

**Sumitomo Mitsui Banking Corporation Malaysia  
Berhad**

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

**Financial Statements for the Financial Year Ended  
31 March 2015**

# Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)

(Incorporated in Malaysia)

## Directors' Report for the Financial Year Ended 31 March 2015

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 2015.

### 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.

### Results

	<b>RM'000</b>
Profit before taxation	45,363
Tax expense	(12,030)
Profit for the year	<u>33,333</u>

### 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 there are no bad debts to be 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 which would render adherence to the existing method of valuation of assets or liabilities of the Bank 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 that 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.

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 their 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 2015 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.

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## Directors

Directors who served since the date of the last report are:

Hiroshi Irie  
 Yuichi Nishimura (appointed on 28 August 2014)  
 Yoshimi Gunji (appointed on 25 June 2015)  
 Lim Choon Eng  
 Md Agil Bin Mohd Natt (appointed on 9 March 2015)  
 Masayuki Shimura (resigned on 28 August 2014)  
 Razman Hafidz bin Abu Zarim (resigned on 9 March 2015)  
 Yasuhiro Oashi (resigned on 25 June 2015)

## 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*			At 31.3.2015
	At 1.4.2014	Bought	Sold	
<b>Ultimate holding company</b>				
Sumitomo Mitsui Financial Group				
- Yasuhiro Oashi	952	46	-	998
- Yuichi Nishimura	539	13	-	552

\* The ordinary shares of the ultimate holding company 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 emoluments 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.

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## **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 in Financial Reporting from Financial Institutions and Guidelines in classification and impairment provision for loan/ financing.

## **Bank Ratings**

The Bank has not been rated by any external agencies.

## **Issue of Shares and Debentures**

There were no changes in the authorised, 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.

## **Holding Companies**

The Directors regard Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Financial Group as immediate and ultimate holding companies respectively. Both companies are incorporated in Japan.

## **Business Results for the Financial Year Ended 31 March 2015**

The Bank recorded a profit before taxation of RM45.4 million for the financial year ended 31 March 2015, representing an increase of RM6.9 million or 17.9% against the previous financial year. Net interest income for the year was RM61.5 million (increased by RM14.7 million or 31.3%), generated mainly from interest income from interbank placements of RM71.7 million, and interest income from loans and advances of RM56.7 million, net of interest expense incurred on deposits from customers of RM60.0 million and interbank deposits of RM9.0 million. The increase in other operating income of RM5.7 million or 13.5% is attributed mainly from foreign exchange gains and mark to market gain on revaluation of derivatives.

Other operating expenses increased by RM10.3 million or 21.5% mainly due to relocation of the Bank's premise coupled with higher personnel costs. Collective impairment allowances of RM5.8 million was recognised arising from substantially strong growth in loan base.

## **Business Results for the Financial Year Ended 31 March 2015 (continued)**

Total assets at 31 March 2015 stood at RM7,996.1 million, where this is RM4,339.1 million or 118.7% higher compared against 31 March 2014. Cash and short term funds recorded an increase of RM2,377.7 million (143.1%), followed by increases in loans, advances and financing of RM1,329.4 million (92.0%), derivative financial assets of RM267.2 million (236.3%), deposits and placements with banks and other financial institutions of RM301.9 million (90.1%) and investment securities available-for-sale of RM50.0 million (62.8%).

## **Outlook for the Financial Year Ending 31 March 2016**

Malaysia's GDP is expected to grow steadily at 4.5%-5.5% in year 2015. Although buffered by the slump in oil prices, Malaysia's economy is projected to post growth through the year 2015 which is more moderate than last year's rate but still solid. The Bank also foresees the growth of Malaysian banking industry to remain stable for the coming few years. For the financial year ending 31 March 2016, the Bank will continue to offer basic commercial banking services such as loans, deposits, foreign exchange, derivatives, cash management services and Islamic Finance to both Japanese and Non-Japanese clients. In order to grow sustainably, the Bank needs to strengthen its base income by capturing the flow of business of its clients. The Bank continues to make efforts to support trade and investment between Japan and Malaysia which will contribute to further growth of the Malaysian economy.

## **Subsequent Event**

The subsequent events are as disclosed in Note 33 to the financial statements.

## Corporate Governance

### The Board of Directors

The Board of Directors seeks to uphold the highest standards of corporate governance by setting in place the strategy and direction of the Bank, the formulation of policies and the establishment of Board Committees. The Policies of the Bank will continually be reviewed and enhanced annually or as and when the need arises. The Policies are formulated to take into consideration the principles and standards set by Bank Negara Malaysia in its Guidelines on Corporate Governance for Licensed Institutions (BNM/RH/GL001-1).

The Board of Directors consists of 5 members, with one Executive Director/CEO, two Non-Independent Non-Executive Directors and two Independent Non-Executive Directors including the Chairman.

The Non-Independent Non-Executive Directors are Mr Yuichi Nishimura and Mr Hiroshi Irie. The Independent Directors are Dato' Md Agil bin Mohd Natt who is also the Chairman of the Board and Mr Lim Choon Eng.

Mr Yasuhiro Oashi, aged 51, was appointed as a Director and CEO of the Bank on 6 June 2013. He holds a Bachelor of Law from Kyoto University in Japan. He resigned on 25 June 2015.

Mr Yoshimi Gunji, aged 50, was appointed as a Director and CEO of the Bank on 25 June 2015. He graduated from the Faculty of Sociology of University of Rikkyo, Japan.

Mr Masayuki Shimura, aged 55, was appointed as a Director and Chairman of the Bank on 16 March 2011. He resigned as Chairman of the Bank on 20 March 2012 but remained on Board as a Non-Independent Non-Executive Director. He graduated from the Faculty of Economics of University of Tokyo, Japan. He resigned on 28 August 2014.

Mr Yuichi Nishimura, aged 49, was appointed as a Director of the Bank on 28 August 2014. He holds a Bachelor in Political Studies from Gakushuin University, Tokyo and Masters of Business Administration from University of Illinois, USA.

Mr Hiroshi Irie, aged 49, was appointed as a Director on 19 September 2011. He holds a Bachelor of Economics from Kyushu University in Japan.

Mr Lim Choon Eng, aged 55, was appointed as a Director on 16 March 2011. He holds a Masters of Applied Finance from Macquarie University in Sydney, Australia. He completed the Advanced Management Program of Wharton School of the University of Pennsylvania, USA. He is the Chairman of the Risk Management Committee and Remuneration Committee.

Dato' Md Agil bin Mohd Natt, aged 63, was appointed as a Director and Chairman of the Bank on 9 March 2015. He was appointed as Chairman of the Audit Committee and Nominating Committee as well. He holds a Bachelor of Science in Econs from Brunel University, London, United Kingdom as well as a Master of Science in Finance. He also completed Advanced Management Programme from Harvard Business School, USA.

## **Corporate Governance (continued)**

### **The Board of Directors (continued)**

Mr Razman Hafidz bin Abu Zarim, aged 59, was appointed as a Director on 16 March 2011 and as the Chairman of the Bank on 20 March 2012. He was also the Chairman of the Audit Committee and Nominating Committee. He graduated with a Joint Honours degree in Economics and Accounting from University College Cardiff, University of Wales in United Kingdom. He is a Chartered Accountant and a Fellow of the ICAEW. He resigned on 9 March 2015.

The members of the Board are professionals in their own right and they possess the skills, knowledge, experiences and expertise in the private sector and the banking industry. They are persons of high calibre and they fulfill the “fit and proper” standards for appointment of directors as established by the Board in accordance with the Financial Services Act 2013 and the Guidelines on Corporate Governance for Licensed Institutions.

The roles of the Chairman and CEO are independent of each other with clearly defined roles, responsibilities, authority and accountability. The Independent Directors are independent of management and free from any business or other relationships which could interfere with the exercise of independent judgement.

### **Roles and responsibilities of the Board**

The Board reviews and approves strategies, business plans and significant policies and monitors the Management’s execution in implementing 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. The Bank establishes comprehensive risk management policies, processes and infrastructure, to manage the various types of risks. The Board monitors and assesses current developments in the country which may affect the Bank’s strategic plans.

The Board 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.

### **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**

Meetings are conducted not less than six times a year to discuss key issues of the Bank including review of the financial performance, operations and risk management of the Bank and to deliberate on matters which require the Board’s decision and approval.



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## Corporate Governance (continued)

### The Board of Directors (continued)

A total of 7 meetings were held during the financial year ended 31 March 2015 as reflected below:-

Name of Director	Number of Meetings	
	Held	Attended
Razman Hafidz bin Abu Zarim - Chairman (resigned on 9 March 2015)	6	6
Masayuki Shimura (resigned on 28 August 2014)	4	4
Hiroshi Irie	7	7
Lim Choon Eng	7	7
Yasuhiro Oashi (resigned on 25 June 2015)	7	7
Yuichi Nishimura (appointed on 28 August 2014)	3	3
Md Agil bin Mohd Natt - Chairman (appointed on 9 March 2015)	1	1

### Board Committees

The Board established specialized Board Committees to oversee critical and major functional areas of the Bank.

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

#### Nominating Committee (NC)

The Chairman of the NC is Dato' Md Agil bin Mohd Natt and the members of the NC are Mr Lim Choon Eng, Mr Yuichi Nishimura, Mr Yasuhiro Oashi and Mr Hiroshi Irie.

The NC held 7 meetings during the financial year.

The details of attendance of each member at the NC Meetings held during the financial year ended 31 March 2015 are as follows:-

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## Corporate Governance (continued)

### Board Committees (continued)

#### Nominating Committee (NC) (continued)

Name of Director	Number of Meetings	
	Held	Attended
Razman Hafidz bin Abu Zarim - Chairman (resigned on 9 March 2015)	6	6
Masayuki Shimura (resigned on 28 August 2014)	4	3
Hiroshi Irie	7	7
Lim Choon Eng	7	7
Yasuhiro Oashi (resigned on 25 June 2015)	7	7
Yuichi Nishimura (appointed on 28 August 2014)	3	3
Md Agil bin Mohd Natt - Chairman (appointed on 9 March 2015)	1	1

The objective of the NC is to provide formal and transparent procedures for the appointment of directors and CEO; the assessment of the effectiveness of individual directors, and Board as a whole; and the assessment of the performance of CEO and senior officers.

The NC is responsible, amongst others, for:

1. Establishing minimum requirements for the Board that is, required mix of skills, experience, qualifications and other core competencies required of a director;
2. Recommending and assessing the nominees for directorship, board committee members as well as nominees for the Shariah Committee, the CEO, the CRO and the Company Secretary. This includes assessing directors, members of the Shariah Committee and the CEO for reappointment, before an application for approval is submitted to Bank Negara Malaysia; and
3. Overseeing the overall composition of the board, in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors through annual reviews.

#### Remuneration Committee (RC)

The Chairman of the RC is Mr Lim Choon Eng and the members of the RC are Dato' Md Agil bin Mohd Natt, Mr Yuichi Nishimura and Mr Hiroshi Irie.

The RC held 2 meetings during the financial year.

The details of attendance of each member at the RC Meetings held during the financial year ended 31 March 2015 are as follows:-

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## Corporate Governance (continued)

### Board Committees (continued)

#### Remuneration Committee (RC) (continued)

Name of Director	Number of Meetings	
	Held	Attended
Lim Choon Eng - Chairman	2	2
Masayuki Shimura (resigned on 28 August 2014)	1	1
Hiroshi Irie	2	2
Razman Hafidz bin Abu Zarim (resigned on 9 March 2015)	2	2
Yuichi Nishimura (appointed on 28 August 2014)	1	1
Md Agil bin Mohd Natt (appointed on 9 March 2015)	-	-

The objective of the RC is to provide a formal and transparent procedure for developing remuneration framework for directors, CEO, members of the Shariah Committee and key senior management officers and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

The RC is responsible for:

1. Recommending a framework of remuneration, including assessing the rewards are commensurate with the risks undertaken by the the Bank, for directors, CEO, members of the Shariah Committee and senior officers for the full Board's approval; and
2. Recommending specific remuneration packages for executive directors, the CEO and CRO.

#### Audit Committee (AC)

The Chairman of the AC is Dato' Md Agil bin Mohd Natt and the members of the AC are Mr Lim Choon Eng and Mr Yuichi Nishimura.

The AC held 6 meetings during the financial year.

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## Corporate Governance (continued)

### Board Committees (continued)

#### Audit Committee (AC) (continued)

The details of attendance of each member at the AC Meetings held during the financial year ended 31 March 2015 are as follows:-

Name of Director	Number of Meetings	
	Held	Attended
Razman Hafidz bin Abu Zarim - Chairman (resigned on 9 March 2015)	5	5
Hiroshi Irie (ceased as member on 28 August 2014)	3	3
Lim Choon Eng	6	6
Yuichi Nishimura (appointed on 28 August 2014)	3	3
Md Agil bin Mohd Natt - Chairman (appointed on 9 March 2015)	1	1

The objective of the AC is to provide independent oversight of the Bank's financial reporting and internal control system and ensuring checks and balances within the Bank.

The AC is responsible, amongst others, to:

1. Ensure fair and transparent reporting and prompt publication of the financial accounts;
2. Review the scope of the internal audit programme, internal audit findings and recommend actions to be taken by the Management;
3. Review the effectiveness of internal controls and risk management processes;
4. Select external auditors for appointment by the Board; and
5. Review findings of external auditors.

#### Related Party Transactions

All related party transactions are reviewed by the AC and the AC keeps the Board informed of such transactions. There are no related party transactions with the Board of Directors or Senior Management.

#### External Experts

The AC has the ability to engage external experts in circumstances where the internal audit function lacks the expertise needed to perform the audit of specialized areas and 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.

## **Corporate Governance (continued)**

### **Board Committees (continued)**

#### Audit Committee (AC) (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 and management audit. The AC 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 Head of Internal Audit and audit personnel have responsibility to:

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 Audit Committee for review and approval;
2. Implement the approved annual audit plan, including, any special appropriate tasks or projects requested by the Management and directed by the Audit Committee;
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 meet the requirements of this charter;
5. Issue written audit reports to the Audit Committee 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;
6. Monitor progress of rectification actions on findings raised taking into consideration the timeline committed by Management; and
7. Conduct investigation on suspected fraudulent activities when required and notify Management and the Audit Committee of the results.

#### Risk Management Committee (RMC)

The Chairman of the RMC is Mr Lim Choon Eng and the members of the RMC are Dato' Md Agil bin Mohd Natt and Mr Yuichi Nishimura.

The RMC held 6 meetings during the financial year.

The details of attendance of each member at the RMC Meetings held during the financial year ended 31 March 2015 are as follows:-

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## Corporate Governance (continued)

### Board Committees (continued)

#### Risk Management Committee (RMC) (continued)

Name of Director	Number of Meetings	
	Held	Attended
Lim Choon Eng - Chairman	6	6
Masayuki Shimura (resigned on 28 August 2014)	3	2
Hiroshi Irie (ceased as member on 28 August 2014)	3	3
Razman Hafidz bin Abu Zarim (resigned on 9 March 2015)	5	5
Yuichi Nishimura (appointed on 28 August 2014)	3	3
Md Agil bin Mohd Natt - Chairman (appointed on 9 March 2015)	1	1

The objective of the RMC is to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and functioning.

The functions and responsibilities of the RMC are:

1. Review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
2. Review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
3. Ensure infrastructure, resources and systems are in place for risk management that is, ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk taking activities; and
4. Review the Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

The outline for risk management is as follows:-

1. Identify risks to be managed and set risk tolerance limit consistent with allocated capital and ensure implementation is in place;
2. Ensure clear documentation on approaches to determine risk limits, organisational structure, line of authorities and methods to be employed under the risk management function; and
3. Ensure optimal risk management information system must be in place to ensure transparency of data and to prevent operational error.

## **Corporate Governance (continued)**

### **Board Committees (continued)**

#### Shariah Committee (ShC)

The Bank's Shariah Committee was established in 2014 to ensure that Bank's Islamic Banking operates in conformity with approved Shariah rules and principles. ShC consist of three (3) members appointed by the Bank's Board of Director. The main duties and responsibilities of the ShC, in line with the Shariah Governance Framework of Bank Negara Malaysia, among others are as follows: -

- a) to advise the Board and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times;
- b) to endorse 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;
- c) to ensure that the products of the Bank comply with Shariah principles, the Shariah Committee 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;
- d) to assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report;
- e) to advise the Bank to consult the Bank Negara Malaysia ("BNM")'s Shariah Advisory Council ("SAC") on Shariah matters that could not be resolved; and
- f) to provide written Shariah opinions in circumstances where the Bank make reference to the BNM's SAC for further deliberation, or where the Bank submits applications to the BNM for new product.

ShC Members for the Bank are as follows:

- a) Dr. Mushaddad bin Hasbullah (Chairman)
- b) Dr. Mohammad Pisol bin Mat Isa (Member)
- c) Mohamed Khairul Anuat bin Mohd Basri (Member)

ShC Members have attended all the Shariah Committee Meeting held during the financial year ended 31 March 2015.

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## **Auditors**

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

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

.....  
**Yoshimi Gunji**

.....  
**Md Agil Bin Mohd Natt**

Kuala Lumpur

Date: 18 August 2015



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## SHARIAH COMMITTEE'S REPORT

*In the name of Allah, the Beneficent, the Merciful*

In compliance 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 2015. 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 obtain 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 has 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 2015 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 2015 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee : .....  
**Dr. Mushaddad bin Hasbullah**

Shariah Committee member : .....  
**Mohamed Khairul Anuar bin Mohd Basri**

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

Kuala Lumpur:

Date: 18 August 2015

# Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)

(Incorporated in Malaysia)

## Statement of Financial Position as at 31 March 2015

	Note	31 March 2015 RM'000	31 March 2014 RM'000
<b>Assets</b>			
Cash and short-term funds	3	4,038,925	1,661,183
Deposits and placements with banks and other financial institutions	4	637,033	335,158
Investment securities available-for-sale	5	129,654	79,630
Loans, advances and financing	6	2,774,951	1,445,610
Derivative financial assets	29	380,250	113,078
Other assets	7	7,315	10,939
Plant and equipment	8	20,253	6,234
Tax recoverable		7,685	5,103
<b>Total assets</b>		<u>7,996,066</u>	<u>3,656,935</u>
<b>Liabilities</b>			
Deposits from customers	9	3,746,038	1,945,801
Deposits and placements of banks and other financial institutions	10	2,866,292	782,104
Bills and acceptances payable		749	1,071
Derivative financial liabilities	29	317,134	69,690
Other liabilities	11	257,947	91,478
Deferred tax liabilities	12	13,033	5,290
<b>Total liabilities</b>		<u>7,201,193</u>	<u>2,895,434</u>
<b>Equity</b>			
Share capital	13	700,000	700,000
Reserves	14	66,416	32,959
Retained earnings	14	28,457	28,542
<b>Total equity attributable to equity holder of the Bank</b>		<u>794,873</u>	<u>761,501</u>
<b>Total liabilities and equity</b>		<u>7,996,066</u>	<u>3,656,935</u>
<b>Commitments and contingencies</b>	26	<u>10,721,508</u>	<u>6,653,123</u>

The notes on pages 22 to 103 are an integral part of these financial statements.

**Sumitomo Mitsui Banking Corporation Malaysia Berhad**  
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**Statement of Profit or Loss and Other Comprehensive  
 Income for the Financial Year Ended 31 March 2015**

	Note	2015 RM'000	2014 RM'000
Interest income	15	132,021	81,314
Interest expense	16	(70,529)	(34,487)
<b>Net interest income</b>		61,492	46,827
Other operating income	17	48,112	42,383
Net operating income		109,604	89,210
Other operating expenses	18	(58,415)	(48,086)
Operating profit		51,189	41,124
Provision for loans, advances and financing	20	(5,826)	(2,642)
<b>Profit before taxation</b>		45,363	38,482
Income tax expense	21	(12,030)	(10,982)
<b>Profit for the year</b>		33,333	27,500
<b>Other comprehensive income for the year, net of income tax</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Fair value changes of investment securities available- for-sale		39	(5)
<b>Total comprehensive income for the year</b>		33,372	27,495
Basic earnings per ordinary share (sen)	22	4.76	3.93

The notes on pages 22 to 103 are an integral part of these financial statements.

## Sumitomo Mitsui Banking Corporation Malaysia Berhad

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(Incorporated in Malaysia)

### Statement of Changes in Equity for the Financial Year Ended 31 March 2015

	←—————Attributable to owners of the Bank—————→					Total RM'000
	Share Capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available- for-sale reserve RM'000	Retained earnings RM'000	
					<i>Non-Distributable</i>	<i>Distributable</i>
<b>At 1 April 2013</b>	700,000	19,256	-	(42)	14,792	734,006
Profit for the year	-	-	-	-	27,500	27,500
Fair value changes of available-for-sale financial assets	-	-	-	(5)	-	(5)
<b>Total comprehensive income for the year</b>	-	-	-	(5)	27,500	27,495
Transfer to statutory reserve	-	13,750	-	-	(13,750)	-
<b>At 31 March 2014/ 1 April 2014</b>	700,000	33,006	-	(47)	28,542	761,501
Profit for the year	-	-	-	-	33,333	33,333
Fair value changes of available-for-sale financial assets	-	-	-	39	-	39
<b>Total comprehensive income for the year</b>	-	-	-	39	33,333	33,372
Transfer to statutory reserve	-	16,667	-	-	(16,667)	-
Transfer to regulatory reserve	-	-	16,751	-	(16,751)	-
<b>At 31 March 2015</b>	700,000	49,673	16,751	(8)	28,457	794,873
	Note 13	Note 14	Note 14	Note 14	Note 14	

The notes on pages 22 to 103 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 2015**

	31 March 2015	31 March 2014
Note	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit from ordinary activities before taxation	45,363	38,482
Adjustments for:		
Depreciation of plant and equipment	1,853	3,224
Plant and equipment written-off	3,526	-
Loan loss provision	5,826	2,642
Accretion of discount on debt securities	(2,953)	(2,015)
<b>Operating profit before working capital changes</b>	53,615	42,333
Decrease/(Increase) in operating assets		
Deposits and placements with banks and other financial institutions	(301,875)	(85,158)
Loans, advances and financing	(1,335,167)	(352,265)
Derivative financial instruments	(19,728)	(2,324)
Other assets	3,624	(3,067)
Increase/(Decrease) in operating liabilities		
Deposits from customers	1,800,237	664,055
Deposits and placements of banks and other financial institutions	2,084,188	253,749
Bills and acceptances payable	(322)	(1,613)
Other liabilities	166,469	76,541
<b>Cash generated from operating activities</b>	2,451,041	592,251
Taxation paid	(6,881)	(13,619)
<b>Net cash generated from operating activities</b>	2,444,160	578,632
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(19,398)	(402)
Investment securities available-for-sale	(47,020)	(12,966)
<b>Net cash used in investing activities</b>	(66,418)	(13,368)
<b>Net increase in cash and cash equivalents</b>	2,377,742	565,264
<b>Cash and cash equivalents at beginning of the financial year</b>	1,661,183	1,095,919
<b>Cash and cash equivalents at end of financial year</b>	3 4,038,925	1,661,183

Company No. 926374-U
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## Statements of Cash Flows for the Financial Year Ended 31 March 2015 (continued)

### Cash and cash equivalents

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

		<b>31 March 2015 RM'000</b>	<b>31 March 2014 RM'000</b>
	<b>Note</b>		
Cash and balances with banks and other financial institutions	3	920,465	9,104
Money at call and deposit placements maturing within one month	3	<u>3,118,460</u>	<u>1,652,079</u>
		<u>4,038,925</u>	<u>1,661,183</u>

The notes on pages 22 to 103 are an integral part of these financial statements.

# Sumitomo Mitsui Banking Corporation Malaysia Berhad

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

## Notes to the Financial Statements for the Financial Year Ended 31 March 2015

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 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 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 18 August 2015.

### 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, 1965 in Malaysia.

All significant accounting policies and methods of computation applied in the financial statements are consistent with those in the audited financial statements for the year ended 31 March 2014, except for the adoption of the following MFRSs, Amendments to MFRSs, Issues Committee (“IC”) Interpretations, and early adoption of Bank Negara Malaysia (“BNM”) Guidelines during the current financial year.

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets- Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

On 4 February 2014, BNM issued a letter requiring banking institutions to maintain, in aggregate, collective impairment provision and regulatory reserves of no less than 1.2% of total outstanding loans/ financing, net of individual impairment provision, pursuant to paragraph 13 of BNM's Policy Document on Classification and Impairment Provisions for Loan/ Financing. The regulatory reserves are maintained in addition to the impairment provisions required under MFRS139, *Financial Instruments: Recognition and Measurement*, and it will be set aside from the retained profits, recognised as a separate reserve within equity as an additional credit risk absorbent. Banking Institutions are required to comply with the requirement by 31 December 2015. At the end of the financial year, the Bank transferred RM16.8 million from its retained profits to regulatory reserves in accordance with BNM's requirement upon the early adoption by the Bank. The early adoption of this requirement did not have any impact to the current year profit or loss of the Bank. Its regulatory reserves do not qualify as common equity Tier 1 ("CET 1") capital and Tier 1 capital under BNM's Capital Adequacy Framework (Capital Component).

The following MFRSs, Amendments to MFRSs and IC Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") and are not yet effective for the Bank.

#### ***Effective for annual periods beginning on or after 1 July 2014***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits- Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*



## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### *Effective for annual periods beginning on or after 1 January 2016*

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- 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*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements- Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

#### *Effective for annual periods beginning on or after 1 January 2017*

- MFRS 15, *Revenue from Contracts with Customers*

#### *Effective for annual periods beginning on or after 1 January 2018*

- MFRS 9, *Financial Instruments (2014)*

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

- from the annual period beginning on 1 April 2015 for those accounting standards, amendments or interpretation that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 2, Amendments to MFRS 3, Amendments to MFRS 8 and Amendments to MFRS 119 which are not applicable to the Bank.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

- from the annual period beginning on 1 April 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 10, Amendments to MFRS 11, MFRS 14, Amendments to MFRS 119 and Amendments to MFRS 127 which are not applicable to the Bank.
- from the annual period beginning on 1 April 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 April 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.

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

#### (i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Bank is currently assessing the financial impact that may arise from the adoption of MFRS 15.

#### (ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liability and on hedged accounting.

The Bank is currently assessing the financial impact that may arise from the adoption of MFRS 9.

## **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(b)(ii).

### **(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 29 - Fair value of financial assets and financial liabilities

## **2. Significant accounting policies**

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

### **(a) 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.

## 2. Significant accounting policies (continued)

### (a) Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, 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 available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

### (b) Financial instruments

#### (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.

## 2. Significant accounting policies (continued)

### (b) Financial instruments (continued)

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

##### *Financial assets (continued)*

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

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.

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 9 November 2011 and 4 February 2014. 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)

### (b) Financial instruments (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 the statement of comprehensive income.

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.

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);

## 2. Significant accounting policies (continued)

### (b) Financial instruments (continued)

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

##### *Financial assets (continued)*

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

- 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 hedge 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(f)(i)).

## 2. Significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (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 value arising from financial guarantee contracts are classified as deferred income and is 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)

### (b) Financial instruments (continued)

#### (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 the 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 hedge 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 hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge 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)**

### **(b) Financial instruments (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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 the 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.

### **(c) Plant and equipment**

#### **(i) Recognition and measurement**

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and 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.

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

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 plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

## 2. Significant accounting policies (continued)

### (c) Plant and equipment (continued)

#### (ii) Subsequent costs

The cost of replacing a component of a plant and 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 part is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

#### (iii) 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 profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

- |                                    |              |
|------------------------------------|--------------|
| • motor vehicles                   | 5 years      |
| • furniture, fixtures and fittings | 5 - 10 years |
| • computer equipment               | 3 years      |
| • renovations                      | 10 years     |

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

### (d) Operating lease

Leases, where the Bank does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the 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 unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

## 2. Significant accounting policies (continued)

### (e) Cash and short-term funds

Cash and short-term funds consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of one month or less, and held by the Bank in the management of their short term commitments.

### (f) Impairment

#### (i) 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 loan and receivables (see Note 2(b)(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 the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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.

## 2. Significant accounting policies (continued)

### (f) Impairment (continued)

#### (i) Financial assets (continued)

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.

#### (ii) 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.

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

## **2. Significant accounting policies (continued)**

### **(f) Impairment (continued)**

#### **(ii) Other assets (continued)**

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.

### **(g) Employee benefits**

#### **(i) Short term employee 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's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

### **(h) Provisions and contingent liabilities**

A provision is recognised if, as a result of a 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.

## **2. Significant accounting policies (continued)**

### **(h) Provisions and contingent liabilities (continued)**

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 are remote.

### **(i) Revenue and other income**

#### **(i) Interest income and expense**

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

The effective interest 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 rate includes all fees paid or received that are 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)

### (j) 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 other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax expense is the expected tax payable or receivable on the taxable income using tax rates enacted or substantially 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, on temporary differences arising 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 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 be applied 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.



## 2. Significant accounting policies (continued)

### (k) 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.

### (l) Fair value measurement

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 value are categorised into different levels in a fair value hierarchy based on the input 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.

## 3. Cash and short-term funds

	<b>31 March 2015</b>	<b>31 March 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	920,465	9,104
Money at call and deposit placements maturing within one month	3,118,460	1,652,079
	<u>4,038,925</u>	<u>1,661,183</u>

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#### 4. Deposits and placements with banks and other financial institutions

	31 March 2015 RM'000	31 March 2014 RM'000
Money at call and deposit placements maturing more than one month	<u>637,033</u>	<u>335,158</u>

#### 5. Investments securities available-for-sale

	31 March 2015 RM'000	31 March 2014 RM'000
<b>At fair value</b>		
Bank Negara Malaysia bills	89,663	79,630
Malaysian Government treasury bills	<u>39,991</u>	<u>-</u>
	<u>129,654</u>	<u>79,630</u>

#### 6. Loans, advances and financing

	31 March 2015 RM'000	31 March 2014 RM'000
<b>(a) By type:</b>		
<b>At amortised cost:</b>		
Term loans		
- Syndicated loans	500,267	317,446
- Bridging loans	9,826	2,808
- Factoring receivables	45,986	22,844
- Other term loans	820,196	401,732
Trade bills discounted	-	5,269
Revolving credits	<u>1,415,427</u>	<u>706,436</u>
Gross loans, advances and financing	2,791,702	1,456,535
Less: Collective impairment provision	<u>(16,751)</u>	<u>(10,925)</u>
Net loans, advances and financing	<u>2,774,951</u>	<u>1,445,610</u>
<b>(b) By geographical distribution:</b>		
Malaysia	2,427,653	1,249,458
Other countries	<u>364,049</u>	<u>207,077</u>
Gross loans, advances and financing	<u>2,791,702</u>	<u>1,456,535</u>

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## 6. Loans, advances and financing (continued)

	31 March 2015 RM'000	31 March 2014 RM'000
<b>(c) By type of customer:</b>		
Domestic non-bank financial institutions	683,241	139,682
Domestic business enterprises	1,744,412	1,109,776
Foreign entities	364,049	207,077
Gross loans, advances and financing	<u>2,791,702</u>	<u>1,456,535</u>
<b>(d) By interest rate sensitivity:</b>		
Fixed rate		
- Other fixed rate loans	143,254	53,945
Variable rate		
- Cost-plus	1,031,204	811,347
- Other variable rates	1,617,244	591,243
Gross loans, advances and financing	<u>2,791,702</u>	<u>1,456,535</u>
<b>(e) By economic purposes:</b>		
Purchase of residential property	28,446	28,502
Purchase of non-residential property		
- Commercial complexes	137,081	136,251
Purchase of fixed assets other than land and building	193,700	7,200
Construction	44,127	35,705
Working Capital	2,229,561	1,084,436
Other purpose	158,787	164,441
Gross loans, advances and financing	<u>2,791,702</u>	<u>1,456,535</u>
<b>(f) By sector:</b>		
Primary agriculture	28,805	25,407
Mining and quarrying	325,946	65,354
Manufacturing	724,565	620,761
Electricity, gas and water	127,311	127,266
Construction	32,839	7,743
Wholesale and retail trade, and restaurants and hotels	177,140	50,028
Transport, storage and communication	96,646	57,607
Finance, insurance, and business services	1,102,352	396,793
Real estate	156,020	81,316
Education, health and others	20,078	24,260
Gross loans, advances and financing	<u>2,791,702</u>	<u>1,456,535</u>

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## 6. Loans, advances and financing (continued)

	31 March 2015 RM'000	31 March 2014 RM'000
<b>(g) By residual contractual maturity:</b>		
Maturing within one year	1,704,595	775,125
One year to three years	622,584	187,158
Three years to five years	295,813	251,606
More than five years	168,710	242,646
Gross loans, advances and financing	<u>2,791,702</u>	<u>1,456,535</u>
<b>(h) Movements in collective impairment provision on loans, advances and financing:</b>		
At beginning of financial year	10,925	8,283
Made during the financial year (Note 20)	<u>5,826</u>	<u>2,642</u>
At end of financial year	<u>16,751</u>	<u>10,925</u>
 (As % of gross loans, advances and financing (net of individual allowance))	 <u>0.60%</u>	 <u>0.75%</u>

## 7. Other assets

	31 March 2015 RM'000	31 March 2014 RM'000
Interest receivable	2,816	3,387
Amount due from related corporations/ company	1,651	105
Other receivables	145	5,788
Deposits	2,100	980
Prepayments	603	679
	<u>7,315</u>	<u>10,939</u>

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## 8. Plant and Equipment

	<b>Renovations RM'000</b>	<b>Computer equipment RM'000</b>	<b>Furniture, fixtures and fittings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b><i>Cost</i></b>					
At 1 April 2013	5,413	6,325	1,967	1,669	15,374
Additions	12	390	-	-	402
At 31 March 2014/ 1 April 2014	5,425	6,715	1,967	1,669	15,776
Additions	11,264	5,605	2,529	-	19,398
Written-off	(5,457)	(82)	(998)	-	(6,537)
At 31 March 2015	11,232	12,238	3,498	1,669	28,637
<b><i>Accumulated depreciation</i></b>					
At 1 April 2013	1,205	3,907	574	632	6,318
Charge for the year	541	2,087	262	334	3,224
At 31 March 2014/ 1 April 2014	1,746	5,994	836	966	9,542
Charge for the year	593	652	274	334	1,853
Written-off	(2,246)	(82)	(683)	-	(3,011)
At 31 March 2015	93	6,564	427	1,300	8,384
<b><i>Carrying amounts</i></b>					
At 31 March 2014/ 1 April 2014	3,679	721	1,131	703	6,234
At 31 March 2015	11,139	5,674	3,071	369	20,253

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## 9. Deposits from customers

	31 March 2015 RM'000	31 March 2014 RM'000
<b>(a) By type of deposits:</b>		
Demand deposits	1,150,021	764,894
Fixed deposits	587,797	493,179
Short-term deposits	2,008,220	687,728
	<u>3,746,038</u>	<u>1,945,801</u>
 Maturity structure of fixed deposits is as follows:		
Due within six months	576,688	481,095
Six months to one year	11,109	12,084
	<u>587,797</u>	<u>493,179</u>
 <b>(b) By type of customers:</b>		
Domestic non-bank financial institutions	89,206	82,171
Domestic business enterprises	3,589,006	1,705,372
Foreign non-bank entities	67,826	158,258
	<u>3,746,038</u>	<u>1,945,801</u>

## 10. Deposits and placements of banks and other financial institutions

	31 March 2015 RM'000	31 March 2014 RM'000
Foreign banks		
- Immediate holding company	1,466	1,268
- Other related corporations	2,864,826	780,836
	<u>2,866,292</u>	<u>782,104</u>

## 11. Other liabilities

	31 March 2015 RM'000	31 March 2014 RM'000
Interest payable	5,502	3,354
Amount due to related corporations/ company	2,440	635
Other payables	239,985	84,429
Accruals	10,020	3,060
	<u>257,947</u>	<u>91,478</u>

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## 12. Deferred tax

### Recognised deferred tax assets/ (liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Plant and equipment	-	-	(550)	(360)	(550)	(360)
Available-for-sale reserves	4	16	-	-	4	16
Unrealised foreign exchange gain	-	-	(14,244)	(6,605)	(14,244)	(6,605)
Other items	1,757	1,659	-	-	1,757	1,659
Tax assets/ (liabilities)	1,761	1,675	(14,794)	(6,965)	(13,033)	(5,290)
Set off of tax	(1,761)	(1,675)	1,761	1,675	-	-
Net tax assets/ (liabilities)	-	-	(13,033)	(5,290)	(13,033)	(5,290)

### Movement in temporary differences during the year

	At 1.4.2013 RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	At 31.3.2014 RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	At 31.3.2015 RM'000
Plant and equipment	(797)	437	-	(360)	(190)	-	(550)
Collective impairment on loans, advances and financing	2,070	(2,070)	-	-	-	-	-
Available-for-sale reserves	14	-	2	16	-	(12)	4
Unrealised foreign exchange gain	-	(6,605)	-	(6,605)	(7,639)	-	(14,244)
Other items	595	1,064	-	1,659	98	-	1,757
	1,882	(7,174)	2	(5,290)	(7,731)	(12)	(13,033)

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### 13. Share capital

	Amount 31 March 2015 RM'000	Number of shares 31 March 2015 '000	Amount 31 March 2014 RM'000	Number of shares 31 March 2014 '000
<b>Ordinary shares of RM1 each</b>				
Authorised:	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
Issued and fully paid up	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>

#### Ordinary shares

The holder of ordinary shares is 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.

### 14. Reserves

	Note	31 March 2015 RM'000	31 March 2014 RM'000
<i>Non-distributable:</i>			
Statutory reserves	14.1	49,673	33,006
Available-for-sale ("AFS") reserves	14.2	(8)	(47)
Regulatory reserves	14.3	<u>16,751</u>	<u>-</u>
		66,416	32,959
<i>Distributable:</i>			
Retained earnings	14.4	<u>28,457</u>	<u>28,542</u>
		<u>94,873</u>	<u>61,501</u>

#### 14.1 Statutory reserves

The statutory reserve is maintained in compliance with Section 12 and Section 47(2)(f) of the Financial Services Act, 2013 (FSA) and is not distributable as cash dividends.



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## 14. Reserves (Continued)

### 14.2 Available-for-sale (“AFS”) reserves

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

### 14.3 Regulatory reserves

The regulatory reserves are maintained by the Bank as an additional credit risk absorbant in excess of the requirement of accounting standards. The reserve is maintained in line with the requirements of Bank Negara Malaysia in which the Bank early adopted during the year as disclosed in Note 1(a).

### 14.4 Retained earnings

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

## 15. Interest income

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing		
- Interest income	56,740	35,625
Money at call and deposit placements with banks and other financial institutions	71,723	43,269
Investment securities available-for-sale	3,169	2,015
Others	389	405
	<u>132,021</u>	<u>81,314</u>

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## 16. Interest expense

	2015 RM'000	2014 RM'000
Deposits and placements of banks and other financial institutions	9,040	4,063
Deposits from customers	60,022	27,134
Others	1,467	3,290
	<u>70,529</u>	<u>34,487</u>

## 17. Other operating income

	2015 RM'000	2014 RM'000
<b>Fee and commission income</b>		
- Service charges/ fees	49	54
- Guarantee fees	533	423
- Loan related fees	1,032	422
- Commitment fees	927	454
	<u>2,541</u>	<u>1,353</u>
<b>(Loss)/ Gain from derivative financial instruments</b>	<u>(9,959)</u>	<u>8,742</u>
<b>Unrealised net gain on revaluation of derivatives</b>	<u>18,689</u>	<u>1,644</u>
<b>Foreign exchange net gain</b>	<u>29,698</u>	<u>24,666</u>
<b>Other income</b>		
- Management fees	5,379	3,874
- Rental of fixed assets	726	1,360
- Miscellaneous income	1,038	744
	<u>7,143</u>	<u>5,978</u>
	<u>48,112</u>	<u>42,383</u>

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## 18. Other operating expenses

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Personnel costs</b>		
Salaries, allowances and bonuses	16,542	13,407
Employees' provident fund	1,951	1,305
Staff training expenses	407	332
Staff welfare expenses	121	109
Other personnel expenses	3,522	2,878
	<u>22,543</u>	<u>18,031</u>
<b>Establishment costs</b>		
Rental of premises	1,184	988
Depreciation	1,853	3,224
Repair and maintenance	337	215
Other establishment expenses	10,154	8,703
	<u>13,528</u>	<u>13,130</u>
<b>Marketing expenses</b>		
Advertisement and publicity	154	133
Other marketing expenses	109	73
	<u>263</u>	<u>206</u>
<b>Administration and general expenses</b>		
Auditors' remuneration		
- Statutory audit	195	195
- Other services	100	100
Professional fees	759	286
Communication expenses	268	225
Management fees	13,510	13,131
Licence fees and stamp duties	123	110
Non-executive directors' fees and allowances	346	236
Other administration and general expenses	6,780	2,436
	<u>22,081</u>	<u>16,719</u>
	<u>58,415</u>	<u>48,086</u>

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## 19. Directors' remuneration

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

	2015					2014				
	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
<b>Executive Director and Chief Executive Officer</b>										
Mr. Yasuhiro Oashi	632	167	-	271	1,070	528	98	-	229	855
<b>Non-executive Directors</b>										
Dato' Md Agil bin Mohd Natt	-	-	12	-	12	-	-	-	-	-
Mr. Razman Hafidz bin Abu Zarim	14	-	163	-	177	15	-	113	-	128
Mr. Lim Choon Eng	14	-	143	-	157	15	-	93	-	108
	<u>660</u>	<u>167</u>	<u>318</u>	<u>271</u>	<u>1,416</u>	<u>558</u>	<u>98</u>	<u>206</u>	<u>229</u>	<u>1,091</u>

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## 20. Provision for loans, advances and financing

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Collective impairment provision (Note 6(h))	5,826	2,642

## 21. Tax expense

### Recognised in profit or loss

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
<b>Malaysian income tax</b>		
- Current year	4,455	4,357
- Prior year overprovision	(156)	(549)
	<u>4,299</u>	<u>3,808</u>

### Deferred tax expense

Origination/reversal of temporary differences	7,809	5,810
(Over)/ underprovision in prior year	(78)	1,364
	<u>7,731</u>	<u>7,174</u>

Total tax expense	<u>12,030</u>	<u>10,982</u>
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### Reconciliation of effective tax expense

Profit before taxation	<u>45,363</u>	<u>38,482</u>
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### Income tax calculated using Malaysian tax rate of

25%	11,341	9,621
Non-deductible expenses	1,466	546
Effect of change in tax rate	(543)	-
(Over)/ underprovision in prior year	(234)	815
	<u>12,030</u>	<u>10,982</u>

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## 22. Earnings per ordinary share

### Basic earnings per ordinary share

The calculation of the basic earnings per ordinary share for year ended 31 March 2015 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the financial year:-

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Net profit attributable to ordinary shareholder	<u>33,333</u>	<u>27,500</u>
	<b>2015</b> <b>Number</b> <b>('000)</b>	<b>2014</b> <b>Number</b> <b>('000)</b>
Weighted average number of ordinary shares outstanding	<u>700,000</u>	<u>700,000</u>
	<b>2015</b>	<b>2014</b>
Basic earnings per ordinary shares (sen)	<u>4.76</u>	<u>3.93</u>

## 23. 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 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 or common significant influence. Related parties may be individuals or other entities.

Key management personnel are 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.

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## 23. Related parties (continued)

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

	<b>Amount transacted for the year ended 31 March RM'000</b>	<b>Gross balance outstanding at 31 March RM'000</b>	<b>Allowance for impairment loss at 31 March RM'000</b>	<b>Net balance outstanding at 31 March RM'000</b>	<b>Impairment loss recognised for the year ended 31 March RM'000</b>
<b>2015</b>					
<b>Immediate holding corporation</b>					
Income					
- Interest income from deposits and placements with banks and other financial institutions	53	-	-	-	-
- Fee and commission income	122	-	-	-	-
Expenses					
- Other operating expenses	9,790	-	-	-	-
Amount due from					
- Cash and short-term funds	-	88,850	-	88,850	-
- Derivative financial assets	-	2,070	-	2,070	-

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## 23. Related parties (continued)

	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
<b>2015</b>					
<b>Immediate holding corporation (continued)</b>					
Amount due to					
- Deposits and placements of banks and other financial institutions	-	1,466	-	1,466	-
- Derivative financial liabilities	-	5,750	-	5,750	-
- Other liabilities	-	388	-	388	-
<b>Other related corporations/ company</b>					
Income					
- Interest income from deposits and placements with banks and other financial institutions	179	-	-	-	-
- Interest income from loans, advances and financing	2,698	-	-	-	-
- Other income	6,427	-	-	-	-
Expenses					
- Interest expense on deposits from customers	64	-	-	-	-
- Interest expense on deposits and placements of banks and other financial institutions	4,214	-	-	-	-
- Fee and commission expense	151	-	-	-	-
- Other operating expenses	12,842	-	-	-	-



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## 23. Related parties (continued)

	<b>Amount transacted for the year ended 31 March RM'000</b>	<b>Gross balance outstanding at 31 March RM'000</b>	<b>Allowance for impairment loss at 31 March RM'000</b>	<b>Net balance outstanding at 31 March RM'000</b>	<b>Impairment loss recognised for the year ended 31 March RM'000</b>
<b>2015</b>					
<b>Other related corporations/ company (continued)</b>					
Amount due from					
- Cash and short-term funds	-	1,149,018	-	1,149,018	-
- Loans, advances and financing	-	46,031	(276)	45,755	212
- Derivative financial assets	-	5,978	-	5,978	-
- Other assets	-	1,652	-	1,652	-
Amount due to					
- Deposits from customers	-	7,050	-	7,050	-
- Deposits and placements of banks and other financial institutions	-	2,864,826	-	2,864,826	-
- Derivative financial liabilities	-	6,402	-	6,402	-
- Other liabilities	-	2,052	-	2,052	-

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## 23. Related parties (continued)

	<b>Amount transacted for the year ended 31 March RM'000</b>	<b>Gross balance outstanding at 31 March RM'000</b>	<b>Allowance for impairment loss at 31 March RM'000</b>	<b>Net balance outstanding at 31 March RM'000</b>	<b>Impairment loss recognised for the year ended 31 March RM'000</b>
<b>2014</b>					
<b>Immediate holding corporation</b>					
Income					
- Interest income from deposits and placements with banks and other financial institutions	35	-	-	-	-
- Fee and commission income	133	-	-	-	-
Expenses					
- Other operating expenses	8,548	-	-	-	-
Amount due from					
- Cash and short-term funds	-	126,886	-	126,886	-
- Derivative financial assets	-	1,036	-	1,036	-

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## 23. Related parties (continued)

	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
<b>2014</b>					
<b>Immediate holding corporation (continued)</b>					
Amount due to					
- Deposits and placements of banks and other financial institutions	-	1,268	-	1,268	-
- Derivative financial liabilities	-	2,424	-	2,424	-
- Other liabilities	-	374	-	374	-
<b>Other related corporations/ company</b>					
Income					
- Interest income from deposits and placements with banks and other financial institutions	176	-	-	-	-
- Interest income from loans, advances and financing	2,980	-	-	-	-
- Other income	5,669	-	-	-	-
Expenses					
- Interest expense on deposits from customers	39	-	-	-	-
- Interest expense on deposits and placements of banks and other financial institutions	2,406	-	-	-	-
- Fee and commission expense	112	-	-	-	-
- Other operating expenses	13,249	-	-	-	-

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## 23. Related parties (continued)

	<b>Amount transacted for the year ended 31 March RM'000</b>	<b>Gross balance outstanding at 31 March RM'000</b>	<b>Allowance for impairment loss at 31 March RM'000</b>	<b>Net balance outstanding at 31 March RM'000</b>	<b>Impairment loss recognised for the year ended 31 March RM'000</b>
<b>2014</b>					
<b>Other related corporations/ company (continued)</b>					
Amount due from					
- Cash and short-term funds	-	186,138	-	186,138	-
- Loans, advances and financing	-	65,085	(488)	64,597	95
- Derivative financial assets	-	604	-	604	-
- Other assets	-	654	-	654	-
Amount due to					
- Deposits from customers	-	7,425	-	7,425	-
- Deposits and placements of banks and other financial institutions	-	780,836	-	780,836	-
- Derivative financial liabilities	-	627	-	627	-
- Other liabilities	-	261	-	261	-

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.

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## 23. Related parties (continued)

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

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Executive Directors:		
- Remuneration	799	626
- Other short term employee benefit	271	229
	<u>1,070</u>	<u>855</u>
Non-executive Directors:		
- Fees	318	206
- Allowances	28	30
	<u>346</u>	<u>236</u>
Other key management personnel:		
- Short term employee benefits	<u>6,535</u>	<u>7,047</u>

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.

## 24. 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:

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Aggregate value of outstanding credit exposures to connected parties	696,561	470,606
As a percentage of total credit exposure	7.19%	10.31%

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

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## 25. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Less than one year	1,789	1,120
Between one and five years	3,429	1,866
	<u>5,218</u>	<u>2,986</u>

## 26. 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:

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount* RM'000</b>	<b>Risk- weighted assets RM'000</b>
<b>31 March 2015</b>			
Transaction related contingent items	131,972	65,986	54,505
Short-term self liquidating trade-related contingencies	18,070	3,614	3,614
Foreign exchange related contracts:			
- Less than one year	3,666,400	134,979	67,634
- One year to less than five years	4,401,367	620,932	271,771
- Five years and above	602,100	184,599	58,652
Interest/ profit rate related contracts			
- Less than one year	10,000	51	10
- One year to less than five years	189,322	4,012	2,448
- Five years and above	219,607	17,888	11,445
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,195,547	597,774	566,710
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	287,123	57,425	57,425
<b>Total</b>	<b>10,721,508</b>	<b>1,687,260</b>	<b>1,094,214</b>

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## 26. Commitments and contingencies (continued)

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount* RM'000</b>	<b>Risk-weighted assets RM'000</b>
<b>31 March 2014</b>			
Transaction related contingent items	104,852	52,426	40,945
Short-term self liquidating trade-related contingencies	433	87	87
Foreign exchange related contracts:			
- Less than one year	2,111,271	49,032	34,248
- One year to less than five years	2,637,290	316,394	102,453
- Five years and above	273,537	83,054	26,732
Interest/ profit rate related contracts			
- Less than one year	25,510	65	13
- One year to less than five years	224,492	7,169	4,237
- Five years and above	209,058	20,557	10,801
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	528,161	264,080	264,080
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	538,519	107,704	101,304
<b>Total</b>	<b>6,653,123</b>	<b>900,568</b>	<b>584,900</b>

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

## 27. Financial instruments

### 27.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follow:-

- (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”)

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## 27. Financial instruments (continued)

### 27.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ FL RM'000	FVTPL -HFT RM'000	AFS RM'000
<b>31 March 2015</b>				
<u>Financial Assets</u>				
Cash and short-term funds	4,038,925	4,038,925	-	-
Deposits and placements with banks and other financial institutions	637,033	637,033	-	-
Investment securities available-for-sale	129,654	-	-	129,654
Loans, advances and financing	2,774,951	2,774,951	-	-
Derivative financial assets	380,250	-	380,250	-
Other assets	6,712	6,712	-	-
<b>Total financial assets</b>	<b>7,967,525</b>	<b>7,457,621</b>	<b>380,250</b>	<b>129,654</b>
<u>Financial Liabilities</u>				
Deposits from customers	(3,746,038)	(3,746,038)	-	-
Deposits and placements of banks and other financial institutions	(2,866,292)	(2,866,292)	-	-
Bills and acceptances payable	(749)	(749)	-	-
Derivative financial liabilities	(317,134)	-	(317,134)	-
Other liabilities	(247,927)	(247,927)	-	-
<b>Total financial liabilities</b>	<b>(7,178,140)</b>	<b>(6,861,006)</b>	<b>(317,134)</b>	<b>-</b>



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## 27. Financial instruments (continued)

### 27.1 Categories of financial instruments (continued)

<b>31 March 2014</b>	<b>Carrying amount RM'000</b>	<b>L&amp;R/ FL RM'000</b>	<b>FVTPL -HFT RM'000</b>	<b>AFS RM'000</b>
<u>Financial Assets</u>				
Cash and short-term funds	1,661,183	1,661,183	-	-
Deposits and placements with banks and other financial institutions	335,158	335,158	-	-
Investment securities available-for-sale	79,630	-	-	79,630
Loans, advances and financing	1,445,610	1,445,610	-	-
Derivative financial assets	113,078	-	113,078	-
Other assets	10,260	10,260	-	-
<b>Total financial assets</b>	<b>3,644,919</b>	<b>3,452,211</b>	<b>113,078</b>	<b>79,630</b>
<u>Financial Liabilities</u>				
Deposits from customers	(1,945,801)	(1,945,801)	-	-
Deposits and placements of banks and other financial institutions	(782,104)	(782,104)	-	-
Bills and acceptances payable	(1,071)	(1,071)	-	-
Derivative financial liabilities	(69,690)	-	(69,690)	-
Other liabilities	(88,418)	(88,418)	-	-
<b>Total financial liabilities</b>	<b>(2,887,084)</b>	<b>(2,817,394)</b>	<b>(69,690)</b>	<b>-</b>

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## 27. Financial instruments (continued)

### 27.2 Net gains and losses arising from financial instruments

	2015 RM'000	2014 RM'000
Net gains/ (losses) arising on:		
Fair value through profit or loss:	38,428	35,052
- Held for trading	35,980	34,596
- Held for hedging	2,448	456
Available-for-sale financial assets:	2,992	2,010
- Accretion of discount on debt securities held recognised in profit and loss	2,953	2,015
- Revaluation on available-for-sale investment securities recognised in other comprehensive income	39	(5)
Loans and receivables	123,219	76,729
Financial liabilities measured at amortised cost	(70,529)	(34,487)
	<u>94,110</u>	<u>79,304</u>

## 28. 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

## 28. Financial risk management (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established Risk Management Committee (RMC), 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 and placements with other banks.

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

- (i) to discuss, formulate, review and implement the credit policy, 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. Normally financial guarantees issued by banks, shareholders or directors of the customers are obtained, and 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 the Notes 3, 4, 5 and 6 to financial statements.

The Bank has taken reasonable steps to ensure that loans, advances, investments and receivables that are neither past due nor impaired are stated at its 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 financing share/unit trust.

## 28. Financial risk management (continued)

### (a) Credit risk (continued)

#### (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 2015 and 31 March 2014, 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 statements of financial position. For off-balance sheet financial instruments, the maximum exposure to credit risk represented the contractual nominal amount.

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>On-balance sheet assets</u>		
Cash and short-term funds	4,038,925	1,661,183
Deposits and placements with banks and other financial institutions	637,033	335,158
Investment securities available-for-sale	129,654	79,630
Loans, advances and financing	2,774,951	1,445,610
Derivative financial assets	380,250	113,078
Other assets	6,712	10,260
	<u>7,967,525</u>	<u>3,644,919</u>
<u>Off-balance sheet assets</u>		
Contingent commitment	131,972	104,852
Undrawn irrevocable standby facilities, credit line and other commitments to lend	1,482,670	1,066,680
	<u>1,614,642</u>	<u>1,171,532</u>
Total maximum exposure to credit risk	<u>9,582,167</u>	<u>4,816,451</u>

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## 28. Financial risk management (continued)

### (a) Credit risk (continued)

#### (ii) Summary analysis of loan, advances and financing

	Loans, advances and financing to customers	Loans, advances and financing to banks*
	RM'000	RM'000
<b>31 March 2015</b>		
Carrying amount	2,791,702	4,675,958
<b>Assets at amortised cost</b>		
Neither past due nor impaired:	2,791,702	4,675,958
Collective allowance for impairment	(16,751)	-
	<u>2,774,951</u>	<u>4,675,958</u>
<b>31 March 2014</b>		
Carrying amount	1,456,535	1,996,341
<b>Assets at amortised cost</b>		
Neither past due nor impaired:	1,456,535	1,996,341
Collective allowance for impairment	(10,925)	-
	<u>1,445,610</u>	<u>1,996,341</u>

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## 28. Financial risk management (continued)

### (a) Credit risk (continued)

#### (ii) Summary analysis of loan, advances and financing (continued)

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

<b>31 March 2015</b>	<b>Loans, advances and financing to customers RM'000</b>	<b>Loans, advances and financing to banks* RM'000</b>
Carrying amount	<u>2,791,702</u>	<u>4,675,958</u>
<b>Concentration of credit risk based on geographical location of customers</b>		
Malaysia	2,427,653	3,761,078
Other countries		
- Singapore	-	4,276
- Japan	-	947
- Hong Kong	67,943	-
- Jersey	137,081	-
- Others	159,025	909,657
	<u>2,791,702</u>	<u>4,675,958</u>

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## 28. Financial risk management (continued)

### (a) Credit risk (continued)

#### (ii) Summary analysis of loan, advances and financing (continued)

31 March 2014	Loans, advances and financing to customers RM'000	Loans, advances and financing to banks* RM'000
Carrying amount	<u>1,456,535</u>	<u>1,996,341</u>
<b>Concentration of credit risk based on geographical location of customers</b>		
Malaysia	1,249,458	1,680,065
Other countries		
- Singapore	-	7,540
- Japan	-	126,886
- United Kingdom	-	177,533
- Germany	-	3,031
- Thailand	-	887
- Hong Kong	70,826	125
- Jersey	136,251	-
- Others	-	274
	<u>1,456,535</u>	<u>1,996,341</u>

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

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## 28. Financial risk management (continued)

### (a) Credit risk (continued)

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

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

<b>31 March 2015</b>	<b>Fitch RM'000</b>	<b>Moody's RM'000</b>	<b>RAM RM'000</b>	<b>S&amp;P RM'000</b>
AAA	-	-	1,631,048	-
AA- to AA+	-	759	361,099	-
A- to A+	1,237,804	-	120,000	721
	<u>1,237,804</u>	<u>759</u>	<u>2,112,147</u>	<u>721</u>
 <b>31 March 2014</b>				
AAA	-	-	546,741	-
AA- to AA+	-	-	225,697	-
A- to A+	312,998	141	330,000	-
	<u>312,998</u>	<u>141</u>	<u>1,102,438</u>	<u>-</u>



## 28. Financial risk management (continued)

### (a) Credit risk (continued)

#### (iv) Summary analysis on securities portfolio

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

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia bills	89,663	79,630
Malaysian Government treasury bills	39,991	-
	<u>129,654</u>	<u>79,630</u>

#### (v) Credit quality of gross loans and advances

Gross loans and advances are analysed as follows:-

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Neither past due nor impaired	2,791,702	1,456,535
Collective allowance for impairment	(16,751)	(10,925)
	<u>2,774,951</u>	<u>1,445,610</u>

#### (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 follow:

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Borrower's Grading</b>		
Good	2,791,702	1,456,535
Close Watch	-	-
	<u>2,791,702</u>	<u>1,456,535</u>

## 28. Financial risk management (continued)

### (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 name 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 President who is responsible for both the statutory and prudential liquidity.

The primary tool used to monitor the liquidity risk is the Bank Negara Malaysia's New Liquidity Framework (NLF) and the internal liquidity risk management policy set by ALM/RMC and Head Office. Under the NLF, the Bank must ensure that there is sufficient liquid assets surplus to cover heavy withdrawals of deposits in the one week and one month periods. 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 2015, the minimum liquid assets surplus and money gap limits are as follows:-

BNM's NLF		Internal Policy			
Minimum Liquid Assets Surplus		Money Gap Limits (USD million)			
One Week	One Month	One day	Two days	One week	One month
3% of Total Deposits	5% of Total Deposits	-20	-30	-40	-50

To prepare for the implementation of the Basel III Liquidity Framework, the Bank also monitors its Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). Under the Basel III requirements, the initial minimum ratio requirements will be 60% for LCR and 100% for NSFR.

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## 28. 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:

31 March 2015	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
<b>Liabilities</b>						
Deposits from customers	3,746,038	0.0% to 3.9%	3,756,767	3,699,423	57,344	-
Deposits and placements of banks and other financial institutions	2,866,292	0.0% to 0.8%	2,871,885	2,467,755	137,112	267,018
Bills and acceptances payable	749	-	749	749	-	-
Other liabilities	247,927	-	247,927	244,031	1,478	2,418
<b>Total liabilities</b>	<b>6,861,006</b>	<b>-</b>	<b>6,877,328</b>	<b>6,411,958</b>	<b>195,934</b>	<b>269,436</b>
Derivative financial liabilities, Gross settled						
Outflows	(2,423,422)	-	3,140,679	928,183	326,961	1,885,535
Inflows	2,106,288	-	(3,902,267)	(1,005,327)	(742,140)	(2,154,800)
	(317,134)	-	(761,588)	(77,144)	(415,179)	(269,265)
<b>Grand Total</b>	<b>6,543,872</b>	<b>-</b>	<b>6,115,740</b>	<b>6,334,814</b>	<b>(219,245)</b>	<b>171</b>

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## 28. Financial risk management (continued)

### (b) Liquidity risk (continued)

31 March 2014	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
<b>Liabilities</b>						
Deposits from customers	1,945,801	0.0% to 3.4%	1,948,544	1,872,659	75,885	-
Deposits and placements of banks and other financial institutions	782,104	0.0% to 0.7%	787,208	395,933	136,189	255,086
Bills and acceptances payable	1,071	-	1,071	1,071	-	-
Other liabilities	88,418	-	88,418	83,808	4,494	116
Total liabilities	2,817,394	-	2,825,241	2,353,471	216,568	255,202
Derivative financial liabilities, Gross settled						
Outflows	(1,424,940)	-	(2,252,903)	(474,355)	(573,139)	(1,205,409)
Inflows	1,494,630	-	3,372,692	532,703	645,855	2,194,134
	69,690	-	1,119,789	58,348	72,716	988,725
Grand Total	2,887,084	-	3,945,030	2,411,819	289,284	1,243,927

## 28. 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 tool 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 matching 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.

## **28. 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 currency 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 against these limits 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 currency risk.

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## 28. 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:

	← Non-trading book →						Trading book RM'000	Total RM'000
	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		
<b>31 March 2015</b>								
<b><u>Assets</u></b>								
Cash and short-term funds	3,118,459	-	-	-	-	920,466	-	4,038,925
Deposits and placements with banks and other financial institutions	-	637,033	-	-	-	-	-	637,033
Investment securities available-for-sale	34,954	54,709	39,991	-	-	-	-	129,654
Loans, advances and financing	29,396	19,289	654,444	1,835,715	252,858	(16,751) ^	-	2,774,951
Other assets	1,751	870	183	-	-	3,908	-	6,712
Derivative financial assets	5,102	10,341	22,165	28,024	2,515	-	312,103	380,250
<b>Total assets</b>	<b>3,189,662</b>	<b>722,242</b>	<b>716,783</b>	<b>1,863,739</b>	<b>255,373</b>	<b>907,623</b>	<b>312,103</b>	<b>7,967,525</b>

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

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**28. Financial risk management (continued)****(c) Market risk (continued)****Interest rate risk (continued)**

	← Non-trading book →						Trading book RM'000	Total RM'000
	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		
<b>31 March 2015</b>								
<b><u>Liabilities</u></b>								
Deposits from customers	(1,507,727)	(1,031,909)	(56,381)	-	-	(1,150,021)	-	(3,746,038)
Deposits and placements of banks and other financial institutions	(812,200)	(1,652,390)	(136,691)	(139,320)	(123,112)	(2,579)	-	(2,866,292)
Bills and acceptances payable	-	-	(162)	-	-	(587)	-	(749)
Other liabilities	(2,996)	(1,704)	(1,090)	(41)	(92)	(242,004)	-	(247,927)
Derivative financial liabilities	(5,940)	(9,672)	(19,726)	(23,741)	-	-	(258,055)	(317,134)
<b>Total liabilities</b>	<b>(2,328,863)</b>	<b>(2,695,675)</b>	<b>(214,050)</b>	<b>(163,102)</b>	<b>(123,204)</b>	<b>(1,395,191)</b>	<b>(258,055)</b>	<b>(7,178,140)</b>
On balance sheet interest rate gap	860,799	(1,973,433)	502,733	1,700,637	132,169	(487,568)	54,048	789,385
Off balance sheet interest rate gap	-	415,929	(7,000)	(189,322)	(219,607)	-	-	-
<b>Total interest rate gap</b>	<b>860,799</b>	<b>(1,557,504)</b>	<b>495,733</b>	<b>1,511,315</b>	<b>(87,438)</b>	<b>(487,568)</b>	<b>54,048</b>	<b>789,385</b>



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## 28. 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:

	← Non-trading book →						Trading book RM'000	Total RM'000
	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		
<b>31 March 2014</b>								
<b><u>Assets</u></b>								
Cash and short-term funds	1,652,159	-	-	-	-	9,024	-	1,661,183
Deposits and placements with banks and other financial institutions	-	335,158	-	-	-	-	-	335,158
Investment securities available-for-sale	29,929	49,701	-	-	-	-	-	79,630
Loans, advances and financing	655	1,375	220,498	890,619	343,388	(10,925) ^	-	1,445,610
Other assets	8,246	782	-	-	-	1,232	-	10,260
Derivative financial assets	1,951	2,704	10,752	3,148	3,833	-	90,690	113,078
Total assets	<u>1,692,940</u>	<u>389,720</u>	<u>231,250</u>	<u>893,767</u>	<u>347,221</u>	<u>(669)</u>	<u>90,690</u>	<u>3,644,919</u>

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

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**28. Financial risk management (continued)****(c) Market risk (continued)****Interest rate risk (continued)**

	← Non-trading book →						Trading book RM'000	Total RM'000
	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		
<b>31 March 2014</b>								
<b><u>Liabilities</u></b>								
Deposits from customers	(991,867)	(114,305)	(74,734)	-	-	(764,895)	-	(1,945,801)
Deposits and placements of banks and other financial institutions	(163,326)	(230,692)	(135,832)	(132,088)	(118,309)	(1,857)	-	(782,104)
Bills and acceptances payable	-	-	(23)	-	-	(1,048)	-	(1,071)
Other liabilities	(2,030)	(456)	(1,012)	(40)	(76)	(84,804)	-	(88,418)
Derivative financial liabilities	-	-	-	-	-	-	(69,690)	(69,690)
<b>Total liabilities</b>	<b>(1,157,223)</b>	<b>(345,453)</b>	<b>(211,601)</b>	<b>(132,128)</b>	<b>(118,385)</b>	<b>(852,604)</b>	<b>(69,690)</b>	<b>(2,887,084)</b>
On balance sheet interest rate gap	535,717	44,267	19,649	761,639	228,836	(853,273)	21,000	757,835
Off balance sheet interest rate gap	(2,000)	456,060	(20,510)	(224,492)	(209,058)	-	-	-
<b>Total interest rate gap</b>	<b>533,717</b>	<b>500,327</b>	<b>(861)</b>	<b>537,147</b>	<b>19,778</b>	<b>(853,273)</b>	<b>21,000</b>	<b>757,835</b>

## 28. 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:-

Type of Currency	Impact on Positions as at Reporting Period (100 basis points) Hike		Impact on Positions as at Reporting Period (100 basis points) Hike	
	Increase/ (Decline) in profit before taxation	Increase/ (Decline) in equity	Decline in profit before taxation	Decline in equity
	2015 RM'000	2015 RM'000	2014 RM'000	2014 RM'000
JPY	(37)	(28)	(185)	(139)
USD	329	247	(170)	(128)
MYR	291	218	(1,174)	(881)

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

	2015		2014	
	MYR %	USD %	MYR %	USD %
<b><u>Financial assets</u></b>				
Cash and short-term funds	3.24	0.09	3.39	0.28
Deposits and placements with banks and other financial institutions	3.76	0.58	2.50	-
Loans, advances and financing	4.38	1.34	4.20	1.36
<b><u>Financial liabilities</u></b>				
Deposits from customers	3.55	0.16	3.13	0.21
Deposits and placements of banks and other financial institutions	-	0.27	-	0.29

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## 28. 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.

<b>31 March 2015</b>	<b>MYR RM'000</b>	<b>USD RM'000</b>	<b>JPY RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<u>Financial Assets</u>					
Cash and short-term funds	2,114,384	1,828,745	88,850	6,946	4,038,925
Deposits and placements with banks and other financial institutions	600,000	37,033	-	-	637,033
Investment securities available-for-sale	129,654	-	-	-	129,654
Loans, advances and financing	1,006,351	1,412,674	76,562	279,364	2,774,951
Derivative financial assets	293,115	72,502	13,247	1,386	380,250
Other assets	6,583	129	-	-	6,712
<b>Total Financial Assets</b>	<b>4,150,087</b>	<b>3,351,083</b>	<b>178,659</b>	<b>287,696</b>	<b>7,967,525</b>

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## 28. Financial risk management (continued)

### (c) Market risk (continued)

#### Currency risk (continued)

31 March 2015	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
<u>Financial Liabilities</u>					
Deposits from customers	2,724,027	854,131	163,574	4,306	3,746,038
Deposits and placements of banks and other financial institutions	2,051	2,568,616	-	295,625	2,866,292
Derivative financial liabilities	12,695	302,984	645	810	317,134
Other liabilities	244,542	2,831	388	166	247,927
<b>Total Financial Liabilities</b>	<b>2,983,315</b>	<b>3,728,562</b>	<b>164,607</b>	<b>300,907</b>	<b>7,177,391</b>
Total foreign currency sensitivity gap	1,166,772	(377,479)	14,052	(13,211)	790,134

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 RM37,664,000 in profit before tax and RM28,248,000 in equity. This analysis assumes that all variables, in particular interest rates, remained constant.

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## 28. 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.

<b>31 March 2014</b>	<b>MYR RM'000</b>	<b>USD RM'000</b>	<b>JPY RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<u>Financial Assets</u>					
Cash and short-term funds	832,836	590,614	222,044	15,689	1,661,183
Deposits and placements with banks and other financial institutions	335,158	-	-	-	335,158
Investment securities available-for-sale	79,630	-	-	-	79,630
Loans, advances and financing	773,404	520,738	12,923	138,545	1,445,610
Derivative financial assets	69,469	33,464	9,669	476	113,078
Other assets	10,102	124	33	1	10,260
Total Financial Assets	<u>2,100,599</u>	<u>1,144,940</u>	<u>244,669</u>	<u>154,711</u>	<u>3,644,919</u>

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## 28. Financial risk management (continued)

### (c) Market risk (continued)

#### Currency risk (continued)

31 March 2014	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
<u>Financial Liabilities</u>					
Deposits from customers	(1,210,334)	(483,607)	(235,225)	(16,635)	(1,945,801)
Deposits and placements of banks and other financial institutions	(1,857)	(642,380)	-	(137,867)	(782,104)
Derivative financial liabilities	(15,127)	(54,038)	(156)	(369)	(69,690)
Other liabilities	(84,910)	(2,991)	(374)	(143)	(88,418)
<b>Total Financial Liabilities</b>	<b>(1,312,228)</b>	<b>(1,183,016)</b>	<b>(235,755)</b>	<b>(155,014)</b>	<b>(2,886,013)</b>
Total foreign currency sensitivity gap	788,371	(38,076)	8,914	(303)	758,906

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 RM2,947,000 in profit before tax and RM2,210,000 in equity. This analysis assumes that all variables, in particular interest rates, remained constant.

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## **28. 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 asset as at 31 March 2015.



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## 29. 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 amount are deemed reasonable approximation of their fair values) are as follows:

	Carrying amount		Fair value	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
<u>Financial Assets</u>	RM'000	RM'000	RM'000	RM'000
Investment securities available-for-sale	129,654	79,630	129,654	79,630
Loans, advances and financing*	2,791,702	1,456,535	2,717,699	1,400,117
Derivative financial assets	380,250	113,078	380,250	113,078
<b>Total financial assets</b>	<b>3,301,606</b>	<b>1,649,243</b>	<b>3,227,603</b>	<b>1,592,825</b>
 <u>Financial Liabilities</u>				
Derivative financial liabilities	317,134	69,690	317,134	69,690
<b>Total financial liabilities</b>	<b>317,134</b>	<b>69,690</b>	<b>317,134</b>	<b>69,690</b>

\* The collective impairment provision of the Bank is not included in the carrying amount.

## 29. 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 investment available-for-sale

The estimated fair value is based on quoted or observable market prices at the statements 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 instrument at the statements of financial position date.

#### (b) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturities 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 reporting date offered for similar loans.

#### (c) Derivative financial instruments

Fair value 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.

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## 29. Fair value measurements (continued)

### Fair value hierarchy

The Bank measure 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 government and government agency securities	Corporate and other government bonds and loans  Over-the-counter ("OTC") derivatives	Private debt equity investments  Corporate bonds in non-liquid market  Loans, advances and financing
Type of financial liabilities	-	OTC derivatives	-

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## 29. 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
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
31 March 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>										
Investment securities available-for-sale	-	129,654	-	129,654	-	-	-	-	129,654	129,654
Loans, advances and financing	-	-	-	-	-	-	2,717,699	2,717,699	2,717,699	2,791,702
Derivative financial assets	-	380,250	-	380,250	-	-	-	-	380,250	380,250
<b>As 31 March 2015</b>	<b>-</b>	<b>509,904</b>	<b>-</b>	<b>509,904</b>	<b>-</b>	<b>-</b>	<b>2,717,699</b>	<b>2,717,699</b>	<b>3,227,603</b>	<b>3,301,606</b>
<b>Liabilities</b>										
Derivative financial liabilities	-	317,134	-	317,134	-	-	-	-	317,134	317,134
<b>As 31 March 2015</b>	<b>-</b>	<b>317,134</b>	<b>-</b>	<b>317,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>317,134</b>	<b>317,134</b>

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## 29. 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
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
31 March 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>										
Investment securities available-for-sale	-	79,630	-	79,630	-	-	-	-	79,630	79,630
Loans, advances and financing	-	-	-	-	-	-	1,400,117	1,400,117	1,400,117	1,456,535
Derivative financial assets	-	113,078	-	113,078	-	-	-	-	113,078	113,078
<b>As 31 March 2014</b>	<b>-</b>	<b>192,708</b>	<b>-</b>	<b>192,708</b>	<b>-</b>	<b>-</b>	<b>1,400,117</b>	<b>1,400,117</b>	<b>1,592,825</b>	<b>1,649,243</b>
<b>Liabilities</b>										
Derivative financial liabilities	-	69,690	-	69,690	-	-	-	-	69,690	69,690
<b>As 31 March 2014</b>	<b>-</b>	<b>69,690</b>	<b>-</b>	<b>69,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,690</b>	<b>69,690</b>

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## 29. Fair value measurements (continued)

### Derivative financial instruments

	<b>Principal amounts RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>At 31 March 2015</b>			
Derivatives designated as fair value hedges:			
- Interest rate swaps	26,500	108	19
- Currency swaps	114,000	15,197	-
	<u>140,500</u>	<u>15,305</u>	<u>19</u>
Held for trading			
- Foreign exchange contracts	4,119,603	64,810	59,061
- Currency swaps	4,436,264	296,906	258,054
- Interest rate swaps	392,428	3,229	-
	<u>8,948,295</u>	<u>364,945</u>	<u>317,115</u>
	<u>9,088,795</u>	<u>380,250</u>	<u>317,134</u>
	<b>Principal amounts RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>At 31 March 2014</b>			
Derivatives designated as fair value hedges:			
- Interest rate swaps	459,059	5,210	1,237
	<u>459,059</u>	<u>5,210</u>	<u>1,237</u>
Held for trading			
- Foreign exchange contracts	2,144,116	17,178	14,406
- Currency swaps	2,877,982	90,690	54,047
	<u>5,022,098</u>	<u>107,868</u>	<u>68,453</u>
	<u>5,481,157</u>	<u>113,078</u>	<u>69,690</u>

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## 29. Fair value measurements (continued)

### Derivative financial instruments (continued)

#### Derivative financial instruments by sector:

	<b>Principal amounts RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>At 31 March 2015</b>			
Primary agriculture	28,797	-	2,614
Manufacturing	1,510,648	20,369	49,014
Electricity	7,211	-	927
Construction	869,180	28,701	37,017
Wholesale and retail trade, and restaurants and hotels	168,821	1,150	14,855
Transport, storage and communication	227,950	-	175
Finance, insurance, and business services	6,140,683	329,549	206,073
Real estate	135,505	481	6,459
	<u>9,088,795</u>	<u>380,250</u>	<u>317,134</u>
	<b>Principal amounts RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>At 31 March 2014</b>			
Primary agriculture	25,400	651	-
Manufacturing	1,167,104	14,217	12,027
Electricity	7,190	13	10
Construction	149,672	537	7,960
Wholesale and retail trade, and restaurants and hotels	216,923	689	5,152
Transport, storage and communication	6,103	-	75
Finance, insurance, and business services	3,908,765	96,971	44,466
Real estate	-	-	-
	<u>5,481,157</u>	<u>113,078</u>	<u>69,690</u>

### **30. 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 transaction 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 agreement 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 loan or other credit events.

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



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### 30. 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	Cash Collateral Received/ Pledged RM'000	Net Amount RM'000
<b>At 31 March 2015</b>						
<b>Financial assets</b>						
Derivatives financial assets						
- Foreign exchange contracts	64,810	-	64,810	(19,751)	-	45,059
- Interest rate related contracts	315,440	-	315,440	(25,513)	(236,314)	53,613
	<u>380,250</u>	<u>-</u>	<u>380,250</u>	<u>(45,264)</u>	<u>(236,314)</u>	<u>98,672</u>
<b>Financial liabilities</b>						
Derivatives financial liabilities						
- Foreign exchange contracts	59,061	-	59,061	(19,751)	-	39,310
- Interest rate related contracts	258,073	-	258,073	(25,513)	-	232,560
	<u>317,134</u>	<u>-</u>	<u>317,134</u>	<u>(45,264)</u>	<u>-</u>	<u>271,870</u>

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### 30. 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	Cash Collateral Received/ Pledged RM'000	Net Amount RM'000
<b>At 31 March 2014</b>						
<b>Financial assets</b>						
Derivatives financial assets						
- Foreign exchange contracts	17,178	-	17,178	(4,271)	-	12,907
- Interest rate related contracts	95,900	-	95,900	-	(61,215)	34,685
	113,078	-	113,078	(4,271)	(61,215)	47,592
<b>Financial liabilities</b>						
Derivatives financial liabilities						
- Foreign exchange contracts	14,406	-	14,406	(4,271)	-	10,135
- Interest rate related contracts	55,284	-	55,284	-	(13,355)	41,929
	69,690	-	69,690	(4,271)	(13,355)	52,064

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### 31. Capital adequacy

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

	<b>31 March 2015 RM'000</b>	<b>31 March 2014 RM'000</b>
<b><u>Tier-1 capital</u></b>		
Paid-up ordinary share capital	700,000	700,000
Retained earnings	28,457	28,542
Statutory reserve	49,673	33,006
Available-for-sale reserve	(8)	(47)
	<u>778,122</u>	<u>761,501</u>
Less: Deferred tax assets	-	-
Common Equity Tier 1 (CET 1) and Tier-1 Capital	<u>778,122</u>	<u>761,501</u>
<b><u>Tier-2 capital</u></b>		
Collective allowance for impairment	16,751	10,925
Regulatory reserves	16,751	-
Tier-2 Capital	<u>33,502</u>	<u>10,925</u>
Total capital base	<u><u>811,624</u></u>	<u><u>772,426</u></u>
<b><u>Capital ratios</u></b>		
CET 1 and Tier 1 Capital Ratio	15.341%	28.327%
Total Capital Ratio	16.001%	28.733%

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

	<b>31 March 2015 RM'000</b>	<b>31 March 2014 RM'000</b>
Credit risk	4,761,536	2,454,115
Market risk	128,594	88,707
Operational risk	182,109	145,444
Total risk-weighted assets	<u><u>5,072,239</u></u>	<u><u>2,688,266</u></u>

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### 31. 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:

<b>31 March 2015</b>		<b>Gross exposures</b>	<b>Net exposures</b>	<b>Risk-weighted assets</b>	<b>Capital requirements</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Credit risk</b>					
On-balance sheet exposures:					
Sovereigns/ central banks		1,454,971	1,454,971	-	-
Banks, development financial institutions and MDBs		3,353,093	3,353,093	670,619	53,650
Corporates		2,791,721	2,791,721	2,591,721	207,338
Other assets		405,347	405,347	404,982	32,398
Total on-balance sheet exposures		8,005,132	8,005,132	3,667,322	293,386
Off-balance sheet exposures:					
Credit-related exposures		1,687,259	1,687,259	1,094,214	87,537
Total off-balance sheet exposures		1,687,259	1,687,259	1,094,214	87,537
Total on and off-balance sheet exposures		9,692,391	9,692,391	4,761,536	380,923
<b>(ii) Large exposure risk requirement</b>					
		-	-	-	-
<b>(iii) Market risk</b>					
	<b>Long position</b>	<b>Short position</b>			
	<b>RM'000</b>	<b>RM'000</b>			
Interest rate risk	9,105,146	9,057,316	47,830	128,248	10,260
Foreign exchange risk	346	(264)	610	346	28
	9,105,492	9,057,052	48,440	128,594	10,288
<b>(iv) Operational risk</b>				182,109	14,569
<b>Total RWA and capital requirements</b>				<b>5,072,239</b>	<b>405,780</b>

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**31. Capital adequacy (continued)**

<b>31 March 2014</b>					
<b>Exposure class</b>	<b>Gross exposures</b>	<b>Net exposures</b>	<b>Risk-weighted assets</b>	<b>Capital requirements</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
<b>(i) Credit risk</b>					
On-balance sheet exposures:					
Sovereigns/ central banks	627,956	627,956	-	-	
Banks, development financial institutions and MDBs	1,456,538	1,456,538	291,308	23,305	
Corporates	1,456,694	1,456,694	1,456,694	116,535	
Other assets	121,569	121,569	121,213	9,697	
Total on-balance sheet exposures	<u>3,662,757</u>	<u>3,662,757</u>	<u>1,869,215</u>	<u>149,537</u>	
Off-balance sheet exposures:					
Credit-related exposures	900,567	900,567	584,900	46,792	
Total off-balance sheet exposures	<u>900,567</u>	<u>900,567</u>	<u>584,900</u>	<u>46,792</u>	
Total on and off-balance sheet exposures	<u>4,563,324</u>	<u>4,563,324</u>	<u>2,454,115</u>	<u>196,329</u>	
<b>(ii) Large exposure risk requirement</b>					
	-	-	-	-	
<b>(iii) Market risk</b>					
	<b>Long position</b>	<b>Short position</b>			
	<b>RM'000</b>	<b>RM'000</b>			
Interest rate risk	5,619,631	5,576,395	43,236	87,939	7,036
Foreign exchange risk	768	(541)	1,309	768	61
	<u>5,620,399</u>	<u>5,575,854</u>	<u>44,545</u>	<u>88,707</u>	<u>7,097</u>
<b>(iv) Operational risk</b>			145,444	11,636	
<b>Total RWA and capital requirements</b>			<u>2,688,266</u>	<u>215,062</u>	

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### 31. 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 →					Total Risk Weighted Assets RM'000
	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	
<b>31 March 2015</b>						
<b>Risk Weights</b>						
0%	1,454,971	-	-	365	1,455,336	-
20%	-	3,944,678	273,762	-	4,218,440	843,688
50%	-	25,740	175,795	-	201,535	100,768
100%	-	-	3,412,098	404,982	3,817,080	3,817,080
<b>Total</b>	<b>1,454,971</b>	<b>3,970,418</b>	<b>3,861,655</b>	<b>405,347</b>	<b>9,692,391</b>	<b>4,761,536</b>
Risk-weighted assets by exposure	-	801,806	3,554,748	404,982	4,761,536	
Average risk weight	0%	20.2%	92.1%	99.9%	49.1%	
Deduction from capital base	-	-	-	-	-	

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### 31. Capital adequacy (continued)

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

31 March 2014 Risk Weights	← Exposure after Netting and Credit Risk Mitigation →				Total Exposure after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Development Financial Institutions and MDBs RM'000	Corporates RM'000	Other Assets RM'000		
0%	627,956	-	-	356	628,312	-
20%	-	1,710,093	123,494	-	1,833,587	366,717
50%	-	28,055	-	-	28,055	14,028
100%	-	-	1,952,157	121,213	2,073,370	2,073,370
<b>Total</b>	<b>627,956</b>	<b>1,738,148</b>	<b>2,075,651</b>	<b>121,569</b>	<b>4,563,324</b>	<b>2,454,115</b>
Risk-weighted assets by exposure	-	356,046	1,976,856	121,213	2,454,115	
Average risk weight	0%	20.5%	95.2%	99.7%	53.8%	
Deduction from capital base	-	-	-	-	-	

## **32. 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. 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 31.

## **33. Subsequent event**

Subsequent to the financial year end, on 28 May 2015, the Bank increased its authorised share capital from RM1,200,000,000 to RM1,575,000,000 by the creation of 375,000,000 ordinary shares of RM1.00 each.

On the same date, the Bank allotted 875,000,000 ordinary shares of RM1.00 each at par to the holding corporation of the Bank, Sumitomo Mitsui Banking Corporation for a cash consideration of RM875,000,000 to finance working capital.



**Sumitomo Mitsui Banking Corporation Malaysia Berhad**

(Company No. 926374-U)

(Incorporated in Malaysia)

**Statement by Directors pursuant to Section 169(15)  
of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 17 to 103 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 March 2015 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:

.....  
**Yoshimi Gunji**

.....  
**Md Agil Bin Mohd Natt**

Kuala Lumpur

Date: 18 August 2015

**Sumitomo Mitsui Banking Corporation Malaysia Berhad**

(Company No. 926374-U)

(Incorporated in Malaysia)

**Statutory declaration pursuant to  
Section 169(16) of the Companies Act, 1965**

I, Atsushi Morimoto, the chief financial 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 17 to 103 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 18 August 2015.

.....  
**Atsushi Morimoto**

Before me:

# **Independent Auditors' Report to the Member of Sumitomo Mitsui Banking Corporation Malaysia Berhad**

(Company No. 926374-U)

(Incorporated in Malaysia)

## **Report on the Financial Statements**

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 2015 of the Bank, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Bank for the period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 17 to 103.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 March 2015 and of its financial performance and 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, 1965 in Malaysia.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

### **Other Matters**

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **KPMG**

Firm Number: AF 0758

Chartered Accountants

#### **Khaw Hock Hoe**

Approval Number: 2229/04/16(J)

Chartered Accountant

Petaling Jaya,

Date: 18 August 2015