	<b>15,832,581</b>	<b>8,375,604</b>	<b>670,048</b>
Off-Balance Sheet Exposures :				
Credit-related exposures	520,532	520,532	466,347	37,308
Securitisation exposures	3,000	3,000	2,250	180
Derivatives financial instruments	3,324,703	3,324,703	2,028,535	162,283
<b>Total Off-Balance Sheet Exposures</b>	<b>3,848,236</b>	<b>3,848,236</b>	<b>2,497,132</b>	<b>199,771</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>34,769,951</b>	<b>19,680,817</b>	<b>10,872,735</b>	<b>869,819</b>
<b>(ii) Large Exposure Risk Requirement</b>				
	-	-	-	-
<b>(iii) Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	62,682,486	(62,300,018)	1,592,654	127,412
Foreign Exchange Risk	50,460	(26,712)	50,460	4,037
	<b>62,732,946</b>	<b>(62,326,730)</b>	<b>1,643,114</b>	<b>131,449</b>
<b>(iv) Operational Risk</b>				
			816,207	65,297
<b>Total RWA and Capital Requirements</b>	<b>34,769,951</b>	<b>19,680,817</b>	<b>13,332,056</b>	<b>1,066,565</b>

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**28 CAPITAL ADEQUACY (CONTD.)**

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

**2020 March**

<b>Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk-Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<b>(i) Credit Risk</b>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	3,966,290	3,966,290	241,757	19,341
Public Sector Entities	6,214	6,214	1,243	99
Banks, Development Financial Institutions & MDBs	3,346,923	3,346,923	809,876	64,790
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	25,201,048	6,741,777	6,936,061	554,885
Regulatory Retail	1,572	1,572	1,572	126
Residential Mortgages	13,996	13,996	6,569	526
Equity Exposures	28,976	28,976	28,976	2,318
Other Assets	529,827	529,827	362,347	28,988
Defaulted Exposures	2,264	2,264	2,264	181
<b>Total On-Balance Sheet Exposures</b>	<b>33,097,110</b>	<b>14,637,839</b>	<b>8,390,665</b>	<b>671,253</b>
Off-Balance Sheet Exposures :				
Credit-related exposures	530,506	530,506	468,385	37,471
Securitisation exposures	3,000	3,000	2,250	180
Derivatives financial instruments	3,558,756	3,558,756	2,186,090	174,887
<b>Total Off-Balance Sheet Exposures</b>	<b>4,092,262</b>	<b>4,092,262</b>	<b>2,656,725</b>	<b>212,538</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>37,189,372</b>	<b>18,730,101</b>	<b>11,047,390</b>	<b>883,791</b>
<b>(ii) Large Exposure Risk Requirement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(iii) Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	68,004,333	(67,639,973)	1,843,189	147,455
Foreign Exchange Risk	32,066	(13,702)	32,066	2,565
	<b>68,036,399</b>	<b>(67,653,674)</b>	<b>1,875,255</b>	<b>150,020</b>
<b>(iv) Operational Risk</b>			<b>807,598</b>	<b>64,608</b>
<b>Total RWA and Capital Requirements</b>	<b>37,189,372</b>	<b>18,730,101</b>	<b>13,730,243</b>	<b>1,098,419</b>



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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
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**29 THE OPERATIONS OF ISLAMIC BANKING**

**UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020**

		<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	<b>(a)</b>	288,000	47,000
Deposits and placement with financial institutions	<b>(b)</b>	1,744	815
Other assets		16	4
<b>TOTAL ASSETS</b>		<u>289,760</u>	<u>47,819</u>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	<b>(c)</b>	241,574	163
Other liabilities	<b>(d)</b>	11,165	11,196
<b>TOTAL LIABILITIES</b>		<u>252,739</u>	<u>11,359</u>
<b>CAPITAL FUND</b>		25,000	25,000
<b>RESERVE</b>		12,021	11,460
<b>ISLAMIC BANKING FUNDS</b>		<u>37,021</u>	<u>36,460</u>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<u>289,760</u>	<u>47,819</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>(e)</b>	<u>12,713</u>	<u>5,400</u>

Islamic financing based on Commodity Murabahah (Tawarruq) of RM799,667,813 (2020 March: RM759,083,785) 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.

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**29 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)**

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 30 JUNE 2020**

	1st quarter ended		Three months ended	
	2020 June RM'000	2019 June RM'000	2020 June RM'000	2019 June RM'000
Income derived from investment of Islamic Banking Capital funds (f)	296	298	296	298
Expenses derived from financing (g)	(1)	-	(1)	-
Other operating income (h)	482	68	482	68
Total net income	777	366	777	366
Other operating expenses (i)	(154)	(170)	(154)	(170)
Operating profit before allowance for impairment	623	196	623	196
Allowance for impairment on commitment and contingencies (j)	(62)	-	(62)	-
Profit before tax	561	196	561	196
Tax expense	-	-	-	-
Profit for the period	561	196	561	196

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

	Capital Fund RM'000	Regulatory Reserve RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total RM'000
<b>2020 June</b>				
At beginning of the period	25,000	18	11,442	36,460
Profit for the period	-	-	561	561
At end of the period	25,000	18	12,003	37,021
<b>2019 June</b>				
At beginning of the period	25,000	-	1,529	26,529
Profit for the period	-	-	196	196
At end of the period	25,000	-	1,725	26,725

**UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE QUARTER ENDED 30 JUNE 2020**

	2020 June RM'000	2019 June RM'000
Cash flows from operating activities		
Profit before tax	561	196
Operating profit before working capital changes	561	196
Increase/(Decrease) in operating assets:		
Deposits and placements with financial institutions	(929)	(1,889)
Other assets	(12)	(24)
	(380)	(1,717)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	241,411	107,501
Other liabilities	(31)	216
Net cash generated from operating activities	241,000	106,000
<b>Net increase in cash and cash equivalents</b>	241,000	106,000
<b>Cash and cash equivalents at beginning of the year</b>	47,000	34,000
<b>Cash and cash equivalents at end of the year</b>	288,000	140,000

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED 30 JUNE 2020****29 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)****Shariah Committee**

The Shariah Committee was established under BNM's "Shariah Governance Framework for Islamic Financial Institutions" (BNM/RH/GL\_012\_3) to advise the Board of Directors on Shariah matters in its Islamic Banking business operations and to provide technical assistance in ensuring the Islamic Banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles.

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

**Basis of measurement**

The financial statements of the Islamic Banking business have been prepared on the basis consistent with that of the Bank as disclosed in Note 1 to the audited financial statements of the Bank for financial year ended 31 March 2020.

**(a) Cash and short-term funds**

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
Cash and balances with banks and other financial institution	<u>288,000</u>	<u>47,000</u>

**(b) Deposits and placements with financial institutions**

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<i>Amortised cost</i>		
Licensed bank		
• Malaysia	<u>1,744</u>	<u>815</u>

**(c) Deposits from customers**

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<b>(i) By type of deposits:</b>		
Current accounts - Qard	241,414	3
Fixed deposits - Tawarruq	<u>160</u>	<u>160</u>
	<u>241,574</u>	<u>163</u>

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

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
Due within six months	160	160
Six months to one year	-	-
Above one year	<u>-</u>	<u>-</u>
	<u>160</u>	<u>160</u>

**(iii) By type of customer:**

Business enterprises	<u>241,574</u>	<u>163</u>
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Qard is a contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No profit expense from deposits shall be paid from the transactions.

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**29 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)**

**(d) Other liabilities**

	2020 June RM'000	2020 March RM'000
Impairment allowances on commitment and contingencies		
• Stage 2 - lifetime ECL not credit impaired	(i) 76	14
Accruals and provisions for operational expenses	<u>11,089</u>	<u>11,182</u>
	<u>11,165</u>	<u>11,196</u>

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

	12 month ECL		Lifetime ECL	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>At 1 April 2020</b>	-	14	-	14
Transfer to 12-Month ECL (Stage 1)	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
New financial assets originated	-	26	-	26
Financial assets derecognised (other than write-off)	-	-	-	-
Net remeasurement due to changes in credit risk	-	36	-	36
Amount written off	-	-	-	-
<b>At 30 June 2020</b>	<u>-</u>	<u>76</u>	<u>-</u>	<u>76</u>
<b>At 1 April 2019</b>	-	10	-	10
Transfer to 12-Month ECL (Stage 1)	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
New financial assets originated	-	-	-	-
Financial assets derecognised (other than write-off)	-	-	-	-
Net remeasurement due to changes in credit risk	-	4	-	4
Amount written off	-	-	-	-
<b>At 31 March 2020</b>	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>

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FOR THE QUARTER ENDED 30 JUNE 2020**

**29 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)**

**(e) Commitments and contingencies**

	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
<b>30.06.2020</b>				
<b>Contingent liabilities</b>				
Transaction related contingent items	5,400		2,650	2,650
Short-term self-liquidating trade-related contingencies	7,313		1,436	1,436
	<u>12,713</u>		<u>4,086</u>	<u>4,086</u>
<b>31.03.2020</b>				
<b>Contingent liabilities</b>				
Transaction related contingent items	5,400		2,686	2,686
Short-term self-liquidating trade-related contingencies	-		-	-
	<u>5,400</u>		<u>2,686</u>	<u>2,686</u>

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

	1st quarter ended		Three months ended	
	2020 June RM'000	2019 June RM'000	2020 June RM'000	2019 June RM'000
Money at call and placements with financial institutions	296	298	296	298

**(g) Expenses derived from financing**

	1st quarter ended		Three months ended	
	2020 June RM'000	2019 June RM'000	2020 June RM'000	2019 June RM'000
Deposits from customers	1	-	1	-

**(h) Other Operating Income**

	1st quarter ended		Three months ended	
	2020 June RM'000	2019 June RM'000	2020 June RM'000	2019 June RM'000
Other fee income	482	68	482	68

**(i) Other Operating Expenses**

	1st quarter ended		Three months ended	
	2020 June RM'000	2019 June RM'000	2020 June RM'000	2019 June RM'000
Personnel expenses	93	134	93	134
Other expenses	61	36	61	36
	<u>154</u>	<u>170</u>	<u>154</u>	<u>170</u>

**(j) Allowance for impairment on commitment and contingencies**

	1st quarter ended		Three months ended	
	2020 June RM'000	2019 June RM'000	2020 June RM'000	2019 June RM'000
Stage 1 and 2 ECL made during the year	62	-	62	-

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED 30 JUNE 2020****29 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)****(j) 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:

	<b>2020 June</b>	<b>2020 March</b>
Common equity tier 1 capital ratio	58.135%	59.579%
Tier 1 capital ratio	58.135%	59.579%
Total capital ratio	<u>58.188%</u>	<u>59.602%</u>

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

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
<u>CET 1 and Tier 1 capital</u>		
• Paid-up share capital	25,000	25,000
• Retained profits	11,442	11,442
• Other reserves	18	18
	<u>36,460</u>	<u>36,460</u>
<u>Less</u>		
• Regulatory reserves	<u>(18)</u>	<u>(18)</u>
	36,442	36,442
<u>Tier 2 capital</u>		
• Stage 1 and 2 ECL and regulatory reserve	<u>51</u>	<u>32</u>
Total capital	<u>36,493</u>	<u>36,474</u>

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

	<b>2020 June RM'000</b>	<b>2020 March RM'000</b>
Credit risk	4,086	2,686
Operational risk	<u>58,630</u>	<u>58,510</u>
	<u>62,716</u>	<u>61,196</u>

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**29 THE OPERATIONS OF ISLAMIC BANKING (CONTD.)**

(j) 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
<b>2020 June</b>					
<b>Exposure Class</b>					
(i)	<b>Credit Risk</b>				
	On-Balance Sheet Exposures:				
	Other Assets	289,760	289,760	-	-
	Total On-Balance Sheet Exposures	<u>289,760</u>	<u>289,760</u>	<u>-</u>	<u>-</u>
	Off-Balance Sheet Exposures:				
	Credit-Related Exposures	4,086	4,086	4,086	327
	Total Off-Balance Sheet Exposures	<u>4,086</u>	<u>4,086</u>	<u>4,086</u>	<u>327</u>
	Total On and Off-Balance Sheet Exposures	<u>293,846</u>	<u>293,846</u>	<u>4,086</u>	<u>327</u>
(ii)	<b>Large Exposure Risk Requirement</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(iii)	<b>Market Risk</b>				
	Interest Rate Risk	-	-	-	-
	Foreign Currency Risk	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(iv)	<b>Operational Risk</b>			<u>58,630</u>	<u>4,690</u>
	<b>Total RWA and Capital Requirements</b>	<u>293,846</u>	<u>293,846</u>	<u>62,716</u>	<u>5,017</u>
<b>2020 March</b>					
<b>Exposure Class</b>					
(i)	<b>Credit Risk</b>				
	On-Balance Sheet Exposures:				
	Other Assets	47,819	47,819	-	-
	Total On-Balance Sheet Exposures	<u>47,819</u>	<u>47,819</u>	<u>-</u>	<u>-</u>
	Off-Balance Sheet Exposures:				
	Credit-Related Exposures	2,686	2,686	2,686	215
	Total Off-Balance Sheet Exposures	<u>2,686</u>	<u>2,686</u>	<u>2,686</u>	<u>215</u>
	Total On and Off-Balance Sheet Exposures	<u>50,505</u>	<u>50,505</u>	<u>2,686</u>	<u>215</u>
(ii)	<b>Large Exposure Risk Requirement</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(iii)	<b>Market Risk</b>				
	Interest Rate Risk	-	-	-	-
	Foreign Currency Risk	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(iv)	<b>Operational Risk</b>			<u>58,510</u>	<u>4,681</u>
	<b>Total RWA and Capital Requirements</b>	<u>50,505</u>	<u>50,505</u>	<u>61,196</u>	<u>4,896</u>