Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)
(Incorporated in Malaysia)

Financial Statements for the Financial Year Ended 31 March 2019

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(Company No. 926374-U)
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Directors' Report for the Financial Year Ended 31 March 2019

The Directors have pleasure in submitting their report and the audited financial statements of Sumitomo Mitsui Banking Corporation Malaysia Berhad ("the Bank") for the financial year ended 31 March 2019.

Principal Activities

The Bank is principally engaged in the provision of banking and related financial services. There has been no significant change in the nature of these activities during the financial year.

Ultimate Holding Corporation

The Directors regard Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Financial Group, Inc. as immediate and ultimate holding corporation respectively, during the financial year and until the date of this report. Both companies are incorporated in Japan.

Results

	RM'000
Profit before taxation	243,702
Tax expense	(33,930)
Profit for the year	209,772

Dividends

Since the end of the previous financial year, no dividend was paid and the Directors do not recommend any dividend to be paid for the financial year.

Reserves and Provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Bad and Doubtful Debts and Financing

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that all known bad debts have been written off and adequate provision made for impaired loans, advances and financing.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts or the amount of the provision for impaired loans, advances and financing in the Bank inadequate to any substantial extent.

Current Assets

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that the value of any current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances, which would render the value attributed to the current assets in the financial statements of the Bank misleading.

Valuation Methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Bank's financial statements misleading or inappropriate.

Contingent and Other Liabilities

At the date of this report, there does not exist:

i) any charge on the assets of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Bank that has arisen since the end of the financial year, other than those that may arise in the ordinary course of the banking business.

No contingent liability or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

Change of Circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank, that would render any amount stated in the financial statements misleading.

Items of an Unusual Nature

In the opinion of the Directors, the financial performance of the Bank for the financial year ended 31 March 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors

Directors who served during the financial year until the date of this report are as follows:

Chin Kok Sang
Tan Kim Seng
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah
Tetsuya Kainaka (appointed on 23 January 2019)
Yoshimi Gunji (resigned on 23 January 2019)
Kazuya Ikeda (appointed on 29 May 2019)
Hiroshi Higuma (appointed on 26 June 2018 and resigned on 29 May 2019)

Directors' Interests in Shares

The interests and deemed interests in the shares of the Bank and of its related corporations of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares*			
	Date of Appointment	**Bought**	**Sold**	**At 31.3.2019**
Ultimate holding corporation				
Sumitomo Mitsui Financial Group, Inc.				
- Hiroshi Higuma				
(Resigned on 29 May 2019)	318	20	-	338
- Tetsuya Kainaka	1,645	139	-	1,784

* The ordinary shares of the ultimate holding corporation do not have any par value by virtue of the Japanese Companies Act.

None of the other Directors holding office at the end of the financial year had any interest in the shares of the Bank and of its related corporations during the financial year.

Directors' Benefits

Since the end of previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangements to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate.

Compliance with Bank Negara Malaysia's Expectations on Financial Reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions and Guidelines on Classification and Impairment Provisions for Loans/ Financing.

Bank Ratings

On 11 December 2018, RAM Rating Services Berhad had reaffirmed the Bank's long and short-term financial institution ratings of AA1 Stable and P1 respectively.

Issue of Shares and Debentures

There were no changes in the issued and paid-up capital of the Bank during the financial year.

There were no debentures issued during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Bank during the financial year.

Indemnity and Insurance Costs

The Bank has put in place a Directors and Officers Insurance scheme with a maximum sum insured amount and premium paid of RM4.07 million and RM29,119 respectively effective for the financial year.

Business Results for the Financial Year Ended 31 March 2019

The Bank registered an Operating Profit Before Taxation of RM243.7 million, an increase of RM31.9 million or 15.1% as compared with the previous financial year. The overall good performance of the Bank was mainly attributed to the 24.8% increase in Net Interest Income, amounting to RM245.8 million as compared to RM197.0 million in the previous financial year. Overall, the Bank registered a Net Profit after Tax of RM209.8 million or an increase of 35.9% against the previous financial year.

Total Assets increased by 13.5% amounting to RM19,426 million as compared to the previous year amount of RM17,109 million. This was mainly attributed to the increase in Loans, Advances and Financing of RM1,524 million or 13.3% amounting to RM13,020 million as at 31 March 2019. Total Liabilities recorded a corresponding increase of 14.7% amounting to RM16,344 million from RM14,252 million recorded in the previous financial year. The increase was largely attributed to the higher Deposits from Customers amounting to RM13,753 million – an increase of RM2,601 million or 23.3% from RM11,152 million recorded in the previous year.

Outlook for the Financial Year Ending 31 March 2020

The Malaysian economy expanded at a moderate pace of 4.7% Gross Domestic Product (“GDP”) growth rate in 2018. This was supported by the expansion in both private and public sector spending.

In 2019, the Malaysian GDP is forecast to record a slightly lower rate of between 4.3% - 4.8%. This is against the backdrop of a challenging global economic environment. Domestic demand is expected to continue as the key driver for the GDP growth on the back of robust domestic economic activity in turn fueling the increase in domestic consumption. Malaysia’s private consumption is projected to expand by 6.6% in 2019 supported by key fundamental drivers, namely stable labour market conditions and continued wage growth.

Despite the resilient economic performance, Malaysia remains subject to heightening uncertainties from external factors such as rising protectionism, trade tensions in major economies, geopolitical development and commodity price volatility as well as re-ignition of financial market volatility and rising debts levels in the global market.

The global market is projected to expand moderately following slower growth in both advanced and major emerging market economies. Volatility in global oil prices would also affect the export performance and mining sector investment. Ringgit is expected to see bouts of volatility but move in line with the regional currencies. Malaysia’s diversified structure and inherent dynamism will help to weather the risks and vulnerabilities while preserving macroeconomic and financial stability.

The Bank shall continue to strive harder, with extreme caution in managing the businesses into the next financial year. The Bank will maintain its focus in offering basic commercial banking services such as loan and financing, deposit, foreign exchange, derivatives, cash management services and trade finance in both the conventional and Islamic financing to both Japanese and Non-Japanese clients.

Corporate Governance Disclosures

Board of Directors

The Board brings to the Bank a wealth of knowledge, experience and skills in a wide range of business management, audit and accountancy, economics, finance, risk management, international banking, legal, technology, business planning and strategy. In addition, the composition by the members of the Board is designed to uphold the highest standards of independence and compliance to corporate governance and by setting in place, the strategy and direction of the Bank through the formulation of policies and establishment of the respective Board Committees. These policies will be subjected to regular reviews and enhancements as and when the need arises. All policies are formulated to take into consideration the principles and standards as set by Bank Negara Malaysia (“BNM”) in its Guidelines on Corporate Governance (BNM/RH/PD 029-9).

Board Composition

The Board currently has five (5) members, comprising one (1) Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors and two (2) Executive Directors. The Board has a majority of Independent Directors which comply with the BNM Guidelines on Corporate Governance.

The Board adopted a policy where Independent Non-Executive Directors may be re-appointed for a new term provided that such service tenure does not exceed a term of 9 years. Computation of the service tenure will commence from the date of his appointment in the Bank.

On 15 May 2018, Mr. Chin Kok Sang was redesignated as Independent Non-Executive Chairman of the Bank. He has accordingly vacated his chairmanship in both the Board Audit Committee and Board Nominations and Remuneration Committee. The relinquishment of this Committee Chairmanship is consistent with requirements under the corporate governance standards of the BNM Guidelines on Corporate Governance.

Profile of each Director is as follows:

1. **Chin Kok Sang**
   (61 years – Australian)
   (Independent Non- Executive Chairman)

   Mr. Chin was appointed as an Independent Non-Executive Director on 18 September 2015 and subsequently redesignated as Chairman on 15 May 2018. Mr. Chin relinquished the position as Chairman of both the Board Audit Committee and Board Nominations and Remuneration Committee and remained as a member. He is also a member of the Board Risk Management Committee.

   He has over 30 years experience in the banking and finance industry. He spent 14 years with Societe Generale (SG) Group at its offices in Melbourne, Singapore and Labuan, Malaysia. SG is an international banking group headquartered in Paris and listed on the Paris Stock Exchange.

Corporate Governance Disclosures (continued)

Board Composition (continued)

1. Chin Kok Sang (continued)

He has been a business consultant and corporate adviser to both public listed and unlisted companies in Malaysia as a Corporate and Debt Restructuring specialist since 1998. He has also held senior management positions and served as Independent Non-Executive Director in several public listed companies in Malaysia and Singapore. He was the Group Chief Executive Officer of Denko Industrial Corporation Berhad (a company listed on Bursa Malaysia) between November 2011 and May 2015.

He holds a Bachelor of Commerce from University of Melbourne and is a Fellow Chartered Accountant, Chartered Accountants Australia and New Zealand.

Mr. Chin does not hold any shareholding in the Bank.

2. Tan Kim Seng

(Age 66, Malaysian)
(Independent Non- Executive Director)

Mr. Tan was appointed as an Independent Non-Executive Director on 1 February 2017. He is the Chairman of both the Board Audit Committee and Board Nominations and Remuneration Committee and a member of the Board Risk Management Committee.

Mr. Tan has served in key senior management positions in several local banking institutions during his long professional career in the banking industry.

He holds professional accountancy and chartered secretary qualifications from the Association of Chartered Certified Accountants (ACCA), the Chartered Institute of Management Accountants (CIMA) and the Institute of Chartered Secretaries & Administrators (ICSA).

Mr. Tan does not hold any shareholding in the Bank.

3. Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah ("Dato' Wan Fadzmi")

(Age 53, Malaysian)
(Independent Non- Executive Director)

Dato' Wan Fadzmi was appointed as an Independent Non-Executive Director on 1 April 2018. He is the Chairman of Board Risk Management Committee and a member of both the Board Audit Committee and Board Nominations and Remuneration Committee.

He has over 25 years of experience in domestic and international banking particularly in leading business units at global financial centres namely in London, New York and Hong Kong. He was President/Chief Executive Officer of Bank Pertanian Malaysia Berhad ("Agrobank") from July 2011 till August 2017. During his tenure, he successfully transformed the bank from a conventional leverage model to a full-fledged Islamic Bank, making it one of the few banks in the world to have undergone such a transformation.

Corporate Governance Disclosures (continued)

Board Composition (continued)

3. Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah ("Dato' Wan Fadzmi") (continued)

He holds a Bachelor of Construction Economics from RMIT University in Australia. He is a Chartered Banker, Asian Institute of Chartered Bankers (AICB) and a Chartered Professional in Islamic Finance (CPIF). He has attended the Advanced Management Program at Wharton Business School and the Senior Executive Finance Program at the Templeton College, University of Oxford.

He is also the Independent Non-Executive Director of Bank Pembangunan Malaysia Berhad, Chemical Company of Malaysia Berhad and Hap Seng Consolidated Berhad.

Dato' Wan Fadzmi does not hold any shareholding in the Bank.

4. Kazuya Ikeda

(Age 48, Japanese)
(Executive Director)

Mr. Ikeda was appointed as an Executive Director of the Bank on 29 May 2019.

He is the General Manager, Planning Department of Asia Pacific Division ("PDAPD"), SMBC Singapore Branch, heading the Planning Group of Asia Pacific Division. Prior to his appointment to PDAPD as General Manager, he was the Joint General Manager, Planning Department, International Banking Unit, Head Office, Tokyo, responsible for the strategic planning for the entire business of SMBC Group outside of Japan.

He joined Sakura Bank Limited (then known as Sumitomo Bank Limited) in 1993 in the Mikage Branch, Kobe. Out of 26 years working both in SMBC Japan and Singapore, 23 years were spent in:-

- Formulating and implementing short to mid-term strategies, performance control and business promotions and related middle-back management for SMBC entire business outside of Japan with several initiatives, i.e. Asia Centric Strategy, Bank-Securities Integration Strategy, Competitive Credit Business Strategy and Upgrade of Risk Appetite Framework;
- Creating new global organization such as Global Financial Institution Group Department and Asia Pacific Transaction Business Department;
- Creating the concept of Global Credit Control System; and
- Developing Management Information System for Asia region as well as risk management of derivatives products and developing risk management system.

He was also involved in the establishment of a framework of correspondent banks' KYC processes on the global data base and managed compliance framework of sanctions regulations and established database for cross-border activities regulations.

He holds a Master of Business Administration from University of Chicago and a Bachelor of Science from Kyoto University.

As at 31 July 2019, he held 138 shares in Sumitomo Mitsui Financial Group, Inc., a related corporation of the Bank.

Mr. Ikeda does not have any shareholding in the Bank.

Corporate Governance Disclosures (continued)

Board Composition (continued)

5. Hiroshi Higuma

(Age 50, Japanese)
(Former Executive Director)

Mr. Higuma was appointed as an Executive Director of the Bank on 26 June 2018.

Mr. Higuma joined Sumitomo Mitsui Banking Corporation (then known as Sumitomo Bank Limited) in 1991 in the Hibiya Branch, Tokyo. He has over twenty one (21) years of experience in formulating long term business strategies, project financing for infrastructure projects, joint financing and planning. He has spent over eight (8) years in senior management positions in Tokyo, overseas branches and currently in Singapore.

He holds a Bachelor of Laws from The University of Tokyo.

He resigned as an Executive Director on 29 May 2019.

6. Tetsuya Kainaka

(Age 51, Japanese)
(President/Chief Executive Officer and Executive Director)

Mr. Kainaka was appointed as a President / Chief Executive Officer ("CEO") and Executive Director on 23 January 2019.

Prior to his appointment as a President / CEO and Executive Director in the Bank, he was the General Manager, Global Client Business Department, SMBC Tokyo, responsible for managing and promoting most of the banking related business for major non-Japanese corporate clients based in Japan.

He joined Sumitomo Mitsui Banking Corporation (then known as Sumitomo Bank Limited) in April 1991 in the Shintomicho Branch, Tokyo. He has over 27 years of experience in corporate banking, credits, business strategies, international business and other commercial areas and has spent over 20 years in formulating long term business strategies, establishing good relationship with customers in Japan and overseas, developing and launching new unique products and rebuilding organization with governance and discipline in one of the SMBC subsidiary banks.

He holds a Bachelor of Law from Waseda University, Tokyo, Japan.

As at 31 July 2019, he held 1,915 shares in Sumitomo Mitsui Financial Group, Inc., a related corporation of the Bank.

Mr. Kainaka does not have any shareholding in the Bank.

Corporate Governance Disclosures (continued)

Board Composition (continued)

7. Yoshimi Gunji

(Age 54, Japanese)
(Former President/Chief Executive Officer and Executive Director)

Mr. Gunji was appointed as a President / CEO on 25 June 2015.

He joined Sumitomo Mitsui Banking Corporation (then known as Sumitomo Bank Limited) at the Kandaekimae Branch in Tokyo. He has over twenty nine (29) years of experience in Business banking, Trade finance and Corporate banking and has spent over fifteen (15) years in senior management positions in overseas branches in Thailand, Australia and currently in Malaysia.

He holds a Bachelor of Arts from University of Rikkyo, Japan.

He resigned as a President / CEO and Executive Director on 23 January 2019.

Members of the Board are professionals in their own rights and they possess the pre-requisite skills, knowledge, experiences and expertise from the private sector and the banking industry. They contribute immensely by adding value to the strategy and direction of the Bank. They are persons of high caliber and integrity and they duly fulfilled the "Fit and Proper" standards for appointment of directors as established by the Board in accordance with the Financial Services Act 2013, the Guidelines on Corporate Governance and Fit and Proper Standards, other relevant regulations and industry best-practices.

Board Roles and Responsibilities

The Board shall review and approve strategies, business plans and significant policies and monitors the Management's implementation of the approved strategies, plans and policies. The Board ensures that there are adequate controls and systems in place to facilitate the implementation of the Bank's policies. Consequentially, the Bank establishes comprehensive risk management policies, processes and infrastructure, to manage the various types of risks. The Board accordingly monitors and assesses current developments in the country and globally which may affect the Bank's existing strategic plans.

The Board regularly reviews the adequacy and the integrity of the Bank's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The respective roles of the Chairman and President/CEO are clearly separated from each other with clearly defined responsibilities, authority and accountability. This distinction allows an appropriate balance of roles between the Board and Management. The Independent Directors are independent of management and are free from any business or other relationships that may interfere with the exercise of their independent judgement. A Director who has any interest, either directly or indirectly in any material transactions or arrangements shall at all times declare his/her interest and shall abstain from deliberation and voting when such matters are being tabled to the Board for deliberation and decision.

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Corporate Governance Disclosures (continued)

Performance Criteria used to Assess the Board as a whole

The effectiveness of the Board is measured against the Bank's performance in terms of profitability, internal controls, risk management and cost effectiveness.

Frequency and Conduct of Board Meetings

Regular meetings are scheduled to discuss key issues of the Bank including review of the governance and compliance, financial performance, operations and risk management and to deliberate on matters which require the Board's decision and approval. In addition to scheduled Board and Board Committees' meetings, ad-hoc or special Board and Board Committee meetings may be convened from time to time when required.

Board Meetings

A total of 11 Board meetings were held during the financial year in review. All Directors have complied with BNM requirements that Directors must attend at least 75% of Board meetings held in the financial year. The details of the meeting attendance are as follows:-

Name of Directors	Attendance at Meetings	%
Chin Kok Sang - Chairman	11/11	100
Tan Kim Seng	11/11	100
Dato' Wan Fadzmi	11/11	100
Yoshimi Gunji (resigned on 23 January 2019)	9/9	100
Tetsuya Kainaka (appointed on 23 January 2019)	2/2	100
Hiroshi Higuma (appointed on 26 June 2018 and resigned on 29 May 2019)	9/9	100
Kazuya Ikeda (appointed on 29 May 2019)	-	-

Board Committees

The Board is supported by specific Board Committees to oversee critical and major functional areas of the Bank.

The functions and terms of reference of each Board Committee have been approved by the Board and are revised from time to time to ensure that they are relevant, effective and up-to-date.

The Board Committees established are as follows:

1. Board Nominations and Remuneration Committee;
2. Board Audit Committee; and
3. Board Risk Management Committee.

Corporate Governance Disclosures (continued)

Board Committees (continued)

Board Nominations and Remuneration Committee ("BNRC")

The BNRC consists of three (3) Independent Non-Executive Directors.

Details of attendance of each member at the BNRC meetings held during the financial year in review are as follows:-

Name of Directors	Attendance at Meetings	%
Tan Kim Seng - Chairman	10/10	100
Chin Kok Sang	10/10	100
Dato' Wan Fadzmi	10/10	100

The objective of the BNRC is to provide formal and transparent procedures for the appointment of Directors, President/CEO, members of the Shariah Committee and the Company Secretary. The BNRC assesses the effectiveness of individual Directors, the Board as a whole and the performance of the President/CEO, key senior management, members of the Shariah Committee and Company Secretary as well as make recommendations on remuneration for Directors, President/CEO, key senior management officers and other material risk-takers in the Bank in ensuring that the compensation offered is competitive and commensurate with the Bank's culture, risk appetite, objectives and strategy.

The BNRC with regard to its nomination roles is responsible for amongst others:-

1. Establishing minimum requirements for the Board i.e. the necessary mix of skills, experience, qualification, inclusiveness and other core competencies required of a Director. The Committee is also responsible for establishing minimum requirements for the President/CEO and members of the Shariah Committee.;
2. Assessing and recommending to the Board the nominees for Directorship, Board Committee members as well as nominees for the President/CEO and members of the Shariah Committee;
3. Overseeing the overall composition of the Board, in terms of the appropriate size and skills, balance between Executive Directors, and Independent Non-Executive Directors through annual review;
4. Recommending to the Board the removal of a Director or President/CEO or members of the Shariah Committee from the Board or management if he/she is ineffective, errant and negligent in discharging his/her responsibilities; and
5. Establishing a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the President/CEO, members of the Shariah Committee, and Company Secretary. Ensuring that all Directors and members of the Shariah Committee continue to receive appropriate training program in order to keep abreast with the latest developments in the industry.

Corporate Governance Disclosures (continued)

Board Committees (continued)

BNRC (continued)

The BNRC with regard to its remuneration roles is responsible for :

1. Recommending to the Board the remuneration framework for Directors, President/CEO, members of senior management, other material risk-takers and members of the Shariah Committee;
2. Reviewing and recommending to the Board the remuneration for each Director, President/CEO, members of senior management and other material risk-takers annually;
3. Supporting the Board in actively overseeing the design and operation of the Bank's remuneration framework; and
4. Reviewing and recommending to the Board the annual salary increment and performance bonus for employees of the Bank.

Board Audit Committee ("BAC")

The BAC consists of three (3) Independent Non-Executive Directors.

The details of attendance of each member at BAC meetings held during the financial year in review are as follows:-

Name of Directors	Attendance at Meetings	%
Tan Kim Seng - Chairman	9/9	100
Chin Kok Sang	9/9	100
Dato' Wan Fadzmi	9/9	100

The objective of the BAC is to provide independent oversight of the Bank's financial performance, reporting and internal control framework and to ensure the checks and balances put in place within the Bank are operating effectively.

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Corporate Governance Disclosures (continued)

Board Committees (continued)

BAC (continued)

The key responsibilities of the BAC are:

1. **Reliable and Transparent Reporting**
   i. Support the Board in ensuring a reliable and transparent financial reporting process within the Bank.
2. **Effectiveness of Internal Audit**
   i. Oversee the functions of the Internal Audit Department and ensuring compliance with BNM Guidelines on Internal Audit Functions of Licensed institutions and Head office Policy and Procedure**;**
   ii. Review and approve the audit plan, procedures and frequency;
   iii. Review audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner;
   iv. Noting significant disagreements between the Head of Internal Audit Department/Chief Internal Auditor ("CIA") and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings;
   v. Establish a mechanism to assess the performance and effectiveness of the internal audit function; and
   vi. Appoint, set compensation, evaluate performance, decide on the transfer and dismissal and also review the reasons and circumstances leading to the resignation of the Head of Internal Audit Department / CIA.
3. **Internal Controls**
   i. Review the appropriateness and effectiveness of internal controls and risk management processes.
4. **External Auditors**
   i. Make recommendations to the Board on the appointment, removal and remuneration of the External Auditor;
   ii. Monitor and assess the independence of the External Auditor, including approval of the provision of non-audit services by the External Auditor;
   iii. Monitor and assess the effectiveness of the external audit and meeting with the External Auditor without the presence of Senior Management at least annually;
   iv. Maintain regular, timely, open and honest communication with the External Auditor and requiring the External Auditor to report to the Board AC on significant matters; and
   v. Ensure that senior management is taking necessary corrective actions in a timely and effective manner to address external audit findings and recommendations.
5. **Related Party Transactions**
   i. Review all related party transactions and keep the Board informed of such transactions.
6. **External Experts**
   i. Engage external experts in circumstances where the internal audit function lacks the expertise needed to perform the audit of specialised areas; and
   ii. To ensure that the independence of the external auditor in its role as statutory auditor of the Bank is not compromised if the external auditor is engaged as external experts.

Corporate Governance Disclosures (continued)

Board Committees (continued)

BAC (continued)

Internal Audit and Control Activities

Internal Audit is independent and staffed with qualified internal audit personnel to perform the internal audit functions, covering the financial, operations and management audit. The BAC oversees the functions of the Internal Audit department and ensures compliance with BNM Guidelines on Internal Audit Functions of Licensed Institutions (BNM/RH/GL 013-4).

The responsibilities of the Head of Internal Audit/ CIA and audit personnel are:

1. Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by Management and submit that plan to the BAC for review and approval;
2. Implement the approved annual audit plan, including any special appropriate tasks or projects requested by BNM, the Management and directed by the BAC;
3. Maintain clearly documented audit programs to provide guidance to auditors in gathering information, documenting procedures performed and making assessment;
4. Maintain a team of professional audit staff with sufficient knowledge, skills and experience to fulfil the responsibilities;
5. Checking and testing the compliance with, and effectiveness of policies, procedures and controls and assessing whether current measures are in line with the latest developments and changes to the relevant BNM requirements;
6. Issue written audit reports to the BAC and Management, detailing the audit findings and recommendations as well as the client's responses and action plans in a timely manner after the completion of the audit;
7. Monitor progress of rectification actions on findings raised, taking into consideration the timeline committed by Management. This includes rectification actions taken in regard to findings raised by regulatory authorities or external auditors; and
8. Conduct investigation on suspected fraudulent activities when required and notify Management and the BAC of the results.

Corporate Governance Disclosures (continued)

Board Committees (continued)

Board Risk Management Committee ("BRMC")

The BRMC consists of three (3) Independent and Non-Executive Directors.

Details of attendance of each member at the BRMC meetings held during the financial year in review are as follows:-

Name of Directors	Attendance at Meetings	%
Dato' Wan Fadzmi - Chairman	10/10	100
Tan Kim Seng	10/10	100
Chin Kok Sang	10/10	100

The objective of the BRMC is to oversee the Bank's activities in managing credit, market, liquidity, operational, legal, compliance and other related risks and to ensure that the risk management process and control are in place and functioning effectively.

The BRMC is responsible for amongst others:

1. Reviewing and recommending to the Board on the Bank's risk management strategies, policies and risks tolerance;

2. Reviewing and assessing the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;

3. Ensuring adequate infrastructure, resources and systems are in place to support effective risk management and to ensure that the staff responsible for implementing these risk management systems perform those duties independently of the Banks' risk taking activities;

4. Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and

5. Appoint, set remuneration, evaluate performance and decide on the dismissal of the Head of Risk Management/Chief Risk Officer ("CRO") and Head of Compliance Department/Chief Compliance Officer ("CCO"). Both the CRO and CCO report directly to the BRMC.

Corporate Governance Disclosures (continued)

Trainings attended by the Directors

Trainings programmes, conferences and forums attended by the Directors for the financial year ended 31 March 2019 were as follows:-

Name of Director	Training Programme
Chin Kok Sang	1. How women leaders unleash their strength 2. Blockchain in Financial Services Industry by IBM 3. Global Conference 2018 - Enterprise Risk Management: The New Paradigm 4. Practical Applications of AI for Businesses, then can be Implemented Right Away 5. Audit Committee Institute ("ACI") Breakfast Roundtable 2018 6. Sales and Service Tax ("SST") Seminar 7. IBM THINK Malaysia 8. The Malaysian SST Makes a Comeback: How should businesses prepare? 9. Future of Business Malaysia 10. Global Islamic Finance Forum 2018 11. SCMP China Conference 12. LSE Insights: 10 Years After the Global Financial Crisis: Lessons Learnt… or Forgotten? 13. Islamic Finance for Board of Directors Programme 14. "Fintech: Disruption to be Embraced?" - Demo Day and Dialogue with 10 Fintech Companies 15. Introduction to MBRS 16. MFRS 15 - Revenue from Contracts with Customers 17. Talk Event: "Let's Get Real" on Anti-Bribery 18. FIDE FORUM Dinner Talk - Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions
Tetsuya Kainaka (Appointed on 23 January 2019)	1. FIDE Core Programme Module A (Bank) 2. FIDE Core Programme Module B (Bank)

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Corporate Governance Disclosures (continued)

Trainings attended by the Directors (continued)

Name of Director	Training Programme
Tan Kim Seng	1. Win the innovation race: Unlocking the creative power of Asians by Professor Roy Chua 2. IBM THINK Malaysia 3. Islamic Finance for Board of Directors Programme 4. 2nd Islamic Fintech Dialogue (IFD2019) 5. The Edge-Citigold Wealth Forum 2019 6. Focus Group Discussion - in preparation for the 6th BNM - FIDE FORUM Annual Dialogue 7. Income Tax Voluntary Disclosure Program Seminar 8. Reading the Signs: The Next Financial Crisis and Potential Impact on Asia 9. FIDE FORUM Dinner Talk - Digital Assets: Global Trends Legal Requirements and Opportunities for Financial Institutions
Dato' Wan Fadzmi	1. Corporate Orientation 2. AICB Global Banking Conference Banking in the Digital Age: Disruption. Reinvention. Revolution 3. SCMP China Conferences 4. Islamic Finance for Board of Directors Programme
Hiroshi Higuma (Resigned on 29 May 2019)	1. FIDE Core Programme Module A (Bank) 2. FIDE Core Programme Module B (Bank) 3. Annual Compliance, AML and Anti-Bribery & Corruption Refresher Training 4. Regional Leadership Program 5. KYC Study Session 6. Islamic Finance for Board of Directors Programme 7. Risk Appetite Framework 8. Annual Information Security Awareness Programme 9. Cyber Security Training

Corporate Governance Disclosures (continued)

Internal Control Framework

Board Responsibility

The Board is responsible for the Bank's system of internal control which includes the implementation of an appropriate internal control framework and periodically reviews whether the framework remained appropriate. The internal control framework addresses the need to have in place a set of rules and controls governing the Bank's organisational and operating structure, including reporting process and control functions.

The Board is committed to maintaining a sound internal control framework in the Bank to safeguard its assets and stakeholders' interests.

The internal control framework lies in the foundation of the Bank's Three Lines of Defense and in its key internal control processes.

Three Lines of Defense

I. First Line of Defense

The first line of defense in the control environment is the business operations which perform day to day risk and control management activities. It covers both the operations by the business and the support functions.

The staff of the business and support functions must understand their roles and responsibilities with regard to processing transactions and who must follow systematic procedures and processes to ensure the established internal controls are complied with.

The Heads of Department are responsible to identify and assess risks and to ensure that the control activities and other responses that address the risks are monitored and enforced.

II. Second Line of Defense

The second line of defense is the Risk and Compliance functions that provide independent oversight of the risk management activities of the first line of defense.

i. Risk Management Functions

These functions, comprising the managements of credit, market and operational risks, are headed by the CRO, who reports directly to the BRMC. These functions provide independent challenge to the business and support functions and ensure that Management is duly informed of any lapses or breaches.

The major responsibilities of these functions, among others, are participating in the business units' risk committees, reviewing risk reports and validating compliance to the risk management framework requirements, with the objective of ensuring that risks are actively and appropriately managed. The risk management functions shall be guided by the risk management process.

Corporate Governance Disclosures (continued)

<u>Internal Control Framework (continued)</u>

Three Lines of Defense (continued)

II. <u>Second Line of Defense (continued)</u>

ii. <u>Shariah Risk Function</u>

This function, under the Islamic Banking Department ("IBD"), ensures that all Islamic banking facilities and transactions of the Bank are in accordance with Shariah requirements. IBD reports directly to Shariah Committee, while reporting to BRMC is through the CRO.

iii. <u>Compliance Risk Function</u>

This function is responsible for the following:-

a. Identification, assessment and monitoring of compliance risks;
b. Reporting of compliance risk; and
c. Providing advisory, guidance and training with regards to compliance with rules and regulations.

This function reports to BRMC.

III. <u>Third Line of Defense</u>

The third line of defense is provided by Internal Audit who reports directly to the BAC, as well as indirectly to Shariah Committee with regards to Shariah matters. It entails independent challenge, audit of key controls, formal reporting on assurance, and audit of assurance providers.

The function provides independent, objective assurance and consulting activities to add value and improve operations to the business and support functions, including risk management and compliance functions.

The internal audits are conducted in accordance with the annual audit plan as approved by the BAC. Ad-hoc audits are also conducted on a needs basis as or when it is required by BNM.

The Internal Audit function adopts a risk-based approach in its audit planning. Audit reports are tabled to the BAC reporting on the state of the Bank's internal control and the extent of compliance with the established policies and procedures as well as regulatory requirements. In addition, the function duly monitors the implementation of the Management action plans which seek to address the weaknesses identified by the Internal Auditors.

In addition, independent challenge and audit of key controls may also be performed by the Head Office Internal Auditor and the External Auditor.

Company No. 926374-U

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal control, including compliance with applicable laws, regulations, rules and guidelines, are as follows:

BRMC

BRMC is a Board Committee chaired by an Independent and Non-Executive Board member. The Committee is delegated with oversight authority by the Board of Directors, in discharging its overall duties and responsibilities. The Committee monitors and evaluates the effectiveness of the risk management system, compliance function and operations on an on-going basis. This Committee also decides and approves matters related to establishment, amendment and abolition of important rules and policies.

At the Management level, both the Assets & Liability Management Committee (“ALCO”) and Risk Management Committee (“RMC”) comprising of key Management personnel are chaired by the President/CEO. The Committees meet every month and, when necessary, special meetings are convened to discuss on urgent issues. Both Committees review risk management and/or compliance reports regularly so as to ensure that the Bank’s activities are within the risk appetites as approved by the Board.

The objective of RMC is to support BRMC and the Board with regards to be expectations on the risk management and compliance as set out in BNM’s policy documentations on Risk Governance and Compliance in particular, and other regulatory policy documents. RMC is also responsible to decide on important risk management and compliance matters, including matters related to various principal policies on risk management, that are within the scope as delegated by the Board. Existence or occurrence of matters or issues deemed material will be escalated to the Board or any of its Committees for further deliberation and decision.

The main objective of ALCO is to ensure that the Bank’s asset and liability exposures to interest rate risk and liquidity risk are within the risk appetites and policies defined by the Board. In includes analysis of risk appetites, revenue targets and rates of return where areas of coverage include capital ratios, liquidity position and asset mix, rate-setting policy for loans and deposits, and investment guidelines for banking portfolio.

BAC

BAC is a Board Committee supported by Internal Audit Department to provide an independent assessment of the adequacy and reliability of the Bank’s internal controls, risk management processes, compliances with control and risk policies and regulatory requirements.

The BAC deliberates on findings and recommendations proposed by the Internal and External Auditors. The BAC also evaluates the adequacy and effectiveness of the Bank’s risk management and system of internal control. Apart from reviewing the annual audit plan, the BAC assesses the scope and quality of audits performed.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Shariah Committee

Shariah Committee is responsible to advise the Board and to provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles in its Islamic banking activities at all times. It is also responsible to assess the work carried out by Shariah review and Shariah audit in order to ensure the Bank is Shariah compliant.

Senior Management and other Management Committees

The President/CEO, assisted by the Deputy President and Deputy Chief Executive Officer, manages the strategic direction and provides strategic guidance to the business of the Bank.

The President/CEO provides direction and awareness of internal control and compliance via the In-Office Compliance Committee and the System and Operation Planning Committee.

The In-Office Compliance Committee provides the platform to discuss the state of regulatory compliance and AML/CFT in the Bank and updates on the progress of the activities undertaken as well as on matters and laws/regulatory requirements which may have an impact on the Bank's operations and control.

The System and Operation Planning Committee formulates and reviews the IT Strategic Plan of the Bank which supports the overall organisational strategic business plan. In carrying out its function, the Committee reviews, monitors and provides recommendations on the IT expenditure of the Bank to optimise on the IT investments and to achieve overall efficiency and performance of the IT services and utilization. The Committee also reviews the IT policies and procedures and administers as well as monitors the operational control to minimize operational and processing risks. The Committee is also responsible in reviewing and advising Senior Management on controls and matters pertaining to data management, Management Information System framework and IT security/system.

Internal Policies and Procedures

Clearly documented internal policies and procedures of all departments have been approved by the Board. These policies and procedures which are easily accessible through the Bank's Intranet serves as a day-to-day operational guide to ensure compliance with internal controls and the applicable laws and regulations. Annual reviews are conducted to ensure that the policies and procedures are up-to-date with the practices as embraced; in ensuring operational efficiency and effectiveness; and to take into account the changing regulatory requirements, risks and external environment to continuously strengthen internal control.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

New Product Policy and Procedures

All new products undergo the requirements as per the Bank's New Product Policy and Procedures. All risks associated with the new products are identified and managed using the appropriate assessment and mitigation practices with assessments from the Risk Departments, Planning Department and the Islamic Banking Department in regards to Islamic products. Legal Department and Compliance Department provides legal advisory and regulatory compliance review respectively.

In the process, all new products are subject to adequate assessment with respect to their suitability from the business perspective, compliance with laws and regulatory guidelines and that the operations and processes contain sufficient controls to ensure that there are no unlawful activity involving money laundering or financing of terrorism.

The new products are tabled at the RMC for deliberation prior to the approval of the President/CEO followed by the approval of the Board for conventional banking products and to the Shariah Committee and Board for approval in regards to Islamic products.

Annual review of all products is performed to review and assess the products' business performance and management of risks.

Compliance

The compliance culture of the Bank is driven with a strong tone from the top to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees at all level of business and activities across the Bank.

The Bank takes a firm stand in advocating a compliance culture as compliance is the responsibility of all employees. All business lines and functions within the Bank are to carry out their responsibilities to ensure effective management of compliance risk.

The Compliance function is to promote the culture of compliance with legal and regulatory requirements, compliance related policies and procedures and ethical standards in the conduct of business.

The Compliance Department of the Bank is responsible for ensuring that controls to manage compliance risk are adequate and operating as intended. A Compliance Risk Assessment is undertaken by the department to assess the areas of higher compliance risk/weaker controls on annual basis and an Action Plan is then prepared to outline control activities on areas of risks/weaknesses. The department performs Compliance Self-Reviews to ensure that the regulatory requirements and policies of the Bank are complied with. The department also conducts appropriate validation to test and evaluate the adequacy of internal control put in place to manage compliance risks and promptly follow-up on any identified deficiencies and plans to address such deficiencies. Compliance risks findings and recommendations are reported to the Senior Management, In-Office Compliance Committee and the BRMC/Board on a regular basis.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Compliance (continued)

The department carries out compliance awareness and training via face-to-face training and e-learning on a continuous basis.

The Bank has in place a Compliance Manual which serves as a reference to all employees of the legal and regulatory requirements of which the Bank has to comply when conducting business, and the internal rules and procedures for conduct of its employees. The Compliance Manual is subjected to annual review.

Whistle Blowing Policy

The Bank has put in place a Whistle Blowing Policy and Procedure Manual. BRMC Chairman, who is an Independent Non-Executive Director has been appointed to be responsible person for the effective implementation of the policy. The Policy and Procedure defines the means and methods for reporting of the allegations, the protection accorded to whistle-blowers and the duties and responsibilities of Directors, officers and employees. The outcomes of all investigations are to be reported to the Board or its appointed Committee.

Anti-Money Laundering/Counter Financing of Terrorism

Policies and Procedures on the Prevention of Money Laundering & Terrorist Financing are established to prevent money laundering and terrorist financing, and operate and manage businesses in accordance with the law and regulations.

It is the general principle of the Bank that no banking business will be carried out for a customer unless the Bank knows the customer. The “Know Your Customer” Policy helps build the Bank’s relationship with customers and in ensuring that the Bank is in compliance with all applicable laws and regulations and adhere to sound banking practices. A system is in place to profile, monitor and review of information in support of the Bank’s AML/CFT activities.

The Compliance Department of the Bank provides training to facilitate all staff’s understanding of the laws and regulations in relation to money laundering, terrorist financing and sanction laws.

All new staff are required to read and understand the Policies and Procedures on the Prevention of Money Laundering & Terrorist Financing and complete the requisite AML/CFT training upon joining the Bank. All staff undergo AML/CFT training annually.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Human Resources Policies and Procedures

The Human Resources ("HR") Policies and Procedures are established in covering the full process of human resource management such as the recruitment, learning and development, performance management, compensation and benefits, termination of employment which includes resignation and dismissal of staff due to disciplinary action. The policies and procedures which are subjected to annual review are readily available for staff through the Bank's Intranet.

i. Code of Ethics and Conduct, Employee Handbook and Office Rules

The HR Policies and Procedures also include the Bank's Code of Ethics and Conduct which set forth the standard of behaviors, ethics and conduct expected of its employees. All new staff are required to acknowledge their understanding and acceptance to abide by the Bank's Code of Ethics and Conduct on hardcopy upon joining the Bank. Subsequently, all existing staff are to declare the observance to the Code of Ethics and Conduct annually. In addition, all new staff are to abide by the Employee Handbook and Office Rules of the Bank.

ii. Employee Assessment Framework

The evaluation of a prospective employee's personal information, including criminal records, employment and financial background is part of the HR recruitment process as documented in the Bank's HR Policies and Procedures. Employment reference checks and screening procedures are carried out prior to hiring the employee. The screening procedures also apply throughout the course of employment where existing employees are screened annually.

Business Continuity Management

The Operation Planning Department of SMBC SSC Sdn. Bhd., the Bank's outsourced service provider, ensures that there is a Business Continuity Plan ("BCP") in place to ensure critical business operations and systems can continue in the event of prolonged disruption to the business. The department spear-heads the Business Impact Assessment of the Bank's operations to identify the activities and operations that are critical to the continuity of the Bank's operations. The department manages the Business Continuity Management activities for the Bank's operations and ensures that all mandatory BCP and Disaster Recovery Plan drills are successfully carried out. The Bank has subscribed to a Disaster Recovery site which serves as the back-up site, with an independent service provider.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Risk Control Self-Assessment

A Risk Control Self-Assessment ("RCSA") tool is used to assist the Bank's departments to identify and assess their operational risk which are inherent in their work processes, activities, services, products and systems in a documented and systematic manner. The RCSA also enables the departments to assess the effectiveness of their controls to mitigate the operational risks. The implementation of RCSA is facilitated by the Operational Risk Management Department (ORMD) where it provides operational support on risk and control assessments, which will lead to formulation of action plans by the relevant departments to mitigate and manage the identified operational risks.

As the risk awareness levels improve amongst the risk owners, ORMD will progress to conduct "deep dive" reviews of specific high risk areas, with the objectives to improve control effectiveness and reduce risk levels.

Another assessment tool which has been implemented is Key Control Testing, where risk owners self assess their controls to ensure they are in place and are effective. As an added measure, ORMD will conduct independent assessment on a sampling basis.

Loss Database and Key Risk Indicator

The Bank has in place a Loss Database i.e. a loss incident reporting database, which captures and tracks the actual and potential operational risk-related losses, including near miss incidents. Major or high frequency loss events are investigated and analyzed against past records and trends to identify high risk areas and to take action to mitigate the risk. Preventive measures and additional controls, if any, are tracked for completion and effectiveness.

In addition, the Bank also monitors operational risk trends via its Key Risk Indicators reporting, which involves collecting transactional data at prescribed frequencies over a period of time to observe the trending of business or transaction activities. Management limits and thresholds are determined to pre-empt and/or alert the departments on additional controls to be implemented to mitigate operational risks.

Loss incidents and Key Risk Indicators are duly reported to the Senior Management and the Board.

Corporate Governance Disclosures (continued)

Remuneration

The Remuneration Policy of the Bank outlines the mandatory requirements that must be reflected in the design and management of performance and remuneration arrangement in the Bank. Our remuneration strategy is designed to enable the Bank to attract and retain talents, motivate them to achieve the Bank's long terms goals, support compliance and good corporate governance and promotes effective risk management.

Components of Remuneration

Employee remuneration is composed of two main components - fixed and variable:

Fixed	Consist of monthly base salary and fixed allowances	Determined by individual's roles and responsibilities, experience and skills, competency and market competitiveness. It should also reflect core performance requirements and expectations.
Variable	Annual performance bonus in cash	Performance-based and not guaranteed, reflecting overall bank's performance and individual performance. Purpose of the performance bonus is to reward good performance; drive the right values and behaviours.

Measurement of Performance

With oversight and review by the Board, the Bank's overall performance is determined in accordance with three core evaluation factors which include Sustainable Growth Initiatives, Financial Performance, Bank Management and Compliance, including Risk Management Control.

The Bank's key indicators are cascaded down to the business and support departments and eventually to each individual employee in the Bank via the Individual Performance Appraisal process. The individual performance goals or key performance indicators ("KPIs") include Business Function Initiatives, Risk and Compliance and Behavioral Competencies that reflects Sumitomo Mitsui Banking Corporation's ("SMBC") five core values of Customer First, Proactive & Innovative, Quality, Speed and Team SMBC.

The risk and control functions of Audit, Compliance and Risk Management operate independently from the business department. Their performance assessment is based principally on the achievement of the objectives of their job functions and reviewed independently by the BAC and the BRMC.

Corporate Governance Disclosures (continued)

Remuneration (continued)

Linkage between Performance and Remuneration

To inculcate a performance driven culture, the performance bonus payment is closely linked to overall performance of the Bank and performance of the individual based on achievement of KPIs set for the financial year. An individual's performance bonus may be further adjusted based on audit and non-compliance findings or due to disciplinary action.

Remuneration of Senior Management and local employees are reviewed by the BNRC and approved by the Board of Directors while remuneration of the Heads of the risk and control functions are reviewed by their respective Board committees i.e. BAC and BRMC.

Summary of Remuneration Outcomes for the Financial Year Ended 31 March 2019

For the purpose of disclosure on remuneration as per BNM's Policy on Corporate Governance, the following are the payment for the financial year ended 31 March 2019:

Table 1: Guaranteed bonuses, sign-on bonuses and severance payments

Category	Senior Officers*	Other Material Risk Takers**
Number of guaranteed bonuses	Nil	Nil
Number of sign-on bonuses	Nil	Nil
Number of severance payments	Nil	Nil

*Senior Officers of the Bank are defined as Deputy Chief Executive Officer, Deputy President, Head of Corporate Banking, Head of Treasury, Chief Risk Officer, Chief Compliance Officer and Chief Internal Auditor.

**Other Material Risk Takers ("OMRT") are defined as employees whose responsibilities have material impact on the Bank and risk profile, and employees whose responsibilities require them to take on material risk exposure on behalf of the Bank.

Corporate Governance Disclosures (continued)

Remuneration (continued)

Table 2: Remuneration for Senior Officers

The remuneration package for Senior Officers and OMRTs are reviewed on an annual basis and submitted to the BNRC for recommendation to the Board for approval.

Summary of FY2019 compensation outcome for those identified as Senior Officers of the Bank:

Category	Senior Officers (7 Headcount)		OMRT^	
	Unrestricted	Deferred*	Unrestricted	Deferred
Fixed remuneration:				
- Cash based	RM 3,906,123	-	RM816,546	-
- Shares and share-linked instruments	-	-	-	-
- Other	-	-	-	-
Variable remuneration:				
- Cash based	RM1,407,809	RM187,305	RM443,499	RM49,277
- Shares and share-linked instruments	-	-	-	-
- Other	-	-	-	-

^ No OMRT reported in FY2018 as the OMRTs reported in FY2017 have been appointed as Senior Officers in FY2018 (They are Head of Corporate Banking and Head of Treasury).
* Deferral Policy was implemented in FY2018.

Table 3: Breakdown of CEO's remuneration

Category	Cash
Fixed remuneration	RM666,430
Variable remuneration:	
- Non-deferred	RM227,859
- Deferred	-
Total remuneration award for financial year ended 31 March 2019	RM894,289

Note:
The remuneration reported contained remuneration for current and former CEOs. Details are disclosed in Note 22 to the financial statements.

Corporate Governance Disclosures (continued)

<u>Shariah Committee ("ShC")</u>

Members of the ShC are Shariah qualified persons in their own rights and they possess the pre-requisite knowledge, expertise and experience in Shariah. Their appointments were made after vigorous selections process and approved by BNM. The current members of ShC have been ShC members since it was first established on 1st December 2014.

It was unanimously agreed by members of ShC that the position of Chairman of ShC be rotated every 2 years. The current Chairman of ShC is Mr. Mohamed Khairul Anuar bin Mohd Basri, who was appointed on 28 March 2019, after taking over from Dr. Muhammad Pisol bin Mohd @ Mat Isa after he has served 2 years as Chairman of ShC. The other member of ShC is Dr. Mushaddad bin Hasbullah.

For financial year ended 31 March 2019, the ShC held 7 meetings, in addition to a special meeting with members of the Board of Directors and Senior Management as part of the effort to foster closer relationship between all a parties.

The details of attendance of each member at the ShC Meetings held during the financial year ended 31 March 2019 are as follows: -

Name of ShC member	Attendance at Meetings	%
Encik Mohamed Khairul Anuar bin Mohd Basri - Chairman	7/7	100
Dr. Muhammad Pisol bin Mohd @ Mat Isa	7/7	100
Dr. Mushaddad bin Hasbullah	7/7	100

ShC is responsible for:

1. Advising the Board and provide objective and sound input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times;
2. Endorsing Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah;
3. Ensuring that the products of the Bank comply with Shariah principles, the ShC must approve:
    i. The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
    ii. The product manual, marketing advertisements, sales illustrations and brochures used to describe the product;
4. Assessing the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters;
5. Advising the Bank to consult BNM's Shariah Advisory Council ("SAC") on Shariah matters that could not be resolved; and
6. Providing written Shariah opinions, decision or advise in circumstances where the Bank makes reference to the BNM's SAC for further deliberation, or where the Bank submits applications to the BNM for new products.

Auditors

The auditors, KPMG PLT have indicated their willingness to accept re-appointment.

The auditors’ remuneration is disclosed in Note 21 to the financial statements.

Signed on behalf of the Board of Directors in accordance with the resolution of the Directors:

……………………………………………………………
Tan Kim Seng
Director

……………………………………………………………
Tetsuya Kainaka
Director

Kuala Lumpur

Date: 4 September 2019

Company No. 926374-U

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Beneficent, the Merciful

In complying with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Sumitomo Mitsui Banking Corporation Malaysia Berhad during the financial year ended 31 March 2019. We have also conducted our review to form an opinion as to whether Sumitomo Mitsui Banking Corporation Malaysia Berhad has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of Sumitomo Mitsui Banking Corporation Malaysia Berhad is responsible for ensuring that the financial institution conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion based on our review of the operations of Sumitomo Mitsui Banking Corporation Malaysia Berhad and to report to you.

We have assessed the work carried out by Shariah review which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by Sumitomo Mitsui Banking Corporation Malaysia Berhad.

We have obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Sumitomo Mitsui Banking Corporation Malaysia Berhad have not violated the Shariah principles.

In our opinion, the contracts, transactions and dealings entered into by Sumitomo Mitsui Banking Corporation Malaysia Berhad during the financial year ended 31 March 2019 that we have reviewed are in compliance with the Shariah principles.

We, the members of the Shariah Committee of Sumitomo Mitsui Banking Corporation Malaysia Berhad, do hereby confirm that the operations of Sumitomo Mitsui Banking Corporation Malaysia Berhad during the period we acted as Shariah Committee Members, for the financial year ended 31 March 2019 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee : ……………………………………………………
Mohamed Khairul Anuar bin Mohd Basri

Shariah Committee member : ……………………………………………………
Dr. Muhammad Pisol bin Mohd @ Mat Isa

Shariah Committee member : ……………………………………………………
Dr. Mushaddad bin Hasbullah

Kuala Lumpur:
Date: 4 September 2019

Sumitomo Mitsui Banking Corporation Malaysia Berhad
(Company No. 926374-U)
(Incorporated in Malaysia)

Statement of Financial Position as at 31 March 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Cash and short-term funds	3	4,377,758	3,616,844
Deposits and placements with banks and other financial institutions	4	762,624	639,783
Debt instruments measured at fair value through other comprehensive income ("FVOCI")	5	733,457	-
Investment securities available-for-sale	6	-	550,770
Loans, advances and financing	7	13,020,394	11,496,753
Derivative financial assets	33	355,051	554,223
Other assets	8	72,479	195,759
Statutory deposits with Bank Negara Malaysia	9	50,680	40,700
Plant and equipment	10	15,822	13,936
Tax recoverable		37,919	627
Total assets		19,426,184	17,109,395
Liabilities			
Deposits from customers	11	13,752,568	11,151,646
Deposits and placements of banks and other financial institutions	12	1,982,471	2,327,691
Bills and acceptances payable		1,305	9,589
Derivative financial liabilities	33	309,102	538,844
Other liabilities	13	250,692	197,901
Provision for credit commitments and contingencies	14	16,016	-
Deferred tax liabilities	15	31,997	26,531
Total liabilities		16,344,151	14,252,202
Equity			
Share capital	16	2,452,605	2,452,605
Reserves	17	629,428	404,588
Total equity attributable to owners of the Bank		3,082,033	2,857,193
Total liabilities and equity		19,426,184	17,109,395
Commitments and contingencies	30	30,342,234	26,928,827

The notes on pages 38 to 142 are an integral part of these financial statements.

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)
(Incorporated in Malaysia)

Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 31 March 2019

	Note	2019 RM'000	2018 RM'000
Interest income	18	648,295	418,852
Interest expense	19	(402,487)	(221,851)
Net interest income		245,808	197,001
Other operating income	20	123,465	118,300
Net operating income		369,273	315,301
Other operating expenses	21	(120,210)	(116,376)
Operating profit		249,063	198,925
Allowance for impairment on loans, advances and financing	23	(5,088)	12,833
Allowance for impairment on other financial assets	24	(273)	-
Profit before taxation		243,702	211,758
Tax expense	25	(33,930)	(57,446)
Profit for the year		209,772	154,312
Other comprehensive income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Movement in fair value reserve (FVOCI debt instruments):			
- Debt instruments measured at FVOCI – net change in fair value		1,681	-
- Debt instruments measured at FVOCI – increase in allowance for impairment		143	-
Movement in fair value reserve (available-for-sale financial assets):			
- Available-for-sale financial assets – reclassified to profit or loss		-	(776)
Total comprehensive income for the year		211,596	153,536
Basic earnings per ordinary share (sen)	26	8.55	7.09

The notes on pages 38 to 142 are an integral part of these financial statements.

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)
(Incorporated in Malaysia)

Statement of Changes in Equity for the Financial Year Ended 31 March 2019

	←	Attributable to owners of the Bank				→	
		← Non-Distributable			→	Distributable	
	Share capital RM'000	**Statutory reserve RM'000**	**Regulatory reserve RM'000**	**Available-for-sale reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 April 2017	1,575,000	126,963	55,349	1,590	-	67,150	1,826,052
Issue of shares	877,605	-	-	-	-	-	877,605
Profit for the year	-	-	-	-	-	154,312	154,312
Fair value changes of available-for-sale financial assets	-	-	-	(776)	-	-	(776)
Total comprehensive income for the year	-	-	-	(776)	-	154,312	153,536
Transfer to regulatory reserve	-	-	19,793	-	-	(19,793)	-
Transfer between reserve	-	(126,963)	-	-	-	126,963	-
At 31 March 2018 / At 1 April 2018	**2,452,605**	**-**	**75,142**	**814**	**-**	**328,632**	**2,857,193**
Effect of initial adoption of MFRS 9, *Financial Instruments*, net of tax	-	-	27,838	(814)	1,048	(14,828)	13,244
At 1 April 2018, restated	**2,452,605**	**-**	**102,980**	**-**	**1,048**	**313,804**	**2,870,437**
Profit for the year	-	-	-	-	-	209,772	209,772
Fair value changes of debt instruments measured at FVOCI	-	-	-	-	1,824	-	1,824
Total comprehensive income for the year	-	-	-	-	1,824	209,772	211,596
Transfer to regulatory reserve	-	-	8,618	-	-	(8,618)	-
As at 31 March 2019	**2,452,605**	**-**	**111,598**	**-**	**2,872**	**514,958**	**3,082,033**
	Note 16		Note 17	Note 17	Note 17	Note 17	

The notes on pages 38 to 142 are an integral part of these financial statements.

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)
(Incorporated in Malaysia)

Statement of Cash Flows for the Financial Year Ended 31 March 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	243,702	211,758
Adjustments for:		
Depreciation of plant and equipment	3,866	4,132
Provision for loans, advances and financing (Note 23)	-	(12,833)
Allowance for impairment on loans, advances and financing (Note 23)	5,088	-
Allowance for impairment on other financial assets (Note 24)	273	-
Unrealised net (gain) / loss on revaluation of derivatives	(5,463)	7,952
Amortisation of premium on debt securities	301	600
Operating profit before working capital changes	247,767	211,609
Decrease/(Increase) in operating assets:		
Deposits and placements with banks and other financial institutions	(123,396)	(13,590)
Statutory deposits with Bank Negara Malaysia	(9,980)	(38,472)
Loans, advances and financing	(1,493,319)	(643,826)
Derivative financial instruments	(25,107)	68,199
Other assets	123,262	(177,054)
(Decrease)/Increase in operating liabilities:		
Deposits from customers	2,600,922	(34,270)
Deposits and placements of banks and other financial institutions	(345,220)	(890,233)
Bills and acceptances payable	(8,284)	7,866
Other liabilities	52,793	(544,351)
Cash generated from/(used in) operating activities	1,019,438	(2,054,122)
Taxation paid	(71,295)	(38,112)
Net cash generated from/(used in) operating activities	948,143	(2,092,234)
Cash flows from investing activities		
Purchase of plant and equipment	(5,752)	(3,233)
Acquisition of investment securities measured at FVOCI/ available-for-sale	(731,546)	(551,371)
Disposal of investment securities measured at FVOCI/ available-for-sale	550,770	681,181
Net cash (used in)/generated from investing activities	(186,528)	126,577

Company No. 926374-U

Statements of Cash Flows
for the Financial Year Ended 31 March 2019 (continued)

	2019 RM'000	2018 RM'000
Cash flows from financing activities		
Proceeds from issuance of shares	-	877,605
Net cash generated from financing activities	-	877,605
Net increase/(decrease) in cash and cash equivalents	761,615	(1,088,052)
Cash and cash equivalents at beginning of the financial year	3,616,844	4,704,896
Cash and cash equivalents at end of financial year	4,378,459	3,616,844

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position balances as per Note 3:

	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	52,810	80,061
Money at call and deposit placements maturing within one month	4,325,649	3,536,783
	4,378,459	3,616,844

Notes to the Financial Statements for the Financial Year Ended 31 March 2019

Sumitomo Mitsui Banking Corporation Malaysia Berhad ("the Bank") is a public limited company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is Suite 22-03, Level 22, Integra Tower, The Intermark, 348, Jalan Tun Razak, 50400 Kuala Lumpur.

The Bank is principally engaged in the provision of banking and related financial services.

The immediate and ultimate holding corporations during the financial year are Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Financial Group, Inc. respectively. Both corporations are incorporated in Japan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 4 September 2019.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations 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 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3*, Business Combinations – Definition of Business*
- Amendments to MFRS 101*, Presentation of Financial Statements – Definition of Material*
- Amendments to MFRS 108*, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRS effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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 above mentioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 April 2019 for the accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 3, Amendments to MFRS 11 and Amendments to MFRS 128 which are not applicable to the Bank.

- from the annual period beginning on 1 April 2020 for the accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2020.

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.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Bank except as mentioned below:

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to classify a lease as finance or operating lease.

The Bank has completed the assessment of the estimated impact that the initial application of MFRS 16 will have on its financial statements as at 1 April 2019. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the new accounting policies are subject to change until the Bank presents its first financial statements that include the date of initial application.

The Bank has chosen the cumulative transition approach on initial application at 1 April 2019 by recognising lease liabilities amounting to RM11.02 million with a corresponding right-of-use assets amounting to RM11.02 million, the difference between the lease liabilities and right-of-use assets will be recognised in retained earnings. No significant impact is expected on the Bank's finance leases.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following note:

- Note 2(l) – Estimation of tax provision and deferred tax assets
- Note 7(j) – Allowance for Expected Credit Losses on loans, advances and financing
- Note 33 – Fair value of financial assets and financial liabilities

(e) BNM Policy Documents on Financial Reporting

On 2 February 2018, Bank Negara Malaysia ("BNM") had issued Revised Policy Documents on Financial Reporting and Financial Reporting on Islamic Banking Institutions ("Revised Policy Documents") which are applicable to all licensed banks, licensed investment banks and licensed Islamic banks in Malaysia. The issuance of these revised Policy Documents superseded previous guidelines issued by BNM previously, namely Financial Reporting and Financial Reporting for Islamic Banking Institutions dated 5 February 2016 as well as Classification and Impairment Provisions for Loans/Financing dated 6 April 2015.

The key changes in the Revised Policy Documents are:

i) To maintain, 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;

ii) Additional disclosures on intercompany charges and placement of funds in an investment account with an Islamic banking institution; and

iii) Clarification on the classification of a credit facility as credit-impaired.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) Financial instruments;
ii) Revenue recognition; and
iii) Impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes in MFRS 9 are disclosed in Note 37.

There is no significant impact arising from the adoption of MFRS 15.

(a) Financial instruments

Policies applicable beginning 1 April 2018 (MFRS 9)

(i) Classification and measurement of financial assets and liabilities

The Bank classifies its financial assets into the following measurement categories:
- Amortised Cost;
- Fair Value Through Other Comprehensive Income; and
- Fair Value Through Profit or Loss.

Financial liabilities are classified as either:-
- Amortised Cost; or
- Fair Value Through Profit or Loss.

Management determines the classification of its financial assets and liabilities at initial recognition of the instruments and they are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

A) Financial assets held at amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”). The financial assets are not designated as fair value through profit or loss.

In assessing whether the contractual cashflows have SPPI characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policies applicable beginning 1 April 2018 (MFRS 9) (continued)

(i) Classification and measurement of financial assets and liabilities (continued)

A) Financial assets held at amortised cost (continued)

The Bank makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

B) Financial assets held at fair value through other comprehensive income

Fair value through other comprehensive income category comprises debt investments where they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investments, and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investments are not designated at fair value through profit or loss.

In assessing whether the contractual cashflows have SPPI characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Bank makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

C) Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held at fair value through other comprehensive income are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified at fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

<u>Policies applicable beginning 1 April 2018 (MFRS 9) (continued)</u>

(i) Classification and measurement of financial assets and liabilities (continued)

C) Financial assets and liabilities held at fair value through profit or loss (continued)

<u>Mandatorily categorised as fair value through profit or loss</u>

Financial assets and liabilities which are mandatorily measured at fair value through profit or loss include:

- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term;
- Derivative financial assets and liabilities except for a derivative that is a designated and effective hedging instrument;
- Financial assets that give rise to cash flows that are not solely payments of principal and interest;
- Equity instruments that have not been designated as held at FVOCI; and
- Financial liabilities that constitute contingent consideration in a business combination.

<u>Designated at fair value through profit or loss at initial recognition</u>

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ("accounting mismatch").

Interest rate swaps have been acquired with the intention of significantly reducing interest rate risk on certain loans and advances and debt securities with fixed rates of interest. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these loans and advances and debt securities have been designated at fair value through profit or loss.

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have a bifurcately embedded derivative where the Bank is not able to separately value the embedded derivative component.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policies applicable beginning 1 April 2018 (MFRS 9) (continued)

(i) Classification and measurement of financial assets and liabilities (continued)

D) Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

E) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policies applicable beginning 1 April 2018 (MFRS 9) (continued)

(i) Classification and measurement of financial assets and liabilities (continued)

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Bank has access at that date. The fair value of a liability includes the risk that the Bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the Bank of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument is not active, the Bank establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade date (the date on which the Bank commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

<u>Policies applicable beginning 1 April 2018 (MFRS 9) (continued)</u>

(i) Classification and measurement of financial assets and liabilities (continued)

Initial recognition (continued)

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss but is amortised or released to profit or loss as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

i) Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest rate method. Foreign exchange gains and losses and impairment losses are recognised in profit or loss.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

ii) Financial assets measured at FVOCI

Financial assets held as measured at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (excluding any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Changes in expected credit losses are recognised in profit or loss and are accumulated in a separate component of equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to profit or loss.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

<u>Policies applicable beginning 1 April 2018 (MFRS 9) (continued)</u>

(i) Classification and measurement of financial assets and liabilities (continued)

Subsequent measurement (continued)

iii) Financial assets and liabilities measured at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the net trading income line in profit or loss unless the instrument is part of a cash flow hedging relationship. Contractual interest income on financial assets held at fair value through profit or loss is recognised as interest income in a separate line in profit or loss.

iv) Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are measured at fair value, with changes in fair value recognised in the net trading income line in profit or loss, other than those attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated fair value through profit or loss is recognised in profit or loss.

(ii) Reclassifications

Financial assets and liabilities designate are not reclassified subsequent to initial recognition.

Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their carrying value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

<u>Policies applicable beginning 1 April 2018 (MFRS 9) (continued)</u>

(ii) Reclassifications (continued)

A) Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

For financial assets held at amortised cost that are reclassified to fair value through other comprehensive income , the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

B) Reclassified from fair value through other comprehensive income

Where financial assets held at fair value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss.

For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

C) Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at fair value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

<u>Policies applicable beginning 1 April 2018 (MFRS 9) (continued)</u>

(iii) Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cashflows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards of ownership have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognised to the extent of the Bank's continuing involvement. Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

(iv) Impairment of financial assets

Expected credit losses are determined for all financial assets that are classified at amortised cost or debt instruments measured at fair value through other comprehensive income, undrawn commitments, financial guarantees, contract assets and tax receivables. Expected credit losses are a probability-weighted estimate of credit loss.

Measurement

The estimate of expected cash shortfalls is determined by multiplying the probability of default ("PD") with the loss given default ("LGD") with the expected exposure at the time of default ("EAD"). There may be multiple default events over the life time of an instrument.

Forward looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, FTSE Bursa Malaysia KLCI and 5 years Government Bond yield. These assumptions are incorporated using the Bank’s most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes those available externally.

To account for the potential non-linearity in credit losses, multiple forward looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is aggregate risk of downside credit losses than upside gains, multiple forward looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

<u>Policies applicable beginning 1 April 2018 (MFRS 9) (continued)</u>

(iv) Impairment of financial assets (continued)

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Bank is exposed to credit risk.shortfall

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement. As a practical expedient, the Bank may also measure credit impairment on the basis of an instrument's fair value using an observable market price.

Cashflows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Recognition

A) 12 months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the life time cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

B) Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk ("SICR") since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

<u>Policies applicable beginning 1 April 2018 (MFRS 9) (continued)</u>

(iv) Impairment of financial assets (continued)

Recognition (continued)

B) Significant increase in credit risk (Stage 2) (continued)

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default ("PD") since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the 12-months PD at the balance sheet date to the 12-months PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on “watchlist” (and subject to closer monitoring).

A “watchlist” account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower’s account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management’s ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances amongst other factors.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policies applicable beginning 1 April 2018 (MFRS 9) (continued)

(iv) Impairment of financial assets (continued)

Recognition (continued)

C) Credit impaired (or defaulted) exposures (Stage 3)

Financial assets that are credit impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired.

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawndown are also included within the Stage 3 credit impairment allowance to the extent that the commitment cannot be withdrawn.

Loss allowances against credit impaired financial assets are determined based on an assessment of the recoverable cashflows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss allowances held represent the difference between the present value of the cashflows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

(v) Hedge accounting

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedged item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policies applicable beginning 1 April 2018 (MFRS 9) (continued)

(v) Hedge accounting (continued)

Fair value hedge (continued)
For a hedged item categorised as available-for-sale, the fair value gain or loss attributable to the hedged risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

Policies applicable prior to 1 April 2018 (MFRS 139)

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Bank categorises financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policies applicable prior to 1 April 2018 (MFRS 139) (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(a) Financial assets at fair value through profit or loss (continued)

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss. Interest income from the financial assets held for trading, calculated using effective interest method, is recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market. Financial assets classified under this category includes cash and short-term funds, deposits and placements with banks and other financial institutions, loans, advances and financing and other assets.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Impairment of loans, advances and financing

The Bank's allowance for impaired loans/financing is in conformity with MFRS 139 and Bank Negara Malaysia's "Guidelines on Classification and Impairment Provisions for Loans/Financing" issued on 6 April 2015. Accounts are classified as impaired when principal or interest/profit or both are past due for more than ninety (90) days, or once there is objective evidence that the customer's account is impaired, whichever is sooner. Where repayments are scheduled on intervals of 3 months or longer, the loan/financing is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the Bank's credit risk grading framework.

Individual impairment provisions are made for impaired debts and financing which have been individually reviewed and specifically identified as impaired.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policies applicable prior to 1 April 2018 (MFRS 139) (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(c) Impairment of loans, advances and financing (continued)

Impaired loans/financing, if any, are measured at their estimated recoverable amount based on the discounted cash flow methodology. Individual impairment allowances are provided if the recoverable amount (present value of estimated future cash flows discounted at original effective interest/profit rate) is lower than the net book value of the loans/financing (outstanding amount of loans, advances and financing, net of individual impairment allowance). The expected cash flows are based on projections of liquidation proceeds, realisation of assets or estimates of future operating cash flows.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss may be reversed to the extent it is now excessive by reducing the loan impairment allowance account. The amount of any reversal is recognised in profit or loss.

Impairment is also assessed on a collective basis to cover loans/financing which no impairment has been specifically identified. Individually assessed loans/financing for which no evidence of impairment has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective impairment. These credit risk characteristics may include type of products offered, industry sector, credit characteristics or other relevant factors. As soon as information becomes available which identifies losses on individual loans/financing within the group, those loans/financing are removed from the group and assessed on an individual basis for impairment.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policies applicable prior to 1 April 2018 (MFRS 139) (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(c) Impairment of loans, advances and financing (continued)

The collective impairment provision is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector, loan/financing grade, loan to value (LTV) or product);

- management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience; and

- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate provision against the individual loan.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedged risks of fair value hedges which are recognised in profit or loss.

On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(a)(vii)) below.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

<u>Policies applicable prior to 1 April 2018 (MFRS 139) (continued)</u>

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

The financial liabilities of the Bank include deposits from customers, deposits and placements of banks and other financial institutions, bills and acceptances payable, financial derivatives and other liabilities.

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair values arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

<u>Policies applicable prior to 1 April 2018 (MFRS 139) (continued)</u>

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Hedge accounting

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedged item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss.

For a hedged item categorised as available-for-sale, the fair value gain or loss attributable to the hedged risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policies applicable prior to 1 April 2018 (MFRS 139) (continued)

(vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vii) Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (see Note 2(a)(ii)) and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policies applicable prior to 1 April 2018 (MFRS 139) (continued)

(vii) Impairment of financial assets (continued)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits maturing within one month.

(c) Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs that are directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

When significant parts of an item of plant or equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

2. Significant accounting policies (continued)

(c) Plant and equipment (continued)

Recognition and measurement (continued)

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of plant and equipment, and are recognised net within 'other operating income' or 'other operating expense' respectively in profit or loss.

Fixed assets additions for the Bank are classified into the following categories:-

- Motor vehicles
- Furniture, fixtures and fittings
- Computer equipment
- Renovations

Details of each specific type of asset is manually maintained in the fixed assets register and reconciled to the general ledger.

Additions to equipment costing more than RM1,000 are depreciated at the depreciation rates below. Depreciation is calculated on a monthly basis in the same month when the assets are available for use.

Subsequent costs

The cost of replacing a component of an item of plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced component is derecognised in profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

• Motor vehicles	5 years
• Furniture, fixtures and fittings	5-10 years
• Computer equipment	3 years
• Renovations	10years

Depreciation methods, rates, useful lives and residual values are reassessed at each financial year end and adjusted if appropriate.

2. Significant accounting policies (continued)

(d) Other receivables

Other receivables are initially recognised at their costs when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, other receivables are measured at amortised cost using the effective interest method.

(e) Liabilities

Deposit from customers, deposit and placements of banks and other financial institutions are stated at placement values.

Other liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(f) Bills and acceptances payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

(g) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at FVOCI or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(h) Operating leases

Lease, where the Bank does not assume substantially all risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the Bank's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised in profit or loss as an integral part of the total expense over the term of the lease.

2. Significant accounting policies (continued)

(i) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Bank contributes to the Employee Provident Fund, the national defined contribution plan, on a mandatory basis. The contributions are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Bank has no further payment obligation.

(j) Provisions and contingent liabilities

A provision is recognised if, as a result of past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant accounting policies (continued)

(k) Revenue and other income

(i) Interest income/ financing income and expense

Interest income/ financing income and expense is recognised in profit or loss using the effective interest/profit method.

The effective interest/ profit rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest/profit rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

(ii) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fees are recognised on a straight line basis over the commitment period. When it is probable that a loan commitment will result in a specific lending arrangement, commitment fees are included in the measurement of the effective interest rate.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

2. Significant accounting policies (continued)

(l) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting, nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Earnings per ordinary share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

2. Significant accounting policies (continued)

(n) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Bank uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

Level 2: inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Bank recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(o) Impairment of other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (or cash-generating units).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. Significant accounting policies (continued)

(o) Impairment of other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3. Cash and short-term funds

	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	52,810	80,061
Money at call and deposit placements maturing within one month	4,325,649	3,536,783
	4,378,459	3,616,844
Less: Allowance for expected credit losses ("ECL")	(701)	-
	4,377,758	3,616,844

Movement in ECL on cash and short-term funds

	12 months 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
As at 1 April 2018				-
Effect of initial adoption of MFRS 9, *Financial Instruments*				676
1 April 2018, as restated	676	-	-	676
Charge to income statement:				
- Increase in ECL	25	-	-	25
At end of financial year	701	-	-	701

4. Deposits and placements with banks and other financial institutions

	2019 RM'000	2018 RM'000
Money at call and deposit placements maturing more than one month	763,179	639,783
Less: Allowance for expected credit losses ("ECL")	(555)	-
	762,624	639,783

4. Deposits and placements with banks and other financial institutions (continued)

Movement in ECL on deposits and placements with banks and other financial institutions

	12 months 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
As at 1 April 2018				-
Effect of initial adoption of MFRS 9, *Financial Instruments*				413
1 April 2018, as restated	413	-	-	413
Charge to income statement:				
-Increase in ECL (Note 24)	142	-	-	142
At end of financial year	555	-	-	555

5. Debt instruments measured at fair value through other comprehensive income ("FVOCI")

	2019 RM'000
At fair value	
Negotiable instruments of deposits	503,000
Malaysian Government treasury bills	180,571
Malaysian Government sukuk	49,886
	733,457

The carrying amount of a debt instrument measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss or retained earnings and credit to other comprehensive income.

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5. Debt instruments measured at FVOCI (continued)

Movement in ECL on debt instruments measured at FVOCI

	12 months 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
As at 1 April 2018				-
Effect of initial adoption of MFRS 9, *Financial Instruments*				234
1 April 2018, as restated	234	-	-	234
Increase in ECL	143	-	-	143
At end of financial year	377	-	-	377

6. Investment securities available-for-sale

	2018 RM'000
At fair value	
Negotiable instruments of deposits	401,292
Malaysian Government treasury bills	129,473
Malaysian Government sukuk	20,005
	550,770

7. Loans, advances and financing

	2019 RM'000	2018 RM'000
(a) By type:		
At amortised cost:		
Overdraft	83,658	24,262
Term loans / financing		
- Syndicated loans / Syndicated Islamic financing	1,260,521	1,013,819
- Factoring receivables	116,294	71,211
- Other term loans	6,057,589	4,933,908
- Other Islamic term financing	1,572,273	1,431,642
Trade bills discounted	102,236	164,506
Revolving credits / Revolving credit-i	3,861,085	3,920,989
Gross loans, advances and financing	13,053,656	11,560,337
Less: Allowance for expected credit losses ("ECL")		
- 12-month ECL (Stage 1)	(14,026)	-
- Lifetime ECL not credit impaired (Stage 2)	(19,236)	-
Less: Collective impairment provision	-	(63,584)
Net loans, advances and financing	13,020,394	11,496,753

7. Loans, advances and financing (continued)

	2019 RM'000	2018 RM'000
(b) By geographical distribution:		
Malaysia	11,089,511	9,885,884
Other countries:		
- Japan	199,087	-
- Hong Kong	45,227	35,332
- Jordan	1,020,649	965,540
- Germany	114,572	275,979
- Australia	396,478	397,602
- United States of America	188,132	-
Gross loans, advances and financing	13,053,656	11,560,337
(c) By type of customer:		
Domestic non-bank financial institutions	3,902,440	3,365,088
Domestic business enterprises	9,105,989	8,159,917
Foreign entities	45,227	35,332
Gross loans, advances and financing	13,053,656	11,560,337
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	1,443,811	933,224
Variable rate		
- Cost-plus	3,829,620	3,455,220
- Other variable rates	7,780,225	7,171,893
Gross loans, advances and financing	13,053,656	11,560,337
(e) By economic purpose:		
Purchase of securities	34,958	34,726
Purchase of non-residential property		
- Purchase of land	99,414	-
- Commercial complexes	206,207	202,015
Purchase of fixed assets other than land and buildings	408,274	212,913
Construction	627,692	688,435
Working capital	6,538,116	6,277,521
Mergers and acquisition	396,380	-
Other purpose	4,742,615	4,144,727
Gross loans, advances and financing	13,053,656	11,560,337

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7. Loans, advances and financing (continued)

	2019 RM'000	2018 RM'000
(f) By sector:		
Primary agriculture	50,020	-
Mining and quarrying	40,830	38,629
Manufacturing	3,346,613	3,205,237
Electricity, gas and water	1,023,659	969,335
Construction	113,260	41,942
Wholesale and retail trade, restaurants and hotels	1,319,422	1,010,962
Transport, storage and communication	520,787	536,331
Finance, insurance and business services	5,205,888	4,838,430
Real estate	1,042,595	911,469
Education, health and others	390,582	8,002
Gross loans, advances and financing	13,053,656	11,560,337
(g) By residual contractual maturity:		
Maturing within one year	4,550,023	4,722,617
One year to three years	3,653,429	2,927,555
Three years to five years	4,279,956	3,263,428
More than five years	570,248	646,737
Gross loans, advances and financing	13,053,656	11,560,337
(h) Movements in collective impairment provision on loans, advances and financing:		
At beginning of financial year		76,417
Reversal during the financial year (Note 23)		(12,833)
At end of financial year		63,584
As % of gross loans, advances and financing (net of individual allowance)		0.55%

7. Loans, advances and financing (continued)

	12 months 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
(i) Change in gross loans, advances and financing carrying amount				
As at 1 April 2018				-
Effect of initial adoption of MFRS 9, *Financial Instruments*				11,560,337
As at 1 April 2018, restated	11,024,418	535,919	-	11,560,337
Transfer to 12-month ECL (Stage 1)	357,974	(357,974)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(759,491)	759,491	-	-
Loans, advances and financing derecognised during the financial year	(4,322,648)	(267,513)	-	(4,590,161)
New loans, advances and financing originated or purchased	5,691,926	7,052	-	5,698,978
Other adjustments	333,142	51,360	-	384,502
Gross carrying amount at end of financial year	12,325,321	728,335	-	13,053,656

7. Loans, advances and financing (continued)

	12 months 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
(j) Movements in ECL on loans, advances and financing measured at amortised cost				
As at 1 April 2018				63,584
Effect of adopting MFRS 9, *Financial Instruments*				(29,022)
As at 1 April 2018, restated	9,412	25,150	-	34,562
Transfer to 12-month ECL (Stage 1)	8,875	(8,875)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,996)	1,996	-	-
Less: Loans, advances and financing derecognised or repaid during the financial year	(2,148)	(2,823)	-	(4,971)
New loans, advances and financing originated or purchased	4,094	5,818	-	9,912
Changes due to change in credit risk	(4,211)	(2,030)	-	(6,241)
Total provision at end of financial year	14,026	19,236	-	33,262

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8. Other assets

	2019 RM'000	2018 RM'000
Interest receivable	21,275	7,554
Amount due from related corporations	194	124
Cash collateral placements	48,263	182,354
Other receivables	313	3,411
Deposits	1,996	2,000
Prepayments	456	316
	72,497	195,759
Less: Allowance for expected credit losses ("ECL")	(18)	-
	72,479	195,759

Movement in ECL on other assets

	12 months 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
As at 1 April 2018				-
Effect of initial adoption of MFRS 9, *Financial Instruments*				55
1 April 2018, as restated	55	-	-	55
Charge to income statement:				
- Decrease in ECL (Note 24)	(37)	-	-	(37)
At end of financial year	18	-	-	18

The cash collaterals are placed in respect of derivative balances pursuant to agreements in accordance with International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") entered into with respective counterparties amounting to RM46,630,000 (2018: RM180,810,000) and a related corporation amounting to RM1,633,000 (2018: RM1,544,000).

9. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Sections 26(2)(c) and 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities.

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10. Plant and equipment

	Renovations RM'000	Computer equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 April 2017	11,822	13,588	3,851	2,135	31,396
Additions	487	1,771	641	334	3,233
Written-off	-	-	-	(532)	(532)
Reclassification	8	96	(104)	-	-
At 31 March 2018/ 1 April 2018	12,317	15,455	4,388	1,937	34,097
Additions	1,140	2,696	1,211	705	5,752
Written-off	-	-	-	(852)	(852)
Reclassification	79	-	(79)	-	-
At 31 March 2019	13,536	18,151	5,520	1,790	38,997
Accumulated depreciation					
At 1 April 2017	2,419	10,966	1,334	1,842	16,561
Charge for the year	1,193	2,311	474	154	4,132
Written-off	-	-	-	(532)	(532)
At 31 March 2018/ 1 April 2018	3,612	13,277	1,808	1,464	20,161
Charge for the year	1,340	1,607	665	254	3,866
Written-off	-	-	-	(852)	(852)
At 31 March 2019	4,952	14,884	2,473	866	23,175
Carrying amounts					
At 31 March 2018/ 1 April 2018	8,705	2,178	2,580	473	13,936
At 31 March 2019	8,584	3,267	3,047	924	15,822

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11. Deposits from customers

(a) By type of deposits:

	2019 RM'000	2018 RM'000
Demand deposits	1,808,922	2,019,719
Fixed deposits*	7,483,463	5,843,075
Short-term deposits	4,460,183	3,288,852
	13,752,568	11,151,646

* Included in the fixed deposits are deposits amounting to RM5,758,383,000 (2018: RM4,679,660,000) placed by a branch of the immediate holding corporation as cash collateral for certain loans, advances and financing.

	2019 RM'000	2018 RM'000
Maturity structure of fixed deposits is as follows:		
Due within six months	1,734,444	1,105,912
Six months to one year	400,763	495,205
One year to three years	1,878,851	1,355,372
Three years to five years	2,961,558	2,329,397
Five years to ten years	99,715	305,749
Ten years and above	408,132	251,440
	7,483,463	5,843,075

(b) By type of customers:

	2019 RM'000	2018 RM'000
Domestic non-bank financial institutions	355,487	481,458
Domestic business enterprises	7,543,945	5,893,506
Branch of immediate holding corporation	5,758,383	4,679,660
Foreign non-bank entities	93,147	96,192
Domestic other entities	1,606	830
	13,752,568	11,151,646

12. Deposits and placements of banks and other financial institutions

	2019 RM'000	2018 RM'000
Licensed Malaysian banks	66,338	69,075
Foreign banks		
- Immediate holding corporation	1,916,133	2,258,616
	1,982,471	2,327,691

13. Other liabilities

	2019 RM'000	2018 RM'000
Interest payable	35,429	14,851
Amount due to immediate holding corporation and related corporations/companies	20,008	13,039
Cash collateral placements	143,184	122,129
Other payables	39,745	34,249
Accruals	12,326	13,633
	250,692	197,901

The cash collaterals are received in respect of derivative balances pursuant to agreements in accordance with International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") entered into with respective counterparties.

14. Provision for credit commitments and contingencies

	2019 RM'000
Provision for credit commitments and contingencies	16,016

<u>Movement in allowance for ECL on credit commitments and contingencies</u>

	12 months 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
As at 1 April 2018				-
Effect of initial adoption of MFRS 9, *Financial Instruments*				9,628
1 April 2018, as restated	1,876	7,752	-	9,628
Charge to income statement:				
- Increase in ECL (Note 23)	130	6,258	-	6,388
At end of financial year	2,006	14,010	-	16,016

15. Deferred tax

Recognised deferred tax assets/ (liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Plant and equipment	371	415	-	-	371	415
FVOCI/Available-for-sale reserve	-	-	(788)	(256)	(788)	(256)
Unrealised foreign exchange gain	-	-	(51,411)	(37,278)	(51,411)	(37,278)
Deferred income	9,479	7,352	-	-	9,479	7,352
Allowance on ECL	7,217	-	-	-	7,217	-
Other items	3,135	3,236	-	-	3,135	3,236
Tax assets/(liabilities)	20,202	11,003	(52,199)	(37,534)	(31,997)	(26,531)
Set off of tax	(20,202)	(11,003)	20,202	11,003	-	-
Net tax assets/(liabilities)	-	-	(31,997)	(26,531)	(31,997)	(26,531)

15. Deferred tax (continued)

Recognised deferred tax assets/ (liabilities) (continued)

Movement in temporary differences during the financial year:

	At 1.4.2017 RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	At 31.3.2018 RM'000
Plant and equipment	(39)	454	-	415
Available-for-sale reserve	(503)	-	247	(256)
Unrealised foreign exchange gain	(26,557)	(10,721)	-	(37,278)
Deferred income	6,118	1,234	-	7,352
Other items	2,543	693	-	3,236
	(18,438)	(8,340)	247	(26,531)

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15. Deferred tax (continued)

Recognised deferred tax assets/ (liabilities) (continued)

Movement in temporary differences during the financial year:

	At 1.4.2018 RM'000	Effect of initial adoption of MFRS 9 RM'000	At 1.4.2018, as restated RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	At 31.3.2019 RM'000
Plant and equipment	415	-	415	(44)	-	371
FVOCI reserve	(256)	-	(256)	-	(532)	(788)
Unrealised foreign exchange gain	(37,278)	-	(37,278)	(14,133)	-	(51,411)
Deferred income	7,352	-	7,352	2,127	-	9,479
Allowance on ECL	-	(5,006)	(5,006)	12,223	-	7,217
Other items	3,236	-	3,236	(101)	-	3,135
	(26,531)	(5,006)	(31,537)	72	(532)	(31,997)

16. Share capital

	Amount 2019 RM'000	Number of shares 2019 '000	Amount 2018 RM'000	Number of shares 2018 '000
Ordinary shares				
Issued and fully paid up:				
At beginning of the year	2,452,605	2,452,605	1,575,000	1,575,000
Issued during the year	-	-	877,605	877,605
At end of the year	2,452,605	2,452,605	2,452,605	2,452,605

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as and when declared by the Bank, after obtaining the regulatory approval from Bank Negara Malaysia prior to the declaration of dividends.

All ordinary shares carry one vote per share at meetings of the Bank and rank equally with regard to the Bank's residual assets.

17. Reserves

	Note	2019 RM'000	2018 RM'000
Non-distributable:			
FVOCI reserve	17.1	2,872	-
Available-for-sale reserve	17.2	-	814
Regulatory reserve	17.3	111,598	75,142
		114,470	75,956
Distributable:			
Retained earnings		514,958	328,632
		629,428	404,588

17.1 Fair value reserve

Fair value reserve relates to the cumulative fair value changes of financial assets measured at fair value through other comprehensive income and its corresponding effect on deferred tax.

17.2 Available-for-sale ("AFS") reserve

AFS reserve relates to the cumulative fair value changes of financial assets categorised as available-for-sale.

17.3 Regulatory reserve

The regulatory reserve is maintained by the Bank as an additional credit risk absorbent in excess of the requirement of accounting standards. The reserve is maintained in line with the requirements of Bank Negara Malaysia. An amount of RM8.618 million (2018: RM19.793 million) from the retained earnings as at 31 March 2019 has been reserved for this purpose.

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18. Interest income

	2019 RM'000	2018 RM'000
Loans, advances and financing		
- Interest income	370,264	251,940
- Financing income	78,813	43,562
Money at call and deposit placements with banks and other financial institutions	173,611	100,450
Debt instruments measured at FVOCI	25,598	-
Investment securities available-for-sale	-	22,377
Others	9	523
	648,295	418,852

The amounts reported above include interest income calculated using the effective interest rate method that relate to the following:

	2019 RM'000	2018 RM'000
Financial assets measured at amortised cost	622,697	-
Financial assets measured at fair value through other comprehensive income	25,598	-
Loans and receivables	-	396,475
Financial assets available-for-sale	-	22,377
Interest income from financial assets not measured at fair value through profit or loss	648,295	418,852

19. Interest expense

	2019 RM'000	2018 RM'000
Deposits and placements of banks and other financial institutions	60,879	43,435
Deposits from customers	341,606	178,312
Others	2	104
	402,487	221,851

The amounts reported above are interest expense calculated using the effective interest rate method that relate to financial liabilities measured at amortised cost.

20. Other operating income

	2019 RM'000	2018 RM'000
Fee and commission income		
- Service charges/ fees	44	45
- Guarantee fees	1,784	2,084
- Loan related fees	14,011	24,814
- Commitment fees	3,472	1,707
	19,311	28,650
Gain from derivative financial instruments	7,473	10,010
Unrealised net gain/(loss) on revaluation of derivatives	5,463	(7,952)
Foreign exchange, net gain	74,444	72,892
Other income		
- Management fees	8,076	8,726
- Rental of fixed assets	2,195	2,131
- Miscellaneous income	6,503	3,843
	16,774	14,700
	123,465	118,300

21. Other operating expenses

	2019 RM'000	2018 RM'000
Personnel costs		
Salaries, allowances and bonuses	33,843	30,680
Employees' provident fund contributions	4,214	3,561
Staff training expenses	579	388
Staff welfare expenses	349	243
Other personnel expenses	2,930	4,000
	41,915	38,872
Establishment costs		
Rental of premises	1,688	1,677
Depreciation	3,866	4,132
Repair and maintenance	1,332	795
Other establishment expenses	16,102	13,507
	22,988	20,111
Marketing expenses		
Advertisement and publicity	284	296
Other marketing expenses	148	126
	432	422
Administration and general expenses		
Guarantee fees	26,723	26,874
Auditors' remuneration		
- Statutory audit	306	246
- Other services	100	150
Professional fees	160	1,649
Communication expenses	578	426
Management fees	18,130	15,080
Licence fees and stamp duties	150	150
Non-executive directors' fees and allowances	819	607
Other administration and general expenses	7,909	11,789
	54,875	56,971
	120,210	116,376

22. Directors' remuneration

Remuneration of the Directors of the Bank are as follows:-

	2019					2018				
	Salary and other remuneration, including meeting allowance RM'000	Bonus RM'000	Fees RM'000	Benefit-in-kind RM'000	Total RM'000	Salary and other remuneration, including meeting allowance RM'000	Bonus RM'000	Fees RM'000	Benefit-in-kind RM'000	Total RM'000
Executive Director and Chief Executive Officer										
Mr. Tetsuya Kainaka (appointed on 23 January 2019)	202	-	-	113	315	-	-	-	-	-
Mr. Hiroshi Higuma (appointed on 26 June 2018)	-	-	-	-	-	-	-	-	-	-
Mr. Yoshimi Gunji (resigned on 23 January 2019)	464	228	-	487	1,179	579	205	-	606	1,390
Non-executive Directors										
Mr. Chin Kok Sang	113	-	210	-	323	35	-	180	-	215
Mr. Tan Kim Seng	101	-	173	-	274	35	-	123	-	158
Dato' Wan Fadzmi (appointed on 1 April 2018)	92	-	121	-	213	-	-	-	-	-
Dato' Md Agil bin Mohd Natt (retired on 1 April 2018)	-	-	-	-	-	35	-	200	-	235
	972	228	504	600	2,304	684	205	503	606	1,998

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23. Allowance for impairment on loans, advances and financing

	2019 RM'000
Allowance for expected credit losses:	
Loans, advances and financing (Note 7)	(1,300)
Provision for credit commitments and contingencies (Note 14)	6,388
	5,088

	2018 RM'000
Collective impairment provision (Note 7(h))	(12,833)

24. Allowance for impairment on other financial assets

	2019 RM'000
Allowance for expected credit losses:	
- Cash and short-term funds (Note 3)	25
- Deposits and placements with banks and other financial institutions (Note 4)	142
- Other assets (Note 8)	(37)
- Debt instruments measured at FVOCI (Note 5)	143
	273

25. Tax expense

Recognised in profit or loss

	2019 RM'000	2018 RM'000
Malaysian income tax		
- Current year	40,212	46,473
- (Over)/ under provision in prior years	(6,210)	2,633
	34,002	49,106
Deferred tax expense		
Origination/ reversal of temporary differences	(72)	8,340
Total tax expense	33,930	57,446

Reconciliation of effective tax expense

	2019 RM'000	2018 RM'000
Profit before taxation	243,702	211,758
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	58,488	50,822
Non-deductible expenses	2,511	3,991
Non-taxable income	(20,859)	-
(Over)/ under provision in prior years	(6,210)	2,633
	33,930	57,446

26. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of the basic earnings per ordinary share for year ended 31 March 2019 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the financial year:-

	2019 RM'000	2018 RM'000
Net profit attributable to ordinary shareholder	209,772	154,312

	2019 Number ('000)	2018 Number ('000)
Weighted average number of ordinary shares outstanding	2,452,605	2,176,099

	2019	2018
Basic earnings per ordinary shares (sen)	8.55	7.09

27. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. Key management personnel include all the Directors of the Bank, and certain members of senior management of the Bank.

27. Related parties (continued)

(a) The significant transactions and outstanding balances of the Bank with related parties are as follows:

2019	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss recognised for the year ended 31 March RM'000
Immediate holding corporation					
Income					
- Interest income from deposits and placements with banks and other financial institutions	1,176	-	-	-	-
- Other income	9,758	-	-	-	-
- Fee and commission income	84	-	-	-	-
Expenses					
- Interest expense on deposits from customers	111,164	-	-	-	-
- Interest expense on deposits and placements of banks and other financial institutions	54,079	-	-	-	-
- Fee and commission expenses	349	-	-	-	-
- Other operating expenses	44,744	-	-	-	-
Amount due from					
- Cash and short-term funds	-	113,064	-	113,064	-
- Derivative financial assets	-	9,383	-	9,383	-
- Other assets	-	13	-	13	-

27. Related parties (continued)

2019	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss recognised for the year ended 31 March RM'000
Immediate holding corporation (continued)					
Amount due to					
- Deposits from customers	-	5,758,383	-	5,758,383	-
- Deposits and placements of banks and other financial institutions	-	1,916,133	-	1,916,133	-
- Derivative financial liabilities	-	7,109	-	7,109	-
- Other liabilities	-	17,453	-	17,453	-
Other related corporations/ companies					
Income					
- Interest income from deposits and placements with banks and other financial institutions	34	-	-	-	-
- Interest income from loans, advances and financing	4,945	-	-	-	-
- Fee and commission income	1	-	-	-	-
- Other income	5,421	-	-	-	-
Expenses					
- Interest expense on deposits and placements of banks and other financial institutions	-	-	-	-	-
- Interest expense on deposits from customers	4,303	-	-	-	-
- Other operating expenses	16,619	-	-	-	-

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27. Related parties (continued)

2019	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss reversed for the year ended 31 March RM'000
Other related corporations/ companies (continued)					
Amount due from					
- Cash and short-term funds	-	1,167	-	1,167	-
- Loans, advances and financing	-	310,318	(791)	309,527	(624)
- Derivative financial assets	-	6,481	-	6,481	-
- Other assets	-	1,814	-	1,814	-
Amount due to					
- Deposits from customers	-	141,596	-	141,596	-
- Derivative financial liabilities	-	19,559	-	19,559	-
- Other liabilities	-	2,555	-	2,555	-

27. Related parties (continued)

2018	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss recognised for the year ended 31 March RM'000
Immediate holding corporation					
Income					
- Interest income from deposits and placements with banks and other financial institutions	634	-	-	-	-
- Other income	7,548				-
- Fee and commission income	125	-	-	-	-
Expenses					
- Interest expense on deposits from customers	32,760	-	-	-	-
- Interest expense on deposits and placements of banks and other financial institutions	53,629	-	-	-	-
- Fee and commission expenses	308	-	-	-	-
- Other operating expenses	36,798	-	-	-	-
Amount due from					
- Cash and short-term funds	-	161,209	-	161,209	-
- Derivative financial assets	-	25,473	-	25,473	-
- Other assets	-	21	-	21	-

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27. Related parties (continued)

2018	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss recognised for the year ended 31 March RM'000
Immediate holding corporation (continued)					
Amount due to					
- Deposits from customers	-	4,679,660	-	4,679,660	-
- Deposits and placements of banks and other financial institutions	-	2,258,616	-	2,258,616	-
- Derivative financial liabilities	-	37,010	-	37,010	-
- Other liabilities	-	11,582	-	11,582	-
Other related corporations/ companies					
Income					
- Interest income from deposits and placements with banks and other financial institutions	30	-	-	-	-
- Interest income from loans, advances and financing	3,218	-	-	-	-
- Fee and commission income	2	-	-	-	-
- Other income	5,412	-	-	-	-
Expenses					
- Interest expense on deposits and placements of banks and other financial institutions	-	-	-	-	-
- Interest expense on deposits from customers	208	-	-	-	-
- Other operating expenses	14,641	-	-	-	-

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27. Related parties (continued)

2018	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss reversed for the year ended 31 March RM'000
Other related corporations/ companies (continued)					
Amount due from					
- Cash and short-term funds	-	895	-	895	-
- Loans, advances and financing	-	257,326	(1,415)	255,911	575
- Derivative financial assets	-	12,695	-	12,695	-
- Other assets	-	1,647	-	1,647	-
Amount due to					
- Deposits from customers	-	129,591	-	129,591	-
- Derivative financial liabilities	-	9,274	-	9,274	-
- Other liabilities	-	1,457	-	1,457	-

All transactions of the Bank with its related parties are made in the ordinary course of business and on substantially the same terms with third parties.

There is no amount outstanding from key management personnel as at year end.

27. Related parties (continued)

(b) The key management personnel compensations are as follows:

	2019 RM'000	2018 RM'000
Executive Directors:		
- Remuneration	894	784
- Other short-term employee benefits	600	606
	1,494	1,390
Non-executive Directors:		
- Fees	504	503
- Allowances	306	104
	810	607
Other key management personnel:		
- Short-term employee benefits	12,959	12,266

Other key management personnel comprise persons other than the Directors of the Bank, having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly.

28. Credit exposures to connected parties

Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties came into effect in October 2008. The credit exposures of the Bank to connected parties are as follows:

	2019 RM'000	2018 RM'000
Aggregate value of outstanding credit exposures to connected parties	973,180	882,538
As a percentage of total credit exposure	3.96%	4.07%

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

29. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 RM'000	2018 RM'000
Less than one year	1,701	1,701
Between one and five years	1,559	3,260
	3,260	4,961

30. Commitments and contingencies

In the ordinary course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.
The commitment and contingencies are as follows:

2019	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted assets RM'000
Transaction related contingent items	604,552	301,201	291,341
Short-term self liquidating trade-related contingencies	269,421	53,543	53,543
Foreign exchange related contracts:			
- Less than one year	11,071,830	316,413	139,511
- One year to less than five years	9,039,740	981,581	610,310
- Five years and above	920,972	258,767	136,257
Interest/ profit rate related contracts			
- Less than one year	63,500	1,646	810
- One year to less than five years	1,627,718	46,022	29,102
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,251,089	3,110,944	2,972,118
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	493,412	98,683	98,683
Total	30,342,234	5,168,800	4,331,675

30. Commitments and contingencies (continued)

2018	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted assets RM'000
Transaction related contingent items	489,289	244,644	238,904
Short-term self liquidating trade-related contingencies	281,079	56,216	56,216
Foreign exchange related contracts:			
- Less than one year	12,316,700	445,427	259,135
- One year to less than five years	6,377,068	881,539	543,615
- Five years and above	887,498	229,436	97,843
Interest/ profit rate related contracts			
- Less than one year	63,605	800	384
- One year to less than five years	755,794	27,795	17,971
- Five years and above	80,000	4,309	2,154
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,949,487	2,474,744	2,423,583
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	728,307	145,661	127,128
Total	26,928,827	4,510,571	3,766,933

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

31. Financial instruments

31.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 March 2019 categorised as follows:-

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")
(c) Fair value through other comprehensive income ("FVOCI")

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31. Financial instruments (continued)

31.1 Categories of financial instruments (continued)

2019	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI RM'000
Financial assets				
Cash and short-term funds	4,377,758	4,377,758	-	-
Deposits and placements with banks and other financial institutions	762,624	762,624	-	-
Debt instruments measured at FVOCI	733,457	-	-	733,457
Loans, advances and financing	13,020,394	13,020,394	-	-
Derivative financial assets	355,051	-	355,051	-
Other assets	23,778	23,778	-	-
Statutory deposits with Bank Negara Malaysia	50,680	50,680	-	-
Total financial assets	19,323,742	18,235,234	355,051	733,457
Financial liabilities				
Deposits from customers	(13,752,568)	(13,752,568)	-	-
Deposits and placements of banks and other financial institutions	(1,982,471)	(1,982,471)	-	-
Bills and acceptances payable	(1,305)	(1,305)	-	-
Derivative financial liabilities	(309,102)	-	(309,102)	-
Other liabilities	(238,366)	(238,366)	-	-
Total financial liabilities	(16,283,812)	(15,974,710)	(309,102)	-

31. Financial instruments (continued)

31.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 March 2018 categorised as follows:-

(a) Loans and receivables (“L&R”)
(b) Fair value through profit or loss (“FVTPL”)
  - Held for trading (“HFT”)
(c) Available-for-sale financial assets (“AFS”)
(d) Financial liabilities measured at amortised cost (“FL”)

2018	**Carrying amount RM'000**	**L&R/ (FL) RM'000**	**FVTPL -HFT RM'000**	**AFS RM'000**
Financial assets				
Cash and short-term funds	3,616,844	3,616,844	-	-
Deposits and placements with banks and other financial institutions	639,783	639,783	-	-
Investment securities available-for-sale	550,770	-	-	550,770
Loans, advances and financing	11,496,753	11,496,753	-	-
Derivative financial assets	554,223	-	554,223	-
Other assets	11,529	11,529	-	-
Statutory deposits with Bank Negara Malaysia	40,700	40,700	-	-
Total financial assets	16,910,602	15,805,609	554,223	550,770
Financial liabilities				
Deposits from customers	(11,151,646)	(11,151,646)	-	-
Deposits and placements of banks and other financial institutions	(2,327,691)	(2,327,691)	-	-
Bills and acceptances payable	(9,589)	(9,589)	-	-
Derivative financial liabilities	(538,844)	-	(538,844)	-
Other liabilities	(195,257)	(195,257)	-	-
Total financial liabilities	(14,223,027)	(13,684,183)	(538,844)	-

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31. Financial instruments (continued)

31.2 Net gains and losses arising from financial instruments

	2019 RM'000	2018 RM'000
Net gains arising on:		
Financial assets measured at fair value through profit or loss:	87,378	74,950
- Held for trading	74,443	72,892
- Held for hedging	12,935	2,058
Financial assets measured at fair value through other comprehensive income ("FVOCI"):	3,410	-
- (Amortisation of premium)/Accretion of discount and gain on redemption on debt securities held recognised in profit or loss	1,729	-
- Revaluation on debt instruments recognised in other comprehensive income	1,681	-
Available-for-sale financial assets:	-	(617)
- (Amortisation of premium)/Accretion of discount and gain on redemption on debt securities held recognised in profit or loss	-	160
- Revaluation on available-for-sale investment securities recognised in other comprehensive income	-	(777)
Financial assets at amortised cost	592,156	-
Loans and receivables	-	385,248
Financial liabilities measured at amortised cost	(402,487)	(221,853)
	280,457	237,728
Net gain/(loss) on impairment of financial instruments:		
- Financial assets at amortised cost	(5,218)	12,833
- Debt instruments measured at FVOCI	(143)	-
	(5,361)	12,833

32. Financial risk management

The Bank adopts the Basel II policies to establish sound risk management practices with the proper risk management discipline, practices and processes.

Currently, the Bank is in compliance with the regulatory standards under the Basel II Pillar-1. The Bank is also in compliance with the Basel II Pillar-2 that involves self-assessment exercise of the level of capital required to be held and Basel II Pillar-3, which is related to market discipline and disclosure requirements.

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established BRMC, which are responsible for developing the risk management policies and assessing the implementation of risk management by the management of the Bank. The Bank has also established Asset Liability Management/Risk Management Committee (ALM/RMC) as one of the management committees to formulate the policies, procedures and risk limits and conduct periodical monitoring on risk exposure, risk portfolio and risk management activities.

(a) Credit risk

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank's exposure to credit risk arises principally from loans and advances to customers, placements with other banks and investment in debt securities.

Management of credit risk

The Bank has established Credit Committee as one of the management committees with the following objectives:

(i) to discuss, formulate, review and implement the credit policies, procedures and manuals; and
(ii) to review, analyse and approve credit proposals by ensuring effective credit limit control and monitoring.

The Bank has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are required to be performed on customers requiring credit.

As at the end of the reporting period, the maximum exposure to credit risk arising from loans, advances, investments and receivables is represented by the carrying amounts in the statement of financial position as shown in Notes 3, 4, 5, 6, 7 and 8 to the financial statements.

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32. Financial risk management (continued)

(a) Credit risk (continued)

Management of credit risk (continued)

The Bank has taken reasonable steps to ensure that loans, advances, investments and receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these loans, advances, investments and receivables are regular customers or counterparties that have been transacting with the Bank.

The ALM/RMC conducts periodical monitoring on credit exposure trend, asset quality by obligor grading/impaired loans, portfolio concentration analysis and credit related limits control such as single counterparty exposure limit, large loan limit, exposure to connected parties, exposure to broad property sector and exposure for margin financing.

(i) Maximum exposure to credit

The following tables present the Bank's maximum exposure to credit risk of its on-balance sheet and off-balance sheet financial instruments at 31 March 2019 and 31 March 2018, before taking into account any collateral held or other credit enhancements. For on-balance sheet financial instruments, the maximum exposure to credit risk is the carrying amount reported on the statement of financial position. For off-balance sheet financial instruments, the maximum exposure to credit risk represented the contractual nominal amount.

On-balance sheet assets	2019 RM'000	2018 RM'000
Cash and short-term funds	4,377,758	3,616,844
Deposits and placements with banks and other financial institutions	762,624	639,783
Debt instruments measured at fair value through other comprehensive income ("FVOCI")	733,457	-
Investment securities available-for-sale	-	550,770
Loans, advances and financing	13,020,394	11,496,753
Derivative financial assets	355,051	554,223
Other assets	23,778	11,529
Statutory deposits with Bank Negara Malaysia	50,680	40,700
	19,323,742	16,910,602
Off-balance sheet assets		
Contingent commitments	604,552	489,289
Undrawn irrevocable standby facilities, credit line and other commitments to lend	6,744,501	5,677,794
	7,349,053	6,167,083
Total maximum exposure to credit risk	26,672,795	23,077,685

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32. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Summary analysis of loans, advances and financing

	Loans, advances and financing to customers RM'000	Loans, advances and financing to banks* RM'000
2019		
Gross carrying amount	13,053,656	5,141,638
Assets at amortised cost		
Neither past due nor impaired:	13,053,656	5,141,638
Expected credit losses	(33,262)	(1,256)
	13,020,394	5,140,382
2018		
Gross carrying amount	11,560,337	4,256,627
Assets at amortised cost		
Neither past due nor impaired:	11,560,337	4,256,627
Collective impairment provision	(63,584)	-
	11,496,753	4,256,627

The following table presents the gross credit exposures of the Bank analysed by geographical location based on where the credit risk resides:

	Loans, advances and financing to customers RM'000	Loans, advances and financing to banks* RM'000
2019		
Gross carrying amount	13,053,656	5,141,638
Concentration of credit risk based on geographical location of customers		
Malaysia	11,089,511	5,010,618
Other countries		
- Singapore	-	10,740
- Japan	199,087	89,572
- Hong Kong	45,227	-
- Jordan	1,020,649	-
- Germany	114,572	-
- Australia	396,478	-
- Others	188,132	30,708
	13,053,656	5,141,638

32. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Summary analysis of loans, advances and financing (continued)

	Loans, advances and financing to customers RM'000	Loans, advances and financing to banks* RM'000
2018		
Gross carrying amount	11,560,337	4,256,627
Concentration of credit risk based on geographical location of customers		
Malaysia	9,885,884	4,087,731
Other countries		
- Singapore	-	136,713
- Japan	-	1,065
- Hong Kong	35,332	-
- Jordan	965,540	-
- Germany	275,979	-
- Australia	397,602	-
- Others	-	31,118
	11,560,337	4,256,627

* Consists of cash and short-term funds and deposits and placements with banks and other financial institutions.

(iii) Deposit placements maturing within one month and deposits and placements with banks and other financial institutions

All deposits and placements as at the reporting date are neither past due nor impaired. Table below summarises the balances, excluding balances with Bank Negara Malaysia, by external credit rating.

	Fitch RM'000	Moody's RM'000	RAM RM'000	S&P RM'000
2019				
AAA	46	-	-	-
AA- to AA+	-	944	-	-
A- to A+	113,064	708,776	270,341	109
BBB	-	-	-	998,323
	113,110	709,720	270,341	998,432
2018				
AAA	-	-	-	-
AA- to AA+	-	964	39,041	765
A- to A+	161,209	406,792	-	114,771
BBB	-	100,000	-	728,037
	161,209	507,756	39,041	843,573

32. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Summary analysis on securities portfolio

The following table summarises the debt instruments measured at FVOCI:

	2019 RM'000	2018 RM'000
Negotiable instruments of deposits	503,000	-
Malaysian Government treasury bills	230,457	-
	733,457	-

The following table summarises the investment securities available-for-sale:

	2019 RM'000	2018 RM'000
Negotiable instruments of deposits	-	401,292
Malaysian Government treasury bills	-	149,478
	-	550,770

(v) Credit quality of gross loans and advances

Gross loans and advances are analysed as follows:-

	2019 RM'000	2018 RM'000
Neither past due nor impaired	13,053,656	11,560,337
Expected credit losses	(33,262)	-
Collective impairment provision	-	(63,584)
	13,020,394	11,496,753

(vi) Loans and advances neither past due nor impaired

Analysis of gross loans and advances based on the Bank's internal grading system is as follows:

Borrower's Grading	2019 RM'000	2018 RM'000
Good	12,890,354	11,319,953
Closely monitored accounts	163,302	240,384
	13,053,656	11,560,337

32. Financial risk management (continued)

(a) Credit risk (continued)

(vii) Amount arising from MFRS 9 Expected Credit Losses ("ECL")

ECL under MFRS 9 applies to all financial assets held at amortised cost, fair value through other comprehensive income ("FVOCI"), credit commitments and contingencies.

Instrument	Location of ECL
Financial assets held at amortised cost	Loss provisions: netted against gross carrying value
Financial assets held at FVOCI – investment securities	Other comprehensive income (FVOCI expected credit loss reserve) ^
Undrawn financing commitments and financial guarantees – credit commitments and contingencies	Provisions for liability and charges *

^ Financial assets classified as FVOCI are held at fair value on the face of the statement of financial position. The ECL attributed to these instruments is held as a separate reserve within OCI and is recycled to profit or loss along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognised.

* ECL on undrawn financing commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a financing and undrawn commitment and it is not possible to separately identify the ECL on these components, the ECL amount on the financing commitment is recognised together with the ECL amount on the financial asset. To the extent the combined ECL exceeds the gross carrying amount of the financial asset, the ECL is recognised as a liability provision.

As required under MFRS 9, the measurement of ECL includes the current and forecast of future economic conditions, where the Malaysian relevant Macroeconomic Variables (MEVs) are considered for the forward looking estimation.

The selected MEVs that are material and relevant to the Bank's portfolio are GDP growth, 5-year Government Bond Yield and FTSE Bursa Malaysia KLCI Index. Forecasted MEVs are used for the forward looking adjustment to the estimated ECL. The forecasted MEVs are determined based on unbiased, equally upside and downside weighted scenarios.

32. Financial risk management (continued)

(a) Credit risk (continued)

(vii) Amount arising from MFRS 9 ECL (continued)

The economic scenarios used as at 31 March 2019 include the following:

Baseline

	2019	2020	2021	2022	2023
GDP Change	4.54	3.86	3.15	3.12	3.29
5 yr GBYield	3.94	4.41	4.47	4.56	4.56
KLCI Index	1,717.30	1,675.79	1,727.56	1,797.67	1,874.66

Upside: stronger near-term growth with 10% probability economy perform better

	2019	2020	2021	2022	2023
GDP Change	5.20	5.59	3.21	3.22	3.47
5 yr GBYield	3.95	4.64	4.46	4.43	4.47
KLCI Index	1,788.97	1,988.67	1,992.38	1,953.12	1,982.74

Downside: moderate recession with 10% probability economy will be worse

	2019	2020	2021	2022	2023
GDP Change	2.70	1.20	4.34	4.09	3.08
5 yr GBYield	4.37	2.79	2.16	2.36	2.67
KLCI Index	1,510.35	1,305.25	1,431.76	1,521.99	1,618.85

(b) Liquidity risk

Liquidity risk arises when a bank is not able to refinance its assets upon liabilities due, for any reason, which can be at a macro-level, affecting most or all the market participants, or names specific to the bank.

Liquidity risk is managed through the Bank's Asset Liability Management/Risk Management Committee (ALM/RMC), which meets on a monthly basis. The ALM/RMC is chaired by the CEO who is responsible for both the statutory and prudential liquidity.

The primary tools used to monitor the liquidity risk are the Bank Negara Malaysia's Liquidity Coverage Ratio requirement and the internal liquidity risk management policy set by ALM/RMC and Head Office. Under the LCR requirement, the Bank must ensure that there is sufficient high quality liquid assets (HQLA) to cover potential net cash outflows for the next 30 days. While under the internal policy, among others, the Bank is guided by tight money gap limits for one day, two days, one week and one month periods. Adherence to these limits are monitored on daily basis and reported to the Management, Regional Office and Head Office. As at 31 March 2019, the LCR and money gap limits are as follows:-

BNM			Internal Policy			
Liquidity Coverage Ratio			Money Gap Limits (USD million)			
HQLA (RM mil)	Net Outflows (RM mil)	Ratio	One day	Two days	One week	One month
3,261	1,544	211%	-20	-30	-40	-100

32. Financial risk management (continued)

(b) Liquidity risk (continued)

Cash flows payable by the Bank (for financial liabilities) based on remaining contractual maturity as at the financial year end, on an undiscounted basis are as follows:

2019	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 3 months RM'000	3-12 months RM'000	>1 year RM'000
Liabilities						
Deposits from customers	13,752,568	0.0% to 4.25%	14,306,819	7,465,432	974,409	5,866,978
Deposits and placements of banks and other financial institutions	1,982,471	0.0% to 2.56%	1,987,081	1,899,970	-	87,111
Bills and acceptances payable	1,305	-	1,305	1,305	-	-
Other liabilities	238,366	-	238,366	220,045	8,662	9,659
Total liabilities	15,974,710	-	16,533,571	9,586,752	983,071	5,963,748
Derivative financial liabilities, Gross settled						
Outflows	5,048,927	-	11,625,843	1,299,449	4,989,959	5,336,435
Inflows	(4,739,825)	-	(11,234,248)	(1,279,299)	(4,919,339)	(5,035,610)
	309,102	-	391,595	20,150	70,620	300,825
Grand Total	16,283,812	-	16,925,166	9,606,902	1,053,691	6,264,573

32. Financial risk management (continued)

(b) Liquidity risk (continued)

2018	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 3 months RM'000	3-12 months RM'000	>1 year RM'000
Liabilities						
Deposits from customers	11,151,646	0.0% to 4.25%	11,551,416	5,445,221	1,500,899	4,605,296
Deposits and placements of banks and other financial institutions	2,327,691	0.0% to 2.56%	2,334,458	2,093,929	146,630	93,899
Bills and acceptances payable	9,589	-	9,589	9,589	-	-
Other liabilities	195,257	-	195,257	170,444	17,954	6,859
Total liabilities	13,684,183	-	14,090,720	7,719,183	1,665,483	4,706,054
Derivative financial liabilities, Gross settled						
Outflows	5,696,898	-	11,056,581	1,342,949	5,178,216	4,535,416
Inflows	(5,158,054)	-	(10,410,398)	(1,288,767)	(4,975,481)	(4,146,150)
	538,844	-	646,183	54,182	202,735	389,266
Grand Total	14,223,027	-	14,736,903	7,773,365	1,868,218	5,095,320

32. Financial risk management (continued)

(c) Market risk

Market risk is defined as the potential impact on the Bank's operating results resulting from changes in the market prices and rates. The Bank's market risks are categorised as:

i) Interest rate risk, the impact on the values of the Bank's derivatives and forward foreign exchange contracts arising from the movement of yield curves; and
ii) Foreign exchange risk, the impact on the values of the Bank's foreign currency exposures arising from the movement of the exchange rates.

ALM/RMC is responsible to oversee the management of market risk for the Bank, which include ensuring compliance to the Bank's Market Risk Management Policy and Trading Book Policy.

The primary tools to control the market risks are the exposure (position) limits and the stop loss limits, implemented on portfolio basis and on individual dealer basis. Adherence to these limits is monitored and reported on daily basis to the Management, Regional Office and Head Office.

Interest rate risk management

Interest rate risk is defined as the potential impact on the Bank's earnings (i.e. the net interest income) and the net assets value resulting from a change in interest rates.

Interest rate risk is managed through the Bank's ALM/RMC, which meets on a monthly basis. The committee is responsible to study the sensitivity of the net interest income against the change in interest rates and subsequently, to determine the Bank's policy on balance sheet management. The committee also monitors the impact of the change in interest rates on the net assets value.

The primary tool used for monitoring the interest rate risk impact on the earnings is the re-pricing gap analysis. In this analysis, the re-price dates of rate sensitive assets are compared against the re-price dates of rate sensitive liabilities. A positive gap position indicates that more assets are available to be re-priced than liabilities; hence, an increase in the interest rates will positively impact the Bank's net interest income.

In addition to monitoring the assets and liabilities gap, the Bank also uses interest rate derivatives (i.e. interest rate swaps) to mitigate the interest rate risk impact on the earnings.

32. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk management (continued)

The primary tool used to monitor the interest rate risk impact on the net assets value is the basis point value (BPV) analysis and economic value of equity (EVE) analysis. The Bank's BPV positions are monitored on daily basis against the approved BPV limits as set by the Head Office based on recommendation by ALM/RMC, whereas, the EVE is monitored and reported to ALM/RMC on a monthly basis.

Foreign exchange risk management

Foreign exchange risk arises from exchange rate movements, which affects the profit of the Bank from its foreign exchange open positions taken from time to time. This risk is principally managed by setting predetermined limits on open foreign exchange positions and the setting and monitoring of cut-loss mechanisms. The Bank enters into foreign exchange related derivatives, namely spot and forward contracts, as part of its strategies to manage foreign exchange risk.

32. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

The tables below summarise the Bank's financial instruments at carrying amounts, categorised by contractual re-pricing or maturity dates, whichever is earlier:

2019	Non-trading book: Up to 1 month RM'000	Non-trading book: >1-3 months RM'000	Non-trading book: >3-12 months RM'000	Non-trading book: 1-5 years RM'000	Non-trading book: Over 5 years RM'000	Non-trading book: Non-interest bearing RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	4,325,649	-	-	-	-	52,109	-	4,377,758
Deposits and placements with banks and other financial institutions	-	544,820	218,359	-	-	(555)^	-	762,624
Debt instruments measured at FVOCI	150,465	452,430	30,150	100,412	-	-	-	733,457
Loans, advances and financing	2,272,222	1,472,003	805,800	7,933,383	570,248	(33,262)^	-	13,020,394
Other assets	12,168	6,071	1,494	-	-	4,045	-	23,778
Derivative financial assets	-	27,281	1,561	4,642	-	-	321,567	355,051
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	50,680	-	50,680
Total assets	6,760,504	2,502,605	1,057,364	8,038,437	570,248	73,017	321,567	19,323,742

^ The negative balance represents allowance for expected credit losses on financial assets.

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32. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

2019	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	3,736,722	1,903,008	955,660	4,840,409	507,847	1,808,922	-	13,752,568
Deposits and placements of banks and other financial institutions	991,035	901,673	-	87,111	-	2,652	-	1,982,471
Bills and acceptances payable	-	-	1,305	-	-	-	-	1,305
Other liabilities	20,850	11,687	8,097	7,863	754	189,115	-	238,366
Derivative financial liabilities	-	-	1,006	40,300	-	-	267,796	309,102
Total liabilities	4,748,607	2,816,368	966,068	4,975,683	508,601	2,000,689	267,796	16,283,812
On balance sheet interest rate gap	2,011,897	(313,763)	91,296	3,062,754	61,647	(1,927,672)	53,771	3,039,930
Off balance sheet interest rate gap	-	1,691,218	-	(1,245,885)	(445,333)	-	-	-
Total interest rate gap	2,011,897	1,377,455	91,296	1,816,869	(383,686)	(1,927,672)	53,771	3,039,930

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32. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

The tables below summarise the Bank's financial instruments at carrying amounts, categorised by contractual re-pricing or maturity dates:

2018	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	3,536,783	-	-	-	-	80,061	-	3,616,844
Deposits and placements with banks and other financial institutions	-	639,783	-	-	-	-	-	639,783
Investment securities available-for-sale	-	431,195	39,471	40,011	40,093	-	-	550,770
Loans, advances and financing	2,305,064	1,294,635	1,122,918	6,190,983	646,737	(63,584)^	-	11,496,753
Other assets	3,424	2,605	1,535	-	-	3,965	-	11,529
Derivative financial assets	2,588	13	6	22,948	310	-	528,358	554,223
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	40,700	-	40,700
Total assets	5,847,859	2,368,231	1,163,930	6,253,942	687,140	61,142	528,358	16,910,602

^ The negative balance represents collective allowance for impairment on loans, advances and financing.

32. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

2018	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	2,153,958	1,261,183	1,474,827	3,684,763	557,188	2,019,727	-	11,151,646
Deposits and placements of banks and other financial institutions	984,774	1,100,936	145,180	93,899	-	2,902	-	2,327,691
Bills and acceptances payable	-	-	9,589	-	-	-	-	9,589
Other liabilities	6,980	6,281	4,138	5,053	236	172,569	-	195,257
Derivative financial liabilities	-	-	8,167	4,109	49,259	-	477,309	538,844
Total liabilities	3,145,712	2,368,400	1,641,901	3,787,824	606,683	2,195,198	477,309	14,223,027
On balance sheet interest rate gap	2,702,147	(169)	(477,969)	2,466,119	80,453	(2,134,056)	51,050	2,687,575
Off balance sheet interest rate gap	-	858,399	(22,605)	(755,794)	(80,000)	-	-	-
Total interest rate gap	2,702,147	858,230	(500,574)	1,710,325	453	(2,134,056)	51,050	2,687,575

32. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

The table below details the disclosure for interest rate risk in the Banking Book, the increase or decline in earnings and equity for upward and downward rate shocks which are consistent with shocks applied in stress test for measuring interest rate risk, broken down by various currencies, where relevant:-

	Impact on Positions as at Reporting Date (200 basis points) Hike		Impact on Positions as at Reporting Date (200 basis points) Hike	
Type of Currency	**Increase/ (Decline) in profit before taxation 2019 RM'000**	**Increase/ (Decline) in equity 2019 RM'000**	**Increase/ (Decline) in profit before taxation 2018 RM'000**	**Increase/ (Decline) in equity 2018 RM'000**
JPY	(158)	(120)	(820)	(623)
USD	(727)	(553)	329	250
MYR	(4,194)	(3,187)	1,951	1,483

The tables below summarises the effective average interest rates by major currencies for each class of financial asset and financial liability:

	2019		2018	
	MYR % p.a.	**USD % p.a.**	**MYR % p.a.**	**USD % p.a.**
<u>Financial assets</u>				
Cash and short-term funds	3.31	2.79	3.26	1.91
Deposits and placements with banks and other financial institutions	3.74	2.91	3.40	2.18
Loans, advances and financing	4.61	3.55	4.47	2.94
<u>Financial liabilities</u>				
Deposits from customers	3.69	2.66	3.70	2.04
Deposits and placements of banks and other financial institutions	-	2.47	-	2.03

32. Financial risk management (continued)

(c) Market risk (continued)

Currency risk

The table below summarises the Bank's foreign exchange position for its financial instruments outstanding by major currencies. "Others" include Singapore Dollar, Hong Kong Dollar, Thailand Baht, Australian Dollar, Euro, Great Britain Pound, Indonesia Rupiah and Chinese Yuan.

2019	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
Financial Assets					
Cash and short-term funds	3,579,335	623,551	90,419	84,453	4,377,758
Deposits and placements with banks and other financial institutions	249,444	510,167	-	3,013	762,624
Debt instruments measured at FVOCI	733,457	-	-	-	733,457
Loans, advances and financing	4,266,606	7,217,249	1,025,798	510,741	13,020,394
Derivative financial assets	202,100	118,268	27,584	7,099	355,051
Other assets	15,668	8,087	-	23	23,778
Statutory deposits with Bank Negara Malaysia	50,680	-	-	-	50,680
Total Financial Assets	9,097,290	8,477,322	1,143,801	605,329	19,323,742

32. Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

2019	**MYR RM'000**	**USD RM'000**	**JPY RM'000**	**Others RM'000**	**Total RM'000**
Financial Liabilities					
Deposits from customers	5,860,492	6,811,993	689,317	390,766	13,752,568
Deposits and placements of banks and other financial institutions	2,648	1,278,861	495,913	205,049	1,982,471
Bills and acceptances payable	1,305	-	-	-	1,305
Derivative financial liabilities	120,025	179,026	3,096	6,955	309,102
Other liabilities	212,081	24,939	1,172	174	238,366
Total Financial Liabilities	6,196,551	8,294,819	1,189,498	602,944	16,283,812
Total foreign currency sensitivity gap	2,900,739	182,503	(45,697)	2,385	3,039,930

Stress test has been performed on foreign currency trading positions to assess impact of a 10% weakening in Ringgit Malaysia exchange rates, adjusted to incorporate impact of correlation between different currencies. The impact has been assessed to be an increase of RM14,082,000 in profit before tax and RM10,703,000 in equity. This analysis assumes that all variables, in particular interest rates, remained constant.

32. Financial risk management (continued)

(c) Market risk (continued)

Currency risk

The table below summarises the Bank's foreign exchange position for its financial instruments outstanding by major currencies. "Others" include Singapore Dollar, Hong Kong Dollar, Thailand Baht, Australian Dollar, Euro, Great Britain Pound, Indonesia Rupiah and Chinese Yuan.

2018	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
Financial Assets					
Cash and short-term funds	2,834,999	479,356	9,900	292,589	3,616,844
Deposits and placements with banks and other financial institutions	300,000	339,783	-	-	639,783
Investment securities available-for-sale	550,770	-	-	-	550,770
Loans, advances and financing	3,656,327	6,425,033	744,962	670,431	11,496,753
Derivative financial assets	177,602	352,102	21,946	2,573	554,223
Other assets	5,709	4,411	824	585	11,529
Statutory deposits with Bank Negara Malaysia	40,700	-	-	-	40,700
Total Financial Assets	7,566,107	7,600,685	777,632	966,178	16,910,602

32. Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

2018	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
Financial Liabilities					
Deposits from customers	4,706,706	5,214,962	469,731	760,247	11,151,646
Deposits and placements of banks and other financial institutions	2,546	1,828,361	294,479	202,305	2,327,691
Bills and acceptances payable	9,589	-	-	-	9,589
Derivative financial liabilities	290,636	210,942	1,756	35,510	538,844
Other liabilities	183,615	11,441	38	163	195,257
Total Financial Liabilities	5,193,092	7,265,706	766,004	998,225	14,223,027
Total foreign currency sensitivity gap	2,373,015	334,979	11,628	(32,047)	2,687,575

Stress test has been performed on foreign currency trading positions to assess impact of a 10% weakening in Ringgit Malaysia exchange rates, adjusted to incorporate impact of correlation between different currencies. The impact has been assessed to be an increase of RM31,456,000 in profit before tax and RM23,907,000 in equity. This analysis assumes that all variables, in particular interest rates, remained constant.

32. Financial risk management (continued)

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour and systems, or from external events. Operational risk is inherent in each of the Bank's business activities. These include breakdowns, error, business interruption and inappropriate behaviour of employees, and can potentially result in financial losses and other damage to the Bank.

Operational risks are managed and controlled within the individual business lines. The ALM/RMC monitors the predetermined items to assess the trend of operational risks.

The Calculation of Value Equivalent to Operational Risk-weighted Asset

The Bank currently uses Basic Indicator Approach (BIA) to calculate its value equivalent to operational risk-weighted assets as at 31 March 2019.

33. Fair value measurements

Recognised financial instruments

The estimated fair values of the financial assets and financial liabilities carried on the statement of financial position as at 31 March (excluding those short-term/on demand financial assets and financial liabilities where the carrying amounts are deemed reasonable approximation of their fair values) are as follows:

	Carrying amount		**Fair value**	
	2019	**2018**	**2019**	**2018**
Financial Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Debt instruments measured at FVOCI	733,457	-	733,457	-
Investment securities available-for-sale	-	550,770	-	550,770
Loans, advances and financing*	13,053,656	11,560,337	12,173,502	10,862,696
Derivative financial assets	355,051	554,223	355,051	554,223
Total financial assets	14,142,164	12,665,330	13,262,010	11,967,689
Financial Liabilities				
Derivative financial liabilities	309,102	538,844	309,102	538,844
Total financial liabilities	309,102	538,844	309,102	538,844

* The expected credit losses / collective impairment provision of the Bank is not included in the carrying amount.

33. Fair value measurements (continued)

Methods and assumptions

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(a) Financial investments measured at FVOCI / available-for-sale

The estimated fair value is based on quoted or observable market prices at the statement of financial position date. Where such quoted or observable market prices are not available, the fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using the prevailing market rates for similar instruments at the reporting date.

(b) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at the reporting date offered for similar loans.

(c) Derivative financial instruments

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is financial assets (favourable) or financial liabilities (unfavourable) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of the Bank's derivative instruments are estimated by reference to observable market prices. Internal models are used where no market price is available.

33. Fair value measurements (continued)

Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

	Level 1	Level 2	Level 3
Fair value determined using	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Type of financial assets	Actively traded corporate, government and government agency securities	Corporate and other government bonds and loans	Unquoted equity investments
	Actively traded derivatives	Over-the-counter ("OTC") derivatives	Corporate bonds in non-liquid market
			Loans, advances and financing
Type of financial liabilities	-	OTC derivatives	-

33. Fair value measurements (continued)

Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2019	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**		
Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Debt instruments measured at FVOCI	-	733,457	-	733,457	-	-	-	-	733,457	733,457
Loans, advances and financing	-	-	-	-	-	-	12,173,502	12,173,502	12,173,502	13,053,656
Derivative financial assets	-	355,051	-	355,051	-	-	-	-	355,051	355,051
As 31 March 2019	-	1,088,508	-	1,088,508	-	-	12,173,502	12,173,502	13,262,010	14,142,164
Liabilities										
Derivative financial liabilities	-	309,102	-	309,102	-	-	-	309,102	309,102	309,102
As 31 March 2019	-	309,102	-	309,102	-	-	-	309,102	309,102	309,102

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33. Fair value measurements (continued)

Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2018	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**		
Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Investment securities available-for-sale	-	550,770	-	550,770	-	-	-	-	550,770	550,770
Loans, advances and financing	-	-	-	-	-	-	10,862,696	10,862,696	10,862,696	11,560,337
Derivative financial assets	-	554,223	-	554,223	-	-	-	-	554,223	554,223
As 31 March 2018	-	1,104,993	-	1,104,993	-	-	10,862,696	10,862,696	11,967,689	12,665,330
Liabilities										
Derivative financial liabilities	-	538,844	-	538,844	-	-	-	-	538,844	538,844
As 31 March 2018	-	538,844	-	538,844	-	-	-	-	538,844	538,844

33. Fair value measurements (continued)

Derivative financial instruments

	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
2019			
Derivatives designated as fair value hedges			
- Interest rate swaps	706,141	2,821	4,307
- Currency swaps	668,250	30,663	36,999
	1,374,391	33,484	41,306
Derivatives held for trading			
- Forward exchange contracts	11,319,337	40,722	35,206
- Currency swaps	9,044,954	275,609	229,375
- Interest rate swaps	985,077	5,236	3,215
	21,349,368	321,567	267,796
	22,723,759	355,051	309,102
2018			
Derivatives designated as fair value hedges			
- Interest rate swaps	366,876	2,520	68
- Currency swaps	611,930	23,345	61,467
	978,806	25,865	61,535
Derivatives held for trading			
- Forward exchange contracts	8,716,397	84,181	77,047
- Currency swaps	10,252,939	437,495	396,703
- Interest rate swaps	532,523	6,682	3,559
	19,501,859	528,358	477,309
	20,480,665	554,223	538,844

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33. Fair value measurements (continued)

Derivative financial instruments (continued)

Derivative financial instruments by sector:

	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
2019			
Primary agriculture	408,134	107	-
Manufacturing	2,094,421	7,539	17,184
Construction	466,100	3,032	76,371
Wholesale and retail trade, and restaurants and hotels	604,450	5,143	4,369
Finance, insurance, and business services	19,051,854	339,188	204,942
Real estate	60,364	-	6,236
Education, health and others	38,436	42	-
	22,723,759	355,051	309,102
2018			
Primary agriculture	386,117	34,235	-
Manufacturing	1,450,503	40,430	38,254
Construction	511,734	9,513	68,006
Wholesale and retail trade, and restaurants and hotels	277,841	2,566	4,308
Finance, insurance, and business services	17,725,769	461,362	425,459
Real estate	128,701	6,117	2,817
	20,480,665	554,223	538,844

34. Offsetting of financial assets and financial liabilities

The Bank enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding agreements are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Bank currently does not have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default on the Bank's commitments or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

34. Offsetting of financial assets and financial liabilities (continued)

	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position: Values of the Financial Instruments RM'000	Amount Not Set-off in the Statement of Financial Position: Cash Collateral Received/ Pledged RM'000	Net Amount RM'000
At 31 March 2019						
Financial assets						
Derivatives financial assets						
- Foreign exchange related contracts	346,994	-	346,994	(131,898)	(141,067)	74,029
- Interest rate related contracts	8,057	-	8,057	(2,259)	(2,117)	3,681
	355,051	-	355,051	(134,157)	(143,184)	77,710
Financial liabilities						
Derivatives financial liabilities						
- Foreign exchange related contracts	301,580	-	301,580	(131,898)	(44,028)	125,654
- Interest rate related contracts	7,522	-	7,522	(2,259)	(4,235)	1,028
	309,102	-	309,102	(134,157)	(48,263)	126,682

34. Offsetting of financial assets and financial liabilities (continued)

	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position: Values of the Financial Instruments RM'000	Amount Not Set-off in the Statement of Financial Position: Cash Collateral Received/ Pledged RM'000	Net Amount RM'000
2018						
Financial assets						
Derivatives financial assets						
- Foreign exchange related contracts	545,021	-	545,021	(154,142)	(115,306)	275,573
- Interest rate related contracts	9,202	-	9,202	(39)	(6,823)	2,340
	554,223	-	554,223	(154,181)	(122,129)	277,913
Financial liabilities						
Derivatives financial liabilities						
- Foreign exchange related contracts	535,217	-	535,217	(154,142)	(180,975)	200,100
- Interest rate related contracts	3,627	-	3,627	(39)	(1,379)	2,209
	538,844	-	538,844	(154,181)	(182,354)	202,309

35. Capital adequacy

The capital adequacy ratios of the Bank are analysed as follows:

	2019 RM'000	2018 RM'000
Tier-1 capital		
Paid-up ordinary share capital	2,452,605	2,452,605
Retained earnings	514,958	328,632
Fair value reserve	1,292	-
Available-for-sale reserve	-	366
	2,968,855	2,781,603
Less: Deferred tax assets	-	-
Common Equity Tier 1 (CET 1) and Tier-1 Capital	2,968,855	2,781,603
Tier-2 capital		
Expected credit losses	50,929	-
Collective allowance for impairment	-	63,584
Regulatory reserve	111,598	75,142
Tier-2 Capital	162,527	138,726
Total capital base	3,131,382	2,920,329
Capital ratios		
CET 1 and Tier-1 Capital Ratio	22.463%	22.498%
Total Capital Ratio	23.692%	23.620%

Breakdown of risk-weighted assets in the various categories of risk weights are as follows:

	2019 RM'000	2018 RM'000
Credit risk	12,348,428	11,634,674
Market risk	336,060	296,185
Operational risk	532,388	432,769
Total risk-weighted assets	13,216,876	12,363,628

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35. Capital adequacy (continued)

The capital adequacy ratios of the Bank are analysed as follows:

(a) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:

2019 **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	3,334,923	3,334,923	-	-
Banks, development financial institutions and MDBs	2,926,368	2,926,368	686,899	54,952
Corporates	12,787,592	12,787,592	6,945,866	555,669
Other assets	373,918	373,918	373,628	29,890
Total on-balance sheet exposures	19,422,801	19,422,801	8,006,393	640,511
Off-balance sheet exposures:				
Credit-related exposures	5,168,800	5,168,800	4,342,035	347,363
Total off-balance sheet exposures	5,168,800	5,168,800	4,342,035	347,363
Total on and off-balance sheet exposures	24,591,601	24,591,601	12,348,428	987,874
(ii) Large exposure risk requirement	-	-	-	-

(iii) Market risk	**Long position RM'000**	**Short position RM'000**			
Interest rate risk	20,259,492	20,205,436	54,056	314,734	25,179
Foreign exchange risk	21,326	(39)	21,365	21,326	1,706
	20,280,818	20,205,397	75,421	336,060	26,885
(iv) Operational risk				532,388	42,591
Total risk-weighted assets and capital requirements				13,216,876	1,057,350

35. Capital adequacy (continued)

2018 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	2,897,204	2,897,204	-	-
Banks, development financial institutions and MDBs	2,349,448	2,349,448	548,658	43,893
Corporates	11,351,443	11,351,443	6,745,216	539,617
Other assets	574,257	574,257	573,867	45,909
Total on-balance sheet exposures	17,172,352	17,172,352	7,867,741	629,419
Off-balance sheet exposures:				
Credit-related exposures	4,510,570	4,510,570	3,766,933	301,355
Total off-balance sheet exposures	4,510,570	4,510,570	3,766,933	301,355
Total on and off-balance sheet exposures	21,682,922	21,682,922	11,634,674	930,774
(ii) Large exposure risk requirement	-	-	-	-

(iii) Market risk	Long position RM'000	Short position RM'000			
Interest rate risk	19,295,245	19,245,606	49,639	278,934	22,315
Foreign exchange risk	17,251	(66)	17,317	17,251	1,380
	19,312,496	19,245,540	66,956	296,185	23,695
(iv) Operational risk				432,769	34,622
Total risk-weighted assets and capital requirements				12,363,628	989,091

35. Capital adequacy (continued)

(b) The following table presents the breakdown of credit exposures by risk weights of the Bank:-

	Exposure after Netting and Credit Risk Mitigation					
2019 Risk Weights	**Sovereigns/ Central Banks RM'000**	**Banks, Development Financial Institutions and MDBs RM'000**	**Corporates RM'000**	**Other Assets RM'000**	**Total Exposure after Netting & Credit Risk Mitigation RM'000**	**Total Risk-Weighted Assets RM'000**
0%	3,334,923	-	5,594,478	290	8,929,691	-
20%	-	2,733,383	664,607	-	3,397,990	679,598
50%	-	1,170,189	19,991	-	1,190,180	595,090
100%	-	-	10,700,112	373,628	11,073,740	11,073,740
Total	3,334,923	3,903,572	16,979,188	373,918	24,591,601	12,348,428
Risk-weighted assets by exposure	-	1,131,771	10,843,029	373,628	12,348,428	
Average risk weight	0.0%	29.0%	63.9%	99.9%	50.2%	
Deduction from capital base	-	-	-	-	-	

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35. Capital adequacy (continued)

(b) The following table presents the breakdown of credit exposures by risk weights of the Bank:-

2018 Risk Weights	Sovereigns/ Central Banks RM'000	Banks, Development Financial Institutions and MDBs RM'000	Corporates RM'000	Other Assets RM'000	Total Exposure after Netting & Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Exposure after Netting and Credit Risk Mitigation					
0%	2,897,204	-	4,603,429	391	7,501,024	-
20%	-	2,223,346	320,615	-	2,543,961	508,792
50%	-	983,569	40,542	-	1,024,111	512,056
100%	-	-	10,039,960	573,866	10,613,826	10,613,826
Total	2,897,204	3,206,915	15,004,546	574,257	21,682,922	11,634,674
Risk-weighted assets by exposure	-	936,454	10,124,354	573,866	11,634,674	
Average risk weight	0.0%	29.2%	67.5%	99.9%	53.7%	
Deduction from capital base	-	-	-	-	-	

36. Capital management

The objective of the Bank's capital management policy is to maintain an adequate level of capital to support business growth strategies under an acceptable risk framework, and to meet its regulatory minimum requirement. The Bank's capital management process includes analysis of the risk appetite and the capital requirement for the business growth and periodical monitoring of capital adequacy ratios.

The Bank's capital requirements and capital adequacy ratios, in accordance with Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework ('RWCAF'): Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk (Basel II) are disclosed in Note 35.

37. Significant changes in accounting policies

37.1 Accounting for financial instruments

a. Transition

In adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Bank has not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presenting for 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement.*

ii) The determination assessment of the business model within which a financial asset is held has been made based on the facts and circumstances that existed of the date and initial application.

iii) If an investment in a debt security had low credit risk at date of initial application of MFRS 9, the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

iv) Impairment losses for receivables (other than loans, advances and financing) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

37. Significant changes in accounting policies (continued)

37.1 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Bank's financial assets and financial liabilities as at 1 April 2018:

			1 April 2018		
			Reclassification to new MFRS 9 category		
Original classification under MFRS 139	**31 March 2018 (RM'000)**	**Remeasurement (RM'000)**	**AC (RM'000)**	**FVTPL (RM'000)**	**FVOCI (RM'000)**
Financial Assets					
Loans and receivables					
Cash and short-term funds	3,616,844	(676)	3,616,168	-	-
Deposits and placements with banks and other financial institution	639,783	(413)	639,370	-	-
Loans, advances and financing	11,496,753	29,022	11,525,775	-	-
Statutory deposits with Bank Negara Malaysia	40,700	-	40,700	-	-
Other assets	195,759	(55)	195,704	-	-
	15,989,839	**27,878**	**16,017,717**	**-**	**-**
Available-for-sale					
Investment securities – debt securities	**550,770**	**-**	**-**	**-**	**550,770**
Fair value through profit or loss					
Derivative financial assets	**554,223**	**-**	**-**	**554,223**	**-**

37. Significant changes in accounting policies (continued)

37.1 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Bank's financial assets and financial liabilities as at 1 April 2018:

			1 April 2018		
			Reclassification to new MFRS 9 category		
Original classification under MFRS 139	**31 March 2018 (RM'000)**	**Remeasurement (RM'000)**	**AC (RM'000)**	**FVTPL (RM'000)**	**FVOCI (RM'000)**
Financial Liabilities					
Amortised cost					
Deposits from customers	11,151,646	-	11,151,646	-	-
Deposits and placements of banks and other financial institutions	2,327,691	-	2,327,691	-	-
Bills and acceptances payable	9,589	-	9,589	-	-
Other liabilities	197,901	-	197,901	-	-
Provision for credit commitments and contingencies	-	9,628	9,628		
	13,686,827	**9,628**	**13,696,455**	**-**	**-**
Fair value through profit or loss					
Derivative financial liabilities	**538,844**	**-**	**-**	**538,844**	**-**

37. Significant changes in accounting policies (continued)

37.2 Impacts on financial statements

The following table summarises the impacts arising from the adoption of MFRS 9 on the Bank's financial statements:

Statement of Financial Position	**Original carrying amount under MFRS 139 as at 31 March 2018 RM'000**	**Reclassification RM'000**	**Expected credit losses RM'000**	**New carrying amount under MFRS 9 as at 1 April 2018 RM'000**
Assets				
Cash and short-term funds	3,616,844	-	(676)	3,616,168
Deposits and placements with banks and other financial institution	639,783	-	(413)	639,370
Debt instruments measured at FVOCI	-	550,770	-	550,770
Investment securities – debt securities	550,770	(550,770)	-	-
Loans, advances and financing	11,496,753	-	29,022	11,525,775
Derivative financial assets	554,223	-	-	554,223
Other assets	195,759	-	(55)	195,704
Statutory deposits with Bank Negara Malaysia	40,700	-	-	40,700
Plant and equipment	13,936	-	-	13,936
Tax recoverable	627	-	-	627
Total assets	**17,109,395**	**-**	**27,878**	**17,137,273**

37. Significant changes in accounting policies (continued)

37.2 Impacts on financial statements (continued)

Statement of Financial Position	**Original carrying amount under MFRS 139 as at 31 March 2018 RM'000**	**Reclassification RM'000**	**Expected credit losses RM'000**	**New carrying amount under MFRS 9 as at 1 April 2018 RM'000**
Liabilities				
Deposits from customers	11,151,646	-	-	11,151,646
Deposits and placements of banks and other financial institutions	2,327,691	-	-	2,327,691
Bills and acceptances payable	9,589	-	-	9,589
Derivative financial liabilities	538,844	-	-	538,844
Other liabilities	197,901	-	-	197,901
Provision for credit commitments and contingencies	-	-	9,628	9,628
Deferred tax liabilities	26,531	-	5,006	31,537
Total liabilities	**14,252,202**	**-**	**14,634**	**14,266,836**
Equity				
Share capital	2,452,605	-	-	2,452,605
Reserves	404,588	-	13,244	417,832
Total equity attributable to owners of the Bank	**2,857,193**	**-**	**13,244**	**2,870,437**
Total liabilities and equity	**17,109,395**	**-**	**27,878**	**17,137,273**

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 33 to 142 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 March 2019 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………………………
Tan Kim Seng
Director

…………………………………………………………
Tetsuya Kainaka
Director

Kuala Lumpur

Date: 4 September 2019

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, Lim Choon Eng, the officer primarily responsible for the financial management of Sumitomo Mitsui Banking Corporation Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 142 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Lim Choon Eng, I/C No.: 580726-10-6191, at Kuala Lumpur in the Federal Territory on 4 September 2019.

……………………………………………….
Lim Choon Eng

Before me:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sumitomo Mitsui Banking Corporation Malaysia Berhad ("Bank"), which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 142.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Bank in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report and the Shariah Committee's Report, but does not include the financial statements of the Bank and our auditors' report thereon.

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

Our opinion on the financial statements of the Bank does not cover the Directors' Report and the Shariah Committee's Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Bank, our responsibility is to read the Directors' Report and the Shariah Committee's Report and, in doing so, consider whether the Directors' Report and the Shariah Committee's Report are materially inconsistent with the financial statements of the Bank or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report and the Shariah Committee's Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the Directors are responsible for assessing the ability of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Chin Shoon Chong
Approval Number: 02823/04/2021 J
Chartered Accountant

Petaling Jaya

Date: 4 September 2019