

**Sumitomo Mitsui Banking Corporation Malaysia
Berhad**

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

**Financial Statements for the Financial Year Ended
31 March 2017**

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)

(Incorporated in Malaysia)

Directors' Report for the Financial Year Ended 31 March 2017

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 2017.

Principal Activities

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

Ultimate Holding Corporation

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

Results

	RM'000
Profit before taxation	103,778
Tax expense	(23,887)
Profit for the year	<u>79,891</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.

Company No. 926374-U

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 that would render adherence to the existing method of valuation of assets or liabilities of the Bank's financial statements misleading or inappropriate.

Contingent and Other Liabilities

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

- i) any charge on the assets of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Bank that has arisen since the end of the financial year, other than those that may arise in the ordinary course of the banking business.

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

Company No. 926374-U

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 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors

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

Dato' Md Agil Bin Mohd Natt
 Yoshimi Gunji
 Yuichi Nishimura
 Chin Kok Sang
 Tan Kim Seng (appointed on 1 February 2017)
 Hiroshi Irie (resigned on 1 February 2017)

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 1.4.2016	Bought	Sold	At 31.3.2017
Ultimate holding company				
Sumitomo Mitsui Financial Group				
- Yuichi Nishimura	567	18	-	585

* 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.

Company No. 926374-U

Directors' Benefits

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

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

Compliance with Bank Negara Malaysia's Expectations on Financial Reporting

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

Bank Ratings

On 9 December 2016, RAM Rating Services Berhad had reaffirmed the long and short-term financial institution ratings of the Bank to be AA1 Stable and P1 respectively.

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.

Indemnity and Insurance Costs

The Bank has put in place a Directors and Officers Insurance scheme with a maximum sum insured amount and premium paid of RM20.375 million and RM20,375 respectively effective for the financial year.

Company No. 926374-U

Business Results for the Financial Year Ended 31 March 2017

The Bank registered an Operating Profit Before Taxation and Provision for Loans, Advances and Financing of RM145.0 million, an increase of RM29.9 million or 26.0% against the previous financial year. This was largely attributed to the 39.6% increase in Net Interest Income (“NII”) to RM151.9 million for the financial year in review. The strong increase in NII was partly offset by the increase of Operating Expenditure during the year to RM85.8 million, which was 23.1% higher as compared to the previous financial year.

Against the backdrop of a challenging operating environment and moderate growth sentiment for the most part of the financial year, the Bank successfully recorded a Net Profit after Tax and Provision for Loans, Advances and Financing of RM79.9 million or an increase of 7.0% as compared to the previous year. This is after the additional RM41.2 million set aside to the Collective Impairment Provision on loans, advances and financing: a 123.0% increase compared to the previous year.

Total Assets for the Bank recorded a healthy growth of RM 5,575.9 million or 45.5% from RM12,244.7 million as at 31 March 2016 to RM17,820.6 million as at 31 March 2017. This is on the back of robust growth recorded from Loans, advances and financing amounting to RM4,471.5 million, or 70.2% as compared to the previous financial year.

Outlook for the Financial Year Ending 31 March 2018

The Malaysian domestic economy recorded a better-than-expected GDP growth of 5.6 percent in the first quarter of calendar 2017. This is well above the Reuter’s poll forecast of 4.8 percent and was the strongest quarterly growth recorded in two (2) years despite the modest 4.2% GDP expansion recorded for the full year in 2016. The trend for GDP growth, underpinned by the Manufacturing and Services sectors are expected to prevail throughout the year in 2017.

The Ringgit and domestic foreign exchange market is expected to continue to stabilise in the current financial year. However, uncertainties from external factors such as the pace of US interest rate normalisation, geo-political risks and external developments and volatility in the global oil prices may cause some uncertainties in the market from time to time during the financial year. This in turn, may add further downside risk to the performance of the Ringgit.

While the macroeconomics condition of Malaysia seems to be improving, we will manage our business in the next financial year with extreme caution in view of the potential risks from the external factors. We will continue to focus on our strength in offering basic commercial banking services such as loan, deposit, foreign exchange, derivative, cash management services and trade finance in both the conventional and Islamic financing to both Japanese and Non-Japanese clients.

Subsequent Event

The subsequent events are as disclosed in Note 34 of the financial statements.

Company No. 926374-U

Corporate Governance

The Board of Directors

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

The Board presently consists of five (5) members, of which two (2) are Executive Directors and three (3) are Independent Non-Executive Directors including the Chairman of the Board.

The Independent Non-Executive Directors are as follows:

Dato’ Md Agil Bin Mohd Natt – Chairman of the Board of Directors
Mr. Chin Kok Sang – Independent Director
Mr. Tan Kim Seng – Independent Director

The Executive Directors are as follows:

Mr. Yoshimi Gunji – President/CEO of the Bank
Mr. Yuichi Nishimura – Executive Director

Profile of Directors

Dato’ Md Agil Bin Mohd Natt - age 65 was appointed as Director and Chairman of the Bank on 9 March 2015. He holds a Bachelor of Science in Economics degree from Brunel University, London as well as Master of Science in Finance degree from Cass Business School, City, University of London. He has also completed the Advanced Management Programme from Harvard Business School, USA.

Corporate Governance (continued)

The Board of Directors (continued)

Profile of Directors (continued)

Mr. Yoshimi Gunji - age 52 was appointed as Director and President/CEO of the Bank on 25 June 2015. He graduated from the Faculty of Sociology - University of Rikkyo, Japan. Upon his graduation in 1988, he joined Sumitomo Mitsui Banking Corporation (then known as Sumitomo Bank Limited) at the Kandaekimae Branch in Tokyo. He has over twenty nine (29) years of experience in Business banking, Trade Finance and Corporate banking and has spent over 15 years in senior management positions in overseas branches in Thailand, Australia and currently in Malaysia.

Mr. Yuichi Nishimura - age 51 was appointed as Director of the Bank on 28 August 2014. He graduated with a Bachelor in Political Studies degree from Gakushuin University, Tokyo and holds a Masters of Business Administration degree from the University of Illinois, USA. He joined Sumitomo Mitsui Banking Corporation (then known as Taiyo-Kobe Bank Limited) in 1989 in the Marunouchi-Minami Branch, Tokyo. He has over twenty eight (28) years of experience in Business banking, Credit administration, Planning and Strategy in International Banking and has spent over 16 years in senior management positions in overseas branches in the USA, the United Kingdom and currently in Singapore.

Mr. Chin Kok Sang - age 59 was appointed as Director of the Bank and Chairman of the Audit Committee on 18 September 2015. He was subsequently appointed as Chairman of the Nominations and Remuneration Committee on 27 October 2016. He holds a Bachelor of Commerce degree with major in Accounting, Economics and Commercial Law from University of Melbourne, Australia. Mr. Chin is a Chartered Accountant and is a member of the industry professional body - Chartered Accountants Australia and New Zealand. He has over fourteen (14) years international banking experience with Societe Generale S.A at their offices in Melbourne, Singapore and Labuan, Malaysia.

Mr. Tan Kim Seng - age 64 was appointed as Director of the Bank and Chairman of the Board Risk Management Committee on 1 February 2017. He holds professional accountancy and chartered secretary qualifications from the Association of Chartered Certified Accountants (ACCA), the Chartered Institute of Management Accountants (CIMA) and the Institute of Chartered Secretaries & Administrators (ICSA). Having spent his entire career as a banker, Mr. Tan has served in key senior management positions in several local banking institutions.

Corporate Governance (continued)

The Board of Directors (continued)

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

The respective roles of the Chairman and CEO are clearly separated from each other with clearly defined responsibilities, authority and accountability. This distinction allows an appropriate balance of roles between the Board and at Management levels. The Independent Directors are independent of management and are free from any business or other relationships which could interfere with the exercise of their 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. Consequentially, the Bank establishes comprehensive risk management policies, processes and infrastructure, to manage the various types of risks. The Board accordingly monitors and assesses current developments in the country and globally which may affect the Bank’s existing strategic plans.

The Board 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 regularly 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.

Company No. 926374-U

Corporate Governance (continued)

Board Committees

A total of 7 Board meetings were held during the financial year in review. The details of the meeting attendance are as follows:-

Name of Directors	Attendance at Meetings
Md Agil Bin Mohd Natt - Chairman	7/7
Hiroshi Irie (resigned on 1 February 2017)	1/6
Yuichi Nishimura	7/7
Yoshimi Gunji	7/7
Chin Kok Sang	7/7
Tan Kim Seng (appointed on 1 February 2017)	1/1

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

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

Nominations and Remuneration Committee (NRC)

The previous Nominating Committee and Remuneration Committee were merged on 27 October 2016 to form the NRC. It consists of three (3) members and all are Independent Non-Executive Directors.

The Chairman of the NRC is Mr. Chin Kok Sang and the members are Dato' Md Agil Bin Mohd Natt and Mr. Tan Kim Seng. Details of attendance of each members at the previous Nominating Committee ("NC") and Remuneration Committee ("RC") and subsequently, the NRC meetings held during the financial year in review are as follows:-

Name of Directors	Pre-Combination		Post Combination
	NC	RC	NRC
Chin Kok Sang - Chairman	4/4	2/2	3/3
Dato' Md Agil Bin Mohd Natt	4/4	2/2	3/3
Hiroshi Irie (resigned on 27 October 2016)	0/4	1/2	N/A
Yoshimi Gunji (resigned on 27 October 2016)	4/4	N/A	N/A
Yuichi Nishimura (resigned on 1 February 2017)	4/4	2/2	2/2
Tan Kim Seng (appointed on 1 February 2017)	N/A	N/A	1/1

Corporate Governance (continued)

Board Committees (continued)

NRC (continued)

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

The NRC with regard to its nomination roles are responsible for:-

1. Establishing minimum requirements for the Board i.e. the necessary mix of skills, experience, qualification, inclusiveness and other core competencies required of a Director. The Committee is also responsible for establishing minimum requirements for the President/CEO and members of the Shariah Committee.;
2. Assessing and recommending to the Board the nominees for Directorship, Board Committee members as well as nominees for the President/CEO and members of the Shariah Committee;
3. Overseeing the overall composition of the Board, in terms of the appropriate size and skills, balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review;
4. Recommending to the Board the removal of a Director or President/CEO or members of the Shariah Committee from the Board or management if he/she is ineffective, errant and negligent in discharging his/her responsibilities;
5. Establishing a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the President/CEO, members of the Shariah Committee, and Company Secretary. Ensuring that all Directors and members of the Shariah Committee continue to receive appropriate training program in order to keep abreast with the latest developments in the industry;
6. Overseeing the management succession planning and performance evaluation of senior management;
7. Assessing on an annual basis, to ensure that the Directors, President/CEO, senior management are not disqualified under Section 59 of the Financial Services Act 2013 and Company Secretary is not disqualified under Section 238 of the Companies Act 2016 and they have complied with the Fit and Proper requirements;
8. Assessing the independence of Independent Directors annually and that the Directors meet the pre-requisite independence criteria and are not disqualified under any relevant qualification;
9. Overseeing the performance evaluation of Company Secretary; and
10. Recommending to the Board for the appointment of Company Secretary to take immediate steps to remove the person from such position as soon as practicable if he/she no longer meets the fit and proper criteria set by the Bank.

Company No. 926374-U

Corporate Governance (continued)

Board Committees (continued)

NRC (continued)

The NRC with regard to its remuneration roles are responsible for :

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

Audit Committee (AC)

The AC consists of three (3) members and all are Independent Non-Executive Directors.

The Chairman of the AC is Mr. Chin Kok Sang and the members of the AC are Dato' Md Agil Bin Mohd Natt and Mr. Tan Kim Seng. The details of attendance of each members at AC meetings held during the financial year in review are as follows:-

Name of Directors	Attendance at Meetings
Chin Kok Sang – Chairman	5/5
Dato' Md Agil Bin Mohd Natt	5/5
Yuichi Nishimura (resigned on 1 February 2017)	4/4
Tan Kim Seng (appointed on 1 February 2017)	1/1

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

Corporate Governance (continued)

Board Committees (continued)

AC (Continued)

The AC is responsible for:

1. **Reliable and Transparent Reporting**
 - i. Support the Board in ensuring a reliable and transparent financial reporting process within the Bank.
2. **Effectiveness of Internal Audit**
 - i. Oversee the functions of the Internal Audit Department and ensuring compliance with BNM Guidelines on Internal Audit Functions of Licensed institutions;
 - ii. Review and approve the audit scope, procedures and frequency;
 - iii. Review key audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner;
 - iv. Noting significant disagreements between the Head of Internal Audit Department/Chief Internal Auditor (CIA) and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings;
 - v. Establish a mechanism to assess the performance and effectiveness of the internal audit function; and
 - vi. Appoint, set compensation, evaluate performance, decide on the transfer and dismissal and also review the reasons and circumstances leading to the resignation of the Head of Internal Audit Department / CIA.
3. **Internal Controls**
 - i. Review the effectiveness of internal controls and risk management processes.
4. **External Auditors**
 - i. Make recommendations to the Board on the appointment, removal and remuneration of the External Auditor;
 - ii. Monitor and assess the independence of the External Auditor, including approval of the provision of non-audit services by the External Auditor;
 - iii. Monitor and assess the effectiveness of the external audit meeting with the External Auditor without the presence of Senior Management at least annually;
 - iv. Maintain regular, timely, open and honest communication with the External Auditor and requiring the External Auditor to report to the Board AC on significant matters, and
 - v. Ensure that senior management is taking necessary corrective actions in a timely and effective manner to address external audit findings and recommendations.

Corporate Governance (continued)

Board Committees (continued)

AC (continued)

5. **Related Party Transactions**
 - i. Review all related party transactions and keep the Board informed of such transactions.
6. **External Experts**
 - i. Ability to engage external experts in circumstances where the internal audit function lacks the expertise needed to perform the audit of specialized areas, and
 - ii. To ensure that the independence of the external auditor in its role as statutory auditor of the Bank is not compromised if the external auditor is engaged.
7. Review the accuracy and adequacy of the Chairman's statement in the Directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.
8. Monitor compliance with the Board's conflicts of interest policy pursuant to the Bank Negara Malaysia Corporate Governance Guidelines.
9. Review third-party opinions on the design and effectiveness of the Bank's internal control framework.

Company No. 926374-U

Corporate Governance (continued)

Board Committees (continued)

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/ CIA and audit personnel are responsible for:

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 AC 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 AC;
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. Checking and testing the compliance with, and effectiveness of policies, procedures and controls and assessing whether current measures are in line with the latest developments and changes to the relevant AML/CFT requirements;
6. Issue written audit reports to the AC and Management, detailing the audit findings and recommendations as well as the client's responses and action plans in a timely manner after the completion of the audit;
7. Monitor progress of rectification actions on findings raised, taking into consideration the timeline committed by Management. This includes rectification actions taken in regard to findings raised by regulatory authorities or external auditors, and
8. Conduct investigation on suspected fraudulent activities when required and notify Management and the AC of the results.

Company No. 926374-U

Corporate Governance (continued)

Board Committees (continued)

Risk Management Committee (“RMC”)

The RMC consists of three (3) members and all are Independent and Non-Executive Directors.

The Chairman of the RMC is Mr. Tan Kim Seng. The members of the RMC are Dato’ Md Agil Bin Mohd Natt and Mr. Chin Kok Sang. Details of attendance of each member at the RMC meetings held during the financial year in review are as follows:-

Name of Directors	Attendance at Meetings
Tan Kim Seng – Chairman (appointed on 1 February 2017)	1/1
Dato’Md Agil bin Mohd Natt	6/6
Yuichi Nishimura (resigned on 1 February 2017)	5/5
Chin Kok Sang	6/6

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

The RMC are responsible for:

1. Reviewing and recommending to the Board risk management strategies, policies and risk tolerance;
2. Reviewing and assessing the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
3. Ensuring adequate infrastructure, resources and systems are in place to support effective risk management and to ensure that the staff responsible for implementing these risk management systems perform those duties independently of the Banks’ risk taking activities;
4. Reviewing management’s periodic reports on risk exposure, risk portfolio composition and risk management activities;
5. Appoint, set remuneration, evaluate performance and decide on the dismissal of the Head of Risk Management/Chief Risk Officer (CRO) and Head of Compliance Department/Chief Compliance Officer (CCO);
6. Reviewing the reasons and circumstances leading to the resignation of the CRO and Head of Compliance Department / CCO;

Corporate Governance (continued)

Board Committees (continued)

RMC (continued)

7. Overseeing the management of the Bank's compliance risk:-
 - i. To approve the Bank's compliance policy and oversee its implementation;
 - ii. To approve the establishment of the compliance function and the position of the Head of Compliance Department/CCO and ensure that the compliance function and the Head of Compliance Department/CCO are provided with appropriate standing, authority and independence;
 - iii. To discuss compliance issues regularly, ensuring that adequate time and priority is provided in the Board agenda to deliberate compliance issues and that such issues are resolved effectively and expeditiously, and
 - iv. To evaluate the effectiveness of the Bank's overall management of compliance risk annually having regard to the assessments of senior management and internal audit as well as interactions with the Head of Compliance Department/CCO.
8. Supporting the Board in meeting the expectation on risk management in accordance with the risk management policies, framework and BNM Guidelines on Risk Governance, and
9. Assisting the implementation of a sound remuneration system, to examine whether incentives provided by the remuneration system take into consideration risks and returns, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Nominations and Remuneration Committee.

Company No. 926374-U

Corporate Governance (continued)

Shariah Committee (ShC)

Dr. Mushaddad bin Hasbullah was the Chairman of ShC before he vacated the position for Dr. Muhammad Pisol bin Mohd @ Mat Isa on 14 December 2016 under the normal rotation exercise. It was decided by ShC that the Chairman position will be rotated every 2 years among ShC members. The other ShC member is Mr. Mohamed Khairul Anuar bin Mohd Basri.

The ShC held 6 meetings during the financial year. To ensure close relationship between ShC, Board of Directors and Senior Management team of the Bank, a special meeting was held in addition to the 6 ShC meetings.

The details of attendance of each member at the ShC Meetings held during the FYE 31 March 2017 are as follows: -

Name of ShC member	Attendance at Meetings
Dr. Mushaddad bin Hasbullah - Chairman	6/6
Dr. Muhammad Pisol bin Mohd @ Mat Isa	6/6
Encik Mohamed Khairul Anuar bin Mohd Basri	6/6

ShC is responsible for:

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

Company No. 926374-U

Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 19 to the financial statements.

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

.....
Dato' Md Agil Bin Mohd Natt

.....
Yoshimi Gunji

Kuala Lumpur

Date: 28 August 2017

Company No. 926374-U

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 2017. We have also conducted our review to form an opinion as to whether Sumitomo Mitsui Banking Corporation Malaysia Berhad has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

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

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

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

In our opinion, the contracts, transactions and dealings entered into by Sumitomo Mitsui Banking Corporation Malaysia Berhad during the financial year ended 31 March 2017 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 2017 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee :
Dr. Muhammad Pisol bin Mohd @ Mat Isa

Shariah Committee member :
Mohamed Khairul Anuar bin Mohd Basri

Shariah Committee member :
Dr. Mushaddad bin Hasbullah

Kuala Lumpur:
 Date: 28 August 2017

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

Statement of Financial Position as at 31 March 2017

	Note	31 March 2017 RM'000	31 March 2016 RM'000
Assets			
Cash and short-term funds	3	4,704,896	4,800,811
Deposits and placements with banks and other financial institutions	4	626,193	187,530
Investment securities available-for-sale	5	682,204	160,975
Loans, advances and financing	6	10,840,094	6,368,607
Derivative financial assets	30	919,869	669,079
Other assets	7	18,704	30,707
Statutory deposits with Bank Negara Malaysia	8	2,228	-
Plant and equipment	9	14,835	17,840
Tax recoverable		11,621	9,188
Total assets		<u>17,820,644</u>	<u>12,244,737</u>
Liabilities			
Deposits from customers	10	11,185,916	6,838,407
Deposits and placements of banks and other financial institutions	11	3,217,924	2,680,274
Bills and acceptances payable		1,723	378
Derivative financial liabilities	30	828,339	578,483
Other liabilities	12	742,252	383,651
Deferred tax liabilities	13	18,438	18,594
Total liabilities		<u>15,994,592</u>	<u>10,499,787</u>
Equity			
Share capital	14	1,575,000	1,575,000
Reserves	15	251,052	169,950
Total equity attributable to owners of the Bank		<u>1,826,052</u>	<u>1,744,950</u>
Total liabilities and equity		<u>17,820,644</u>	<u>12,244,737</u>
Commitments and contingencies	27	<u>20,151,147</u>	<u>16,888,946</u>

The notes on pages 25 to 107 are an integral part of these financial statements.

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

**Statement of Profit or Loss and Other Comprehensive
 Income for the Financial Year Ended 31 March 2017**

		31 March 2017 RM'000	31 March 2016 RM'000
	Note		
Interest income	16	371,713	243,162
Interest expense	17	<u>(219,834)</u>	<u>(134,403)</u>
Net interest income		151,879	108,759
Other operating income	18	<u>78,922</u>	<u>76,047</u>
Net operating income		230,801	184,806
Other operating expenses	19	<u>(85,829)</u>	<u>(69,739)</u>
Operating profit		144,972	115,067
Provision for loans, advances and financing	21	<u>(41,194)</u>	<u>(18,472)</u>
Profit before taxation		103,778	96,595
Income tax expense	22	<u>(23,887)</u>	<u>(21,905)</u>
Profit for the year		79,891	74,690
Other comprehensive income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Fair value changes of investment securities available- for-sale		<u>1,211</u>	<u>387</u>
Total comprehensive income for the year		<u>81,102</u>	<u>75,077</u>
Basic earnings per ordinary share (sen)	23	<u>5.07</u>	<u>5.23</u>

The notes on pages 25 to 107 are an integral part of these financial statements.

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)

(Incorporated in Malaysia)

Statement of Changes in Equity for the Financial Year Ended 31 March 2017

	←—————Attributable to owners of the Bank—————→					Total RM'000
	Share Capital RM'000	←————— Non-Distributable —————→		Available- for-sale reserve RM'000	Distributable Retained earnings RM'000	
		Statutory reserve RM'000	Regulatory reserve RM'000			
At 1 April 2015	700,000	49,673	16,751	(8)	28,457	794,873
Issue of shares	875,000	-	-	-	-	875,000
Profit for the year	-	-	-	-	74,690	74,690
Fair value changes of available-for-sale financial assets	-	-	-	387	-	387
Total comprehensive income for the year	-	-	-	387	74,690	75,077
Transfer to statutory reserve	-	37,345	-	-	(37,345)	-
Transfer to regulatory reserve	-	-	24,873	-	(24,873)	-
At 31 March 2016/ 1 April 2016	1,575,000	87,018	41,624	379	40,929	1,744,950
Profit for the year	-	-	-	-	79,891	79,891
Fair value changes of available-for-sale financial assets	-	-	-	1,211	-	1,211
Total comprehensive income for the year	-	-	-	1,211	79,891	81,102
Transfer to statutory reserve	-	39,945	-	-	(39,945)	-
Transfer to regulatory reserve	-	-	13,725	-	(13,725)	-
At 31 March 2017	1,575,000	126,963	55,349	1,590	67,150	1,826,052
	Note 14	Note 15	Note 15	Note 15	Note 15	

The notes on pages 25 to 107 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 2017

	31 March 2017 RM'000	31 March 2016 RM'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	103,778	96,595
Adjustments for:		
Depreciation of plant and equipment	4,065	4,124
Plant and equipment written-off	7	5
Loan loss provision	41,194	18,472
Unrealised net loss/(gain) on revaluation of derivatives	2,475	(12,101)
Amortisation of premium/(Accretion of discount) on debt securities	674	(364)
Operating profit before working capital changes	152,193	106,731
Decrease/(Increase) in operating assets		
Deposits and placements with banks and other financial institutions	(438,663)	449,503
Statutory deposits with Bank Negara Malaysia	(2,228)	-
Loans, advances and financing	(4,512,681)	(3,612,128)
Derivative financial instruments	(3,409)	(15,379)
Other assets	12,003	(23,392)
Increase/(Decrease) in operating liabilities		
Deposits from customers	4,347,509	3,092,369
Deposits and placements of banks and other financial institutions	537,650	(186,018)
Bills and acceptances payable	1,345	(371)
Other liabilities	358,601	125,704
Cash generated /(used in) from operating activities	452,320	(62,981)
Taxation paid	(26,880)	(17,950)
Net cash generated from/(used in) operating activities	425,440	(80,931)
Cash flows from investing activities		
Purchase of plant and equipment	(1,067)	(1,716)
Acquisition of investment securities available-for-sale	(520,288)	(30,467)
Net cash used in investing activities	(521,355)	(32,183)
Cash flows from financing activities		
Proceeds from issuance of shares	-	875,000
Net cash generated from financing activities	-	875,000

Company No. 926374-U

Statements of Cash Flows for the Financial Year Ended 31 March 2017 (continued)

	31 March 2017 RM'000	31 March 2016 RM'000
Net (decrease)/increase in cash and cash equivalents	(95,915)	761,886
Cash and cash equivalents at beginning of the financial year	<u>4,800,811</u>	<u>4,038,925</u>
Cash and cash equivalents at end of financial year	<u><u>4,704,896</u></u>	<u><u>4,800,811</u></u>

Cash and cash equivalents

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

	31 March 2017 RM'000	31 March 2016 RM'000
Cash and balances with banks and other financial institutions	71,641	73,094
Money at call and deposit placements maturing within one month	<u>4,633,255</u>	<u>4,727,717</u>
	<u><u>4,704,896</u></u>	<u><u>4,800,811</u></u>

The notes on pages 25 to 107 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 2017

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 28 August 2017.

1. Basis of preparation

(a) Statement of compliance

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (continued)

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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

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

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

- from the annual period beginning on 1 April 2017 for those amendments 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, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140 which are not applicable to the Bank.
- from the annual period beginning on 1 April 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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 financial liabilities, and on hedge accounting.

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

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 will assess the financial impact that may arise from the adoption of MFRS 15.

MFRS 16, *Leases*

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

The Bank will assess the financial impact that may arise from the adoption of MFRS 16.

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 6 – Collective impairment provision on loans, advances and financing
- Note 30 - Fair value of financial assets and financial liabilities

Company No. 926374-U

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in the financial statements 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.

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of 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.

Company No. 926374-U

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Bank categorises financial instruments as follows:

Financial assets

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

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

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

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.

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*

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

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

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.

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)*

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

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

The collective impairment provision is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector, loan/financing grade, loan to value (LTV) or product);
- management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience; and
- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate provision against the individual loan.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

Financial assets (continued)

(d) Available-for-sale financial assets

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

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

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(f)(i)).

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.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Financial guarantee contracts

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

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

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Hedge accounting

Fair value hedge

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

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(v) Hedge accounting (continued)

Fair value hedge (continued)

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

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

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

(vi) Derecognition

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

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

(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.

2. Significant accounting policies (continued)

(c) Plant and equipment (continued)

(i) Recognition and measurement (continued)

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 operating income” and “other operating expenses” respectively in profit or loss.

(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 component of an item of plant and equipment from the date that they are available for use.

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.

2. Significant accounting policies (continued)

(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.

(e) Cash and cash equivalents

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

(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 loans 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 other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

2. Significant accounting policies (continued)

(f) Impairment (continued)

(i) Financial assets (continued)

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

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

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

(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 to reduce the carrying amounts of the assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

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/financing income and expense

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

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

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

(ii) Fees and commission

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

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

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

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(1) Fair value measurement

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

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

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

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

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

Level 3: unobservable inputs for the asset or liability.

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

Company No. 926374-U

3. Cash and short-term funds

	31 March 2017 RM'000	31 March 2016 RM'000
Cash and balances with banks and other financial institutions	71,641	73,094
Money at call and deposit placements maturing within one month	<u>4,633,255</u>	<u>4,727,717</u>
	<u><u>4,704,896</u></u>	<u><u>4,800,811</u></u>

4. Deposits and placements with banks and other financial institutions

	31 March 2017 RM'000	31 March 2016 RM'000
Money at call and deposit placements maturing more than one month	<u>626,193</u>	<u>187,530</u>

5. Investments securities available-for-sale

	31 March 2017 RM'000	31 March 2016 RM'000
At fair value		
Negotiable instruments of deposits	552,358	-
Malaysian Government treasury bills	109,851	10,057
Malaysian Government Sukuk	<u>19,995</u>	<u>150,918</u>
	<u><u>682,204</u></u>	<u><u>160,975</u></u>

Company No. 926374-U

6. Loans, advances and financing

	31 March 2017 RM'000	31 March 2016 RM'000
(a) By type:		
At amortised cost:		
Overdraft	93,147	45,176
Term loans		
- Syndicated loans	463,278	389,461
- Syndicated Islamic financing	133,062	196,317
- Bridging loans	15,524	17,739
- Factoring receivables	56,936	49,311
- Other term loans	5,479,371	2,217,489
- Other Islamic term financing	1,412,891	1,176,123
Trade bills discounted	119,407	54,774
Revolving credits	2,518,381	1,842,225
Islamic revolving credits	624,514	415,215
Gross loans, advances and financing	10,916,511	6,403,830
Less: Collective impairment provision	(76,417)	(35,223)
Net loans, advances and financing	10,840,094	6,368,607
(b) By geographical distribution:		
Malaysia	9,240,693	6,176,810
Other countries	1,675,818	227,020
Gross loans, advances and financing	10,916,511	6,403,830
(c) By type of customer:		
Domestic non-bank financial institutions	3,427,396	2,224,492
Domestic business enterprises	7,404,539	3,952,318
Foreign entities	84,576	227,020
Gross loans, advances and financing	10,916,511	6,403,830
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	484,874	235,640
Variable rate		
- Cost-plus	3,134,322	2,137,967
- Other variable rates	7,297,315	4,030,223
Gross loans, advances and financing	10,916,511	6,403,830

Company No. 926374-U

6. Loans, advances and financing (continued)

	31 March 2017 RM'000	31 March 2016 RM'000
(e) By economic purposes:		
Purchase of securities	332,412	-
Purchase of residential property	7,982	26,163
Purchase of non-residential property - Commercial complexes	195,711	167,045
Purchase of fixed assets other than land and buildings	225,256	197,607
Construction	462,641	267,577
Working capital	6,372,264	4,318,512
Other purpose	3,320,245	1,426,926
Gross loans, advances and financing	<u>10,916,511</u>	<u>6,403,830</u>
(f) By sector:		
Primary agriculture	54,180	80,473
Mining and quarrying	157,578	316,054
Manufacturing	2,535,097	1,726,457
Electricity, gas and water	1,112,626	126,680
Construction	64,598	24,868
Wholesale and retail trade, and restaurants and hotels	895,371	714,835
Transport, storage and communication	520,811	303,446
Finance, insurance, and business services	5,147,686	2,738,238
Real estate	417,327	159,403
Education, health and others	11,237	213,376
Gross loans, advances and financing	<u>10,916,511</u>	<u>6,403,830</u>
(g) By residual contractual maturity:		
Maturing within one year	3,912,619	2,584,692
One year to three years	1,898,842	1,355,503
Three years to five years	4,375,142	2,112,388
More than five years	729,908	351,247
Gross loans, advances and financing	<u>10,916,511</u>	<u>6,403,830</u>

Company No. 926374-U

6. Loans, advances and financing (continued)

	31 March 2017 RM'000	31 March 2016 RM'000
(h) Movements in collective impairment provision on loans, advances and financing:		
At beginning of financial year	35,223	16,751
Addition during the financial year (Note 21)	41,194	18,472
At end of financial year	<u>76,417</u>	<u>35,223</u>
 [(As % of gross loans, advances and financing (net of individual allowance)]	 <u>0.70%</u>	 <u>0.55%</u>

7. Other assets

	31 March 2017 RM'000	31 March 2016 RM'000
Interest receivable	10,354	9,300
Amount due from related corporations/ companies	166	161
Cash collateral placements	1,770	17,889
Other receivables	4,589	1,414
Deposits	1,522	1,498
Prepayments	303	445
	<u>18,704</u>	<u>30,707</u>

The cash collaterals are placed in respect of derivative balances pursuant to agreements in accordance with International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") entered into with respective counterparties amounting to RM Nil (2016:RM15,930,000) and a related company amounting to RM1,770,000 (2016:RM1,959,000).

8. Statutory deposits with Bank Negara Malaysia

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

Company No. 926374-U

9. Plant and equipment

	Renovations	Computer	Furniture,	Motor	Total
	RM'000	equipment	fixtures	vehicles	RM'000
		RM'000	and		
			fittings		
			RM'000	RM'000	RM'000
<i>Cost</i>					
At 1 April 2015	11,232	12,238	3,498	1,669	28,637
Additions	583	533	134	466	1,716
Written-off	-	(2)	(5)	-	(7)
At 31 March 2016/ 1 April 2016	11,815	12,769	3,627	2,135	30,346
Additions	7	819	241	-	1,067
Written-off	-	-	(17)	-	(17)
At 31 March 2017	11,822	13,588	3,851	2,135	31,396
<i>Accumulated depreciation</i>					
At 1 April 2015	93	6,564	427	1,300	8,384
Charge for the year	1,144	2,131	456	393	4,124
Written-off	-	-	(2)	-	(2)
At 31 March 2016/ 1 April 2016	1,237	8,695	881	1,693	12,506
Charge for the year	1,182	2,271	463	149	4,065
Written-off	-	-	(10)	-	(10)
At 31 March 2017	2,419	10,966	1,334	1,842	16,561
<i>Carrying amounts</i>					
At 31 March 2016/ 1 April 2016	10,578	4,074	2,746	442	17,840
At 31 March 2017	9,403	2,622	2,517	293	14,835

Company No. 926374-U

10. Deposits from customers

	31 March 2017 RM'000	31 March 2016 RM'000
(a) By type of deposits:		
Demand deposits	1,605,312	1,107,403
Fixed deposits*	6,931,647	2,633,746
Short-term deposits	2,648,957	3,097,258
	<u>11,185,916</u>	<u>6,838,407</u>

*Included in the fixed deposits are deposits amounting to RM4,374,536,000 (2016 : RM1,310,511,000) placed by a branch of the immediate holding company as cash collateral for certain loans, advances and financing.

	31 March 2017 RM'000	31 March 2016 RM'000
Maturity structure of fixed deposits is as follows:		
Due within six months	2,507,446	1,311,789
Six months to one year	20,362	11,447
One year to three years	1,035,237	371,889
Three years to five years	3,055,348	938,621
Five years to ten years	313,254	-
	<u>6,931,647</u>	<u>2,633,746</u>
(b) By type of customers:		
Domestic non-bank financial institutions	416,464	166,401
Domestic business enterprises	6,271,333	5,258,295
Branch of immediate holding company	4,374,536	1,310,511
Foreign non-bank entities	122,783	103,200
Domestic other entities	800	-
	<u>11,185,916</u>	<u>6,838,407</u>

Company No. 926374-U

11. Deposits and placements of banks and other financial institutions

	31 March 2017 RM'000	31 March 2016 RM'000
Licensed Malaysian banks	-	137,118
Foreign banks		
- Immediate holding company	3,217,924	2,543,156
	<u>3,217,924</u>	<u>2,680,274</u>

12. Other liabilities

	31 March 2017 RM'000	31 March 2016 RM'000
Interest payable	16,696	11,052
Amount due to related corporations/ companies	22,501	5,068
Cash collateral placements	664,042	351,042
Other payables	29,665	10,312
Accruals	9,348	6,177
	<u>742,252</u>	<u>383,651</u>

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

Company No. 926374-U

13. Deferred tax

Recognised deferred tax assets/ (liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Plant and equipment	-	-	(39)	(176)	(39)	(176)
Available-for-sale reserve	-	-	(503)	(99)	(503)	(99)
Unrealised foreign exchange gain	-	-	(26,557)	(21,725)	(26,557)	(21,725)
Deferred income	6,118	1,357	-	-	6,118	1,357
Other items	2,543	2,049	-	-	2,543	2,049
Tax assets/ (liabilities)	8,661	3,406	(27,099)	(22,000)	(18,438)	(18,594)
Set off of tax	(8,661)	(3,406)	8,661	3,406	-	-
Net tax assets/ (liabilities)	-	-	18,438	(18,594)	(18,438)	(18,594)

Movement in temporary differences during the year

	At 1.4.2015 RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	At 31.3.2016 RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	At 31.3.2017 RM'000
Plant and equipment	(550)	374	-	(176)	137	-	(39)
Available-for-sale reserve	4	-	(103)	(99)	-	(404)	(503)
Unrealised foreign exchange gain	(14,244)	(7,481)	-	(21,725)	(4,832)	-	(26,557)
Deferred income	925	432	-	1,357	4,761	-	6,118
Other items	832	1,217	-	2,049	494	-	2,543
	(13,033)	(5,458)	(103)	(18,594)	560	(404)	(18,438)

Company No. 926374-U

14. Share capital

	Amount 31 March 2017 RM'000	Number of shares 31 March 2017 '000	Amount 31 March 2016 RM'000	Number of shares 31 March 2016 '000
Ordinary shares				
Issued and fully paid up:				
At beginning of the year	1,575,000	1,575,000	700,000	700,000
Issued during the year	-	-	875,000	875,000
At end of the year	<u>1,575,000</u>	<u>1,575,000</u>	<u>1,575,000</u>	<u>1,575,000</u>

The new Companies Act 2016 (“the Act”), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

Ordinary shares

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

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

15. Reserves

	Note	31 March 2017 RM'000	31 March 2016 RM'000
<i>Non-distributable:</i>			
Statutory reserve	15.1	126,963	87,018
Available-for-sale (“AFS”) reserve	15.2	1,590	379
Regulatory reserve	15.3	<u>55,349</u>	<u>41,624</u>
		183,902	129,021
<i>Distributable:</i>			
Retained earnings		<u>67,150</u>	<u>40,929</u>
		<u>251,052</u>	<u>169,950</u>

15.1 Statutory reserve

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.

Company No. 926374-U

15. Reserves (Continued)

15.2 Available-for-sale (“AFS”) reserve

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

15.3 Regulatory reserve

The regulatory reserve is 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.

16. Interest income

	2017 RM'000	2016 RM'000
Loans, advances and financing		
- Interest income	168,823	85,431
- Financing income	38,728	14,654
Money at call and deposit placements with banks and other financial institutions	149,326	135,708
Investment securities available-for-sale	14,771	7,369
Others	65	-
	<u>371,713</u>	<u>243,162</u>

17. Interest expense

	2017 RM'000	2016 RM'000
Deposits and placements of banks and other financial institutions	44,935	25,550
Deposits from customers	173,736	108,313
Investment securities available-for-sale	905	519
Others	258	21
	<u>219,834</u>	<u>134,403</u>

Company No. 926374-U

18. Other operating income

	2017	2016
	RM'000	RM'000
Fee and commission income		
- Service charges/ fees	29	54
- Guarantee fees	1,532	610
- Loan related fees	15,206	2,192
- Commitment fees	1,254	1,361
	<u>18,021</u>	<u>4,217</u>
Gain from derivative financial instruments	<u>12,472</u>	<u>8,977</u>
Unrealised net (loss)/gain on revaluation of derivatives	<u>(2,475)</u>	<u>12,101</u>
Foreign exchange net gain	<u>39,575</u>	<u>43,419</u>
Other income		
- Management fees	6,778	3,987
- Rental of fixed assets	1,963	1,925
- Miscellaneous income	2,588	1,421
	<u>11,329</u>	<u>7,333</u>
	<u>78,922</u>	<u>76,047</u>

Company No. 926374-U

19. Other operating expenses

	2017	2016
	RM'000	RM'000
Personnel costs		
Salaries, allowances and bonuses	27,434	21,566
Employees' provident fund contributions	3,068	2,210
Staff training expenses	322	507
Staff welfare expenses	186	136
Other personnel expenses	4,979	4,263
	<u>35,989</u>	<u>28,682</u>
Establishment costs		
Rental of premises	1,789	1,789
Depreciation	4,065	4,124
Repair and maintenance	738	590
Other establishment expenses	12,229	12,093
	<u>18,821</u>	<u>18,596</u>
Marketing expenses		
Advertisement and publicity	269	224
Other marketing expenses	112	151
	<u>381</u>	<u>375</u>
Administration and general expenses		
Guarantee fees	9,957	1,645
Auditors' remuneration		
- Statutory audit	230	215
- Other services	100	100
Professional fees	761	332
Communication expenses	380	272
Management fees	13,368	14,429
Licence fees and stamp duties	150	158
Non-executive directors' fees and allowances	479	372
Plant and equipment written off	7	5
Other administration and general expenses	5,206	4,558
	<u>30,638</u>	<u>22,086</u>
	<u>85,829</u>	<u>69,739</u>

Company No. 926374-U

20. Directors' remuneration

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

	2017					2016				
	Salary and other remuneration, including meeting allowance RM'000	Bonus RM'000	Fees RM'000	Benefit-in-kind RM'000	Total RM'000	Salary and other remuneration, including meeting allowance RM'000	Bonus RM'000	Fees RM'000	Benefit-in-kind RM'000	Total RM'000
Executive Director and Chief Executive Officer										
Mr. Yoshimi Gunji	574	247	-	354	1,175	581	175	-	282	1,038
Mr. Yasuhiro Oashi	-	-	-	-	-	134	79	-	201	414
Non-executive Directors										
Dato' Md Agil bin Mohd Natt	39	-	200	-	239	46	-	145	-	191
Mr. Lim Choon Eng	-	-	-	-	-	31	-	62	-	93
Mr. Chin Kok Sang	39	-	180	-	219	15	-	73	-	88
Mr. Tan Kim Seng	-	-	21	-	21	-	-	-	-	-
	652	247	401	354	1,654	807	254	280	483	1,824

Company No. 926374-U

21. Provision for loans, advances and financing

	2017 RM'000	2016 RM'000
Collective impairment provision (Note 6(h))	41,194	18,472

22. Tax expense

Recognised in profit or loss

	2017 RM'000	2016 RM'000
Malaysian income tax		
- Current year	24,366	16,984
- Prior year under/(over) provision	81	(537)
	<u>24,447</u>	<u>16,447</u>

Deferred tax expense

Origination/reversal of temporary differences	(560)	5,458
Underprovision in prior year	-	-
	<u>(560)</u>	<u>5,458</u>

Total tax expense	<u>23,887</u>	<u>21,905</u>
-------------------	---------------	---------------

Reconciliation of effective tax expense

Profit before taxation	<u>103,778</u>	<u>96,595</u>
------------------------	----------------	---------------

Income tax calculated using Malaysian tax rate of

24% (2016: 24%)	24,907	23,183
Non-deductible expenses	767	681
Non-taxable income	(1,868)	(1,422)
Effect of change in tax rate	-	-
Under/(Over) provision in prior year	81	(537)
	<u>23,887</u>	<u>21,905</u>

Company No. 926374-U

23. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of the basic earnings per ordinary share for year ended 31 March 2017 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the financial year:-

	2017	2016
	RM'000	RM'000
Net profit attributable to ordinary shareholder	<u>79,891</u>	<u>74,690</u>
	2017	2016
	Number	Number
	('000)	('000)
Weighted average number of ordinary shares outstanding	<u>1,575,000</u>	<u>1,429,167</u>
	2017	2016
Basic earnings per ordinary shares (sen)	<u>5.07</u>	<u>5.23</u>

24. Related parties

Identity of related parties

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

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

Company No. 926374-U

24. Related parties (continued)

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

	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
2017					
Immediate holding corporation					
Income					
- Interest income from deposits and placements with banks and other financial institutions	295	-	-	-	-
- Other income	6,154	-	-	-	-
- Fee and commission income	143	-	-	-	-
Expenses					
- Interest expense on deposits from customers	16,635	-	-	-	-
- Interest expense on deposits and placements of banks and other financial institutions	29,978	-	-	-	-
- Fee and commission expenses	314	-	-	-	-
- Other operating expenses	24,830	-	-	-	-
Amount due from					
- Cash and short-term funds	-	155,761	-	155,761	-
- Derivative financial assets	-	36,193	-	36,193	-
- Other assets	-	20	-	20	-

Company No. 926374-U

24. 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
2017					
Immediate holding corporation (continued)					
Amount due to					
- Deposits from customers	-	4,374,536	-	4,374,536	-
- Deposits and placements of banks and other financial institutions	-	3,217,924	-	3,217,924	-
- Derivative financial liabilities	-	1,101	-	1,101	-
- Other liabilities	-	21,430	-	21,430	-
Other related corporations/ companies					
Income					
- Interest income from deposits and placements with banks and other financial institutions	508	-	-	-	-
- Interest income from loans, advances and financing	3,855	-	-	-	-
- Fee and commission income	20	-	-	-	-
- Other income	4,624	-	-	-	-
Expenses					
- Interest expense on deposits and placements of banks and other financial institutions	1	-	-	-	-
- Interest expense on deposits from customers	82	-	-	-	-
- Other operating expenses	14,176	-	-	-	-

Company No. 926374-U

24. 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
2017					
Other related corporations/ companies (continued)					
Amount due from					
- Cash and short-term funds	-	514	-	514	-
- Loans, advances and financing	-	119,961	(840)	119,121	219
- Derivative financial assets	-	37	-	37	-
- Other assets	-	1,917	-	1,917	-
Amount due to					
- Deposits from customers	-	39,029	-	39,029	-
- Derivative financial liabilities	-	42,944	-	42,944	-
- Other liabilities	-	1,072	-	1,072	-

Company No. 926374-U

24. 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
2016					
Immediate holding corporation					
Income					
- Interest income from deposits and placements with banks and other financial institutions	306	-	-	-	-
- Other income	3,703	-	-	-	-
- Fee and commission income	142	-	-	-	-
Expenses					
- Interest expense on deposits from customers	1,610	-	-	-	-
- Interest expense on deposits and placements of banks and other financial institutions	12,765	-	-	-	-
- Fee and commission expenses	249	-	-	-	-
- Other operating expenses	16,272	-	-	-	-
Amount due from					
- Cash and short-term funds	-	181,101	-	181,101	-
- Derivative financial assets	-	978	-	978	-
- Other assets	-	20	-	20	-

Company No. 926374-U

24. 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
2016					
Immediate holding corporation (continued)					
Amount due to					
- Deposits from customers	-	1,310,511	-	1,310,511	-
- Deposits and placements of banks and other financial institutions	-	2,543,156	-	2,543,156	-
- Derivative financial liabilities	-	4,038	-	4,038	-
- Other liabilities	-	3,524	-	3,524	-
Other related corporations/ companies					
Income					
- Interest income from deposits and placements with banks and other financial institutions	164	-	-	-	-
- Interest income from loans, advances and financing	2,224	-	-	-	-
- Fee and commission income	25	-	-	-	-
- Other income	3,892	-	-	-	-
Expenses					
- Interest expense on deposits from customers	81	-	-	-	-
- Other operating expenses	14,181	-	-	-	-

Company No. 926374-U

24. 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/ (reversed) for the year ended 31 March RM'000
2016					
Other related corporations/ companies (continued)					
Amount due from					
- Cash and short-term funds	-	79,020	-	79,020	-
- Loans, advances and financing	-	112,983	(621)	112,362	345
- Derivative financial assets	-	3,967	-	3,967	-
- Other assets	-	2,100	-	2,100	-
Amount due to					
- Deposits from customers	-	36,911	-	36,911	-
- Derivative financial liabilities	-	12,718	-	12,718	-
- Other liabilities	-	1,544	-	1,544	-

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.

Company No. 926374-U

24. Related parties (continued)

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

	2017 RM'000	2016 RM'000
Executive Directors:		
- Remuneration	821	969
- Other short term employee benefit	354	483
	<u>1,175</u>	<u>1,452</u>
Non-executive Directors:		
- Fees	401	280
- Allowances	78	92
	<u>479</u>	<u>372</u>
Other key management personnel:		
- Short term employee benefits	<u>11,571</u>	<u>8,526</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.

25. 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:

	2017 RM'000	2016 RM'000
Aggregate value of outstanding credit exposures to connected parties	649,573	794,318
As a percentage of total credit exposure	2.97%	5.21%

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

Company No. 926374-U

26. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2017 RM'000	2016 RM'000
Less than one year	1,640	1,789
Between one and five years	-	1,640
	<u>1,640</u>	<u>3,429</u>

27. 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:

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted assets RM'000
31 March 2017			
Transaction related contingent items	348,655	174,328	162,846
Short-term self liquidating trade-related contingencies	52,505	10,501	10,501
Foreign exchange related contracts:			
- Less than one year	5,299,673	391,607	234,413
- One year to less than five years	8,571,990	1,314,041	730,722
- Five years and above	984,034	319,343	140,564
Interest/ profit rate related contracts			
- Less than one year	39,998	91	53
- One year to less than five years	583,124	22,556	15,665
- Five years and above	220,792	13,304	9,554
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,130,007	1,565,004	1,529,606
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	920,369	184,074	156,427
Total	20,151,147	3,994,849	2,990,351

Company No. 926374-U

27. Commitments and contingencies (continued)

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted assets RM'000
31 March 2016			
Transaction related contingent items	172,497	86,249	74,767
Short-term self liquidating trade-related contingencies	38,413	7,683	7,683
Foreign exchange related contracts:			
- Less than one year	4,573,626	250,552	159,320
- One year to less than five years	7,236,524	1,050,360	595,096
- Five years and above	1,392,619	353,301	189,110
Interest/ profit rate related contracts			
- Less than one year	33,118	164	124
- One year to less than five years	448,648	17,604	13,606
- Five years and above	213,904	16,610	13,402
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,074,829	1,037,415	1,037,415
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	704,768	140,954	128,417
Total	16,888,946	2,960,892	2,218,940

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

28. Financial instruments

28.1 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”)

Company No. 926374-U

28. Financial instruments (continued)

28.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -HFT RM'000	AFS RM'000
31 March 2017				
<u>Financial Assets</u>				
Cash and short-term funds	4,704,896	4,704,896	-	-
Deposits and placements with banks and other financial institutions	626,193	626,193	-	-
Investment securities available-for-sale	682,204	-	-	682,204
Loans, advances and financing	10,840,094	10,840,094	-	-
Derivative financial assets	919,869	-	919,869	-
Other assets	17,083	17,083	-	-
Statutory deposits with Bank Negara Malaysia	2,228	2,228	-	-
Total financial assets	17,792,567	16,190,494	919,869	682,204
<u>Financial Liabilities</u>				
Deposits from customers	(11,185,916)	(11,185,916)	-	-
Deposits and placements of banks and other financial institutions	(3,217,924)	(3,217,924)	-	-
Bills and acceptances payable	(1,723)	(1,723)	-	-
Derivative financial liabilities	(828,339)	-	(828,339)	-
Other liabilities	(738,273)	(738,273)	-	-
Total financial liabilities	(15,972,175)	(15,143,836)	(828,339)	-

Company No. 926374-U

28. Financial instruments (continued)

28.1 Categories of financial instruments (continued)

31 March 2016	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -HFT RM'000	AFS RM'000
<u>Financial Assets</u>				
Cash and short-term funds	4,800,811	4,800,811	-	-
Deposits and placements with banks and other financial institutions	187,530	187,530	-	-
Investment securities available-for-sale	160,975	-	-	160,975
Loans, advances and financing	6,368,607	6,368,607	-	-
Derivative financial assets	669,079	-	669,079	-
Other assets	29,001	29,001	-	-
Total financial assets	12,216,003	11,385,949	669,079	160,975
<u>Financial Liabilities</u>				
Deposits from customers	(6,838,407)	(6,838,407)	-	-
Deposits and placements of banks and other financial institutions	(2,680,274)	(2,680,274)	-	-
Bills and acceptances payable	(378)	(378)	-	-
Derivative financial liabilities	(578,483)	-	(578,483)	-
Other liabilities	(376,517)	(376,517)	-	-
Total financial liabilities	(10,474,059)	(9,895,576)	(578,483)	-

Company No. 926374-U

28. Financial instruments (continued)

28.2 Net gains and losses arising from financial instruments

	2017 RM'000	2016 RM'000
Net gains/ (losses) arising on:		
Fair value through profit or loss:	49,572	64,499
- Held for trading	39,575	63,005
- Held for hedging	9,997	1,494
Available-for-sale financial assets:	537	751
- (Amortisation of premium)/Accretion of discount on debt securities held recognised in profit or loss	(674)	364
- Revaluation on available-for-sale investment securities recognised in other comprehensive income	1,211	387
Loans and receivables	316,773	216,338
Financial liabilities measured at amortised cost	(218,927)	(133,884)
	<u>147,955</u>	<u>147,704</u>

29. 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

29. 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 policies, procedures and manuals; and
- (ii) to review, analyse and approve credit proposals by ensuring effective credit limit control and monitoring.

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

As at the end of the reporting period, the maximum exposure to credit risk arising from loans, advances, investments and receivables is represented by the carrying amounts in the statement of financial position as shown in Notes 3, 4, 5 and 6 to the 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 their realisable values. A significant portion of these loans, advances, investments and receivables are regular customers or counterparties that have been transacting with the Bank.

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

29. 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 2017 and 31 March 2016, before taking into account any collateral held or other credit enhancements. For on-balance sheet financial instruments, the maximum exposure to credit risk is the carrying amount reported on the statement of financial position. For off-balance sheet financial instruments, the maximum exposure to credit risk represented the contractual nominal amount.

	2017	2016
	RM'000	RM'000
<u>On-balance sheet assets</u>		
Cash and short-term funds	4,704,896	4,800,811
Deposits and placements with banks and other financial institutions	626,193	187,530
Investment securities available-for-sale	682,204	160,975
Loans, advances and financing	10,840,094	6,368,607
Derivative financial assets	919,869	669,079
Other assets	17,083	29,001
Statutory deposits with Bank Negara Malaysia	2,228	-
	<u>17,792,567</u>	<u>12,216,003</u>
<u>Off-balance sheet assets</u>		
Contingent commitments	348,655	172,497
Undrawn irrevocable standby facilities, credit line and other commitments to lend	4,050,376	2,779,597
	<u>4,399,031</u>	<u>2,952,094</u>
Total maximum exposure to credit risk	<u><u>22,191,598</u></u>	<u><u>15,168,097</u></u>

Company No. 926374-U

29. 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
31 March 2017		
Carrying amount	10,916,511	5,331,089
Assets at amortised cost		
Neither past due nor impaired:	10,916,511	5,331,089
Collective impairment provision	(76,417)	-
	<u>10,840,094</u>	<u>5,331,089</u>
31 March 2016		
Carrying amount	6,403,830	4,988,341
Assets at amortised cost		
Neither past due nor impaired:	6,403,830	4,988,341
Collective impairment provision	(35,223)	-
	<u>6,368,607</u>	<u>4,988,341</u>

Company No. 926374-U

29. 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:

31 March 2017	Loans, advances and financing to customers RM'000	Loans, advances and financing to banks* RM'000
Carrying amount	<u>10,916,511</u>	<u>5,331,089</u>
Concentration of credit risk based on geographical location of customers		
Malaysia	9,240,693	5,153,235
Other countries		
- Singapore	-	133,268
- Japan	-	19,269
- Hong Kong	84,576	-
- Jordan	1,106,240	-
- United States	289,291	-
- Australia	195,711	-
- Others	-	25,317
	<u>10,916,511</u>	<u>5,331,089</u>

Company No. 926374-U

29. Financial risk management (continued)

(a) Credit risk (continued)

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

31 March 2016	Loans, advances and financing to customers RM'000	Loans, advances and financing to banks* RM'000
Carrying amount	<u>6,403,830</u>	<u>4,988,341</u>
Concentration of credit risk based on geographical location of customers		
Malaysia	6,176,810	4,918,897
Other countries		
- Singapore	-	339
- Japan	-	582
- Hong Kong	58,812	-
- Others	168,208	68,523
	<u>6,403,830</u>	<u>4,988,341</u>

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

Company No. 926374-U

29. 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 the reporting date are neither past due nor impaired. Table below summarises the balances, excluding balances with Bank Negara Malaysia, by external credit rating.

31 March 2017	Fitch RM'000	Moody's RM'000	RAM RM'000	S&P RM'000
AAA	-	-	271,124	-
AA- to AA+	-	350	-	6,602
A- to A+	155,760	795,998	-	1,135,323
BBB	-	-	-	225,448
	<u>155,760</u>	<u>796,348</u>	<u>271,124</u>	<u>1,367,373</u>
31 March 2016				
AAA	-	-	1,228,353	-
AA- to AA+	-	25,350	786,844	868
A- to A+	260,037	-	-	-
BBB	-	-	-	17,500
	<u>260,037</u>	<u>25,350</u>	<u>2,015,197</u>	<u>18,368</u>

Company No. 926374-U

29. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Summary analysis on securities portfolio

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

	2017	2016
	RM'000	RM'000
Negotiable instruments of deposits	552,358	-
Malaysian Government treasury bills	129,846	160,975
	<u>682,204</u>	<u>160,975</u>

(v) Credit quality of gross loans and advances

Gross loans and advances are analysed as follows:-

	2017	2016
	RM'000	RM'000
Neither past due nor impaired	10,916,511	6,403,830
Collective impairment provision	(76,417)	(35,223)
	<u>10,840,094</u>	<u>6,368,607</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 follows:

	2017	2016
Borrower's Grading	RM'000	RM'000
Good	10,059,456	5,986,315
Closely Monitored Accounts	857,055	417,515
	<u>10,916,511</u>	<u>6,403,830</u>

29. 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 CEO who is responsible for both the statutory and prudential liquidity.

The primary tools used to monitor the liquidity risk are the Bank Negara Malaysia's Liquidity Coverage Ratio requirement and the internal liquidity risk management policy set by ALM/RMC and Head Office. Under the LCR requirement, the Bank must ensure that there is sufficient high quality liquid assets (HQLA) to cover potential net cash outflows for the next 30 days. While under the internal policy, among others, the Bank is guided by tight money gap limits for one day, two days, one week and one month periods. Adherence to these limits are monitored on daily basis and reported to the Management, Regional Office and Head Office. As at 31 March 2017, the LCR and money gap limits are as follows:-

BNM			Internal Policy			
Liquidity Coverage Ratio			Money Gap Limits (USD million)			
HQLA (RM mil)	Net Outflows (RM mil)	Ratio	One day	Two days	One week	One month
3,029	1,500	202%	-20	-30	-40	-50

Company No. 926374-U

29. 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 2017	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 3 months RM'000	3-12 months RM'000	>1 year RM'000
Liabilities						
Deposits from customers	11,185,916	0.0% to 4.2%	11,391,157	6,244,159	553,530	4,593,468
Deposits and placements of banks and other financial institutions	3,217,924	0.0% to 2.4%	3,230,537	2,897,204	185,030	148,303
Bills and acceptances payable	1,723	-	1,723	1,723	-	-
Other liabilities	738,273	-	738,273	716,583	16,288	5,402
Total liabilities	15,143,836	-	15,361,690	9,859,669	754,848	4,747,173
Derivative financial liabilities, Gross settled						
Outflows	6,448,287	-	8,724,550	1,044,298	1,830,976	5,849,276
Inflows	(5,619,948)	-	(7,627,257)	(1,015,953)	(1,524,478)	(5,086,826)
	828,339	-	1,097,293	28,345	306,498	762,450
Grand Total	15,972,175	-	16,458,983	9,888,014	1,061,346	5,509,623

Company No. 926374-U

29. Financial risk management (continued)

(b) Liquidity risk (continued)

31 March 2016	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 3 months RM'000	3-12 months RM'000	>1 year RM'000
Liabilities						
Deposits from customers	6,838,407	0.0% to 4.2%	6,881,454	5,364,406	181,127	1,335,921
Deposits and placements of banks and other financial institutions	2,680,274	0.0% to 2.4%	2,689,716	2,274,609	228,522	186,585
Bills and acceptances payable	378	-	378	378	-	-
Other liabilities	376,517	-	376,517	375,055	1,244	218
Total liabilities	<u>9,895,576</u>	-	<u>9,948,065</u>	<u>8,014,448</u>	<u>410,893</u>	<u>1,522,724</u>
Derivative financial liabilities, Gross settled						
Outflows	4,316,508	-	6,997,001	1,145,029	1,121,316	4,730,656
Inflows	(3,738,025)	-	(6,361,931)	(1,110,370)	(1,044,232)	(4,207,329)
	<u>578,483</u>	-	<u>635,070</u>	<u>34,659</u>	<u>77,084</u>	<u>523,327</u>
Grand Total	<u>10,474,059</u>	-	<u>10,583,135</u>	<u>8,049,107</u>	<u>487,977</u>	<u>2,046,051</u>

29. Financial risk management (continued)

(c) Market risk

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

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

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

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

Interest rate risk management

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

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

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

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

29. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk management (continued)

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

Foreign exchange risk management

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

Company No. 926374-U

29. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

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

	← 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		
31 March 2017								
<u>Assets</u>								
Cash and short-term funds	4,633,255	-	-	-	-	71,641	-	4,704,896
Deposits and placements with banks and other financial institutions	-	526,193	100,000	-	-	-	-	626,193
Investment securities available-for-sale	150,494	351,745	179,965	-	-	-	-	682,204
Loans, advances and financing	2,297,914	784,041	830,670	5,167,744	1,836,142	(76,417) ^	-	10,840,094
Other assets	3,896	1,535	4,924	-	-	6,728	-	17,083
Derivative financial assets	-	-	221	49,073	-	-	870,575	919,869
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,228	-	2,228
Total assets	7,085,559	1,663,514	1,115,780	5,216,817	1,836,142	4,180	870,575	17,792,567

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

Company No. 926374-U

29. 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		
31 March 2017								
<u>Liabilities</u>								
Deposits from customers	3,781,458	848,224	547,085	2,984,411	1,419,426	1,605,312	-	11,185,916
Deposits and placements of banks and other financial institutions	1,829,674	1,189,917	55,955	29,425	110,396	2,557	-	3,217,924
Bills and acceptances payable	-	-	1,723	-	-	-	-	1,723
Other liabilities	8,172	4,682	6,819	3,797	413	714,390	-	738,273
Derivative financial liabilities		1	11	791	3,479	-	824,057	828,339
Total liabilities	5,619,304	2,042,824	611,593	3,018,424	1,533,714	2,322,259	824,057	15,972,175
On balance sheet interest rate gap	1,466,255	(379,310)	504,187	2,198,393	302,428	(2,318,079)	46,518	1,820,392
Off balance sheet interest rate gap	-	842,914	(38,998)	(583,124)	(220,792)	-	-	-
Total interest rate gap	1,466,255	463,604	465,189	1,615,269	81,636	(2,318,079)	46,518	1,820,392

Company No. 926374-U

29. 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		
31 March 2016								
<u>Assets</u>								
Cash and short-term funds	4,727,717	-	-	-	-	73,094	-	4,800,811
Deposits and placements with banks and other financial institutions	-	187,530	-	-	-	-	-	187,530
Investment securities available-for-sale	-	100,436	60,539	-	-	-	-	160,975
Loans, advances and financing	1,893,601	314,842	379,347	3,465,410	350,630	(35,223) ^	-	6,368,607
Other assets	23,207	197	1,818	-	-	3,779	-	29,001
Derivative financial assets	-	2	8	23,486	-	-	645,583	669,079
Total assets	6,644,525	603,007	441,712	3,488,896	350,630	41,650	645,583	12,216,003

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

Company No. 926374-U

29. 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		
31 March 2016								
<u>Liabilities</u>								
Deposits from customers	(2,503,654)	(1,630,743)	(286,096)	(1,310,511)	-	(1,107,403)	-	(6,838,407)
Deposits and placements of banks and other financial institutions	(1,535,702)	(734,355)	(227,466)	(72,821)	(106,952)	(2,978)	-	(2,680,274)
Bills and acceptances payable	-	-	(378)	-	-	-	-	(378)
Other liabilities	(12,635)	(339)	(38)	(36)	(183)	(363,286)	-	(376,517)
Derivative financial liabilities	-	-	-	-	(3,616)	-	(574,867)	(578,483)
Total liabilities	(4,051,991)	(2,365,437)	(513,978)	(1,383,368)	(110,751)	(1,473,667)	(574,867)	(10,474,059)
On balance sheet interest rate gap	2,598,625	(1,757,729)	(70,616)	2,086,878	245,707	(1,432,017)	71,096	1,741,944
Off balance sheet interest rate gap	-	691,670	(29,118)	(448,648)	(213,904)	-	-	-
Total interest rate gap	2,598,625	(1,066,059)	(99,734)	1,638,230	31,803	(1,432,017)	71,096	1,741,944

29. 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 Date (100 basis points) Hike		Impact on Positions as at Reporting Date (100 basis points) Hike	
	Increase/ (Decline) in profit before taxation 2017 RM'000	Increase/ (Decline) in equity 2017 RM'000	Increase/ (Decline) in profit before taxation 2016 RM'000	Increase/ (Decline) in equity 2016 RM'000
JPY	163	124	(98)	(74)
USD	(1,416)	(1,076)	(932)	(708)
MYR	3,349	2,545	356	271

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

	2017		2016	
	MYR %	USD %	MYR %	USD %
<u>Financial assets</u>				
Cash and short-term funds	3.05	1.19	3.24	0.41
Deposits and placements with banks and other financial institutions	3.41	1.53	3.65	0.73
Loans, advances and financing	4.26	2.02	4.39	1.61
<u>Financial liabilities</u>				
Deposits from customers	3.46	1.06	3.73	0.60
Deposits and placements of banks and other financial institutions	-	1.10	-	0.66

Company No. 926374-U

29. 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.

31 March 2017	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
<u>Financial Assets</u>					
Cash and short-term funds	3,170,437	1,459,256	19,269	55,934	4,704,896
Deposits and placements with banks and other financial institutions	520,000	106,193	-	-	626,193
Investment securities available-for-sale	682,204	-	-	-	682,204
Loans, advances and financing	2,678,903	7,453,460	182,908	524,823	10,840,094
Derivative financial assets	774,188	108,056	1,986	35,639	919,869
Other assets	14,464	2,568	-	51	17,083
Statutory deposits with Bank Negara Malaysia	2,228	-	-	-	2,228
Total Financial Assets	7,842,424	9,129,533	204,163	616,447	17,792,567

Company No. 926374-U

29. Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

31 March 2017	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
<u>Financial Liabilities</u>					
Deposits from customers	4,267,167	6,338,528	199,608	380,613	11,185,916
Deposits and placements of banks and other financial institutions	2,553	3,018,063	-	197,308	3,217,924
Bills and acceptances payable	1,723	-	-	-	1,723
Derivative financial liabilities	8,221	813,113	3,072	3,933	828,339
Other liabilities	716,105	22,134	-	34	738,273
Total Financial Liabilities	4,995,769	10,191,838	202,680	581,888	15,972,175
Total foreign currency sensitivity gap	2,846,655	(1,062,305)	1,483	34,559	1,820,392

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 a decrease of RM102,626,000 in profit before tax and RM77,996,000 in equity. This analysis assumes that all variables, in particular interest rates, remained constant.

Company No. 926374-U

29. 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.

31 March 2016	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
<u>Financial Assets</u>					
Cash and short-term funds	4,379,304	280,200	73,908	67,399	4,800,811
Deposits and placements with banks and other financial institutions	70,000	117,530	-	-	187,530
Investment securities available-for-sale	160,975	-	-	-	160,975
Loans, advances and financing	1,828,609	3,799,447	95,099	645,452	6,368,607
Derivative financial assets	400,802	261,339	2,291	4,647	669,079
Other assets	26,896	2,104	-	1	29,001
Total Financial Assets	6,866,586	4,460,620	171,298	717,499	12,216,003

Company No. 926374-U

29. Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

31 March 2016	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
<u>Financial Liabilities</u>					
Deposits from customers	4,220,527	2,088,940	167,786	361,154	6,838,407
Deposits and placements of banks and other financial institutions	2,015	2,339,583	423	338,253	2,680,274
Bills and acceptances payable	378	-	-	-	378
Derivative financial liabilities	122,965	439,547	11,428	4,543	578,483
Other liabilities	369,068	7,375	-	74	376,517
Total Financial Liabilities	4,714,953	4,875,445	179,637	704,024	10,474,059
Total foreign currency sensitivity gap	2,151,633	(414,825)	(8,339)	13,475	1,741,944

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 a decrease of RM40,969,000 in profit before tax and RM31,136,000 in equity. This analysis assumes that all variables, in particular interest rates, remained constant.

29. Financial risk management (continued)

(d) Operational risk

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

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

The Calculation of Value Equivalent to Operational Risk-weighted Asset

The Bank currently uses Basic Indicator Approach (BIA) to calculate its value equivalent to operational risk-weighted assets as at 31 March 2017.

Company No. 926374-U

30. Fair value measurements

Recognised financial instruments

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

	Carrying amount		Fair value	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
<u>Financial Assets</u>	RM'000	RM'000	RM'000	RM'000
Investment securities available-for-sale	682,204	160,975	682,204	160,975
Loans, advances and financing*	10,916,511	6,403,830	10,371,432	6,126,922
Derivative financial assets	919,869	669,079	919,869	669,079
Total financial assets	12,518,584	7,233,884	11,973,505	6,956,976
<u>Financial Liabilities</u>				
Derivative financial liabilities	828,339	578,483	828,339	578,483
Total financial liabilities	828,339	578,483	828,339	578,483

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

30. 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 instruments at the reporting date.

(b) Loans, advances and financing

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

(c) Derivative financial instruments

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

Company No. 926374-U

30. Fair value measurements (continued)

Fair value hierarchy

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

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

Company No. 926374-U

30. 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		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2017										
Assets										
Investment securities available-for-sale	-	682,204	-	682,204	-	-	-	-	682,204	682,204
Loans, advances and financing	-	-	-	-	-	-	10,371,432	10,371,432	10,371,432	10,916,511
Derivative financial assets	-	919,869	-	919,869	-	-	-	-	919,869	919,869
As 31 March 2017	-	1,602,073	-	1,602,073	-	-	10,371,432	10,371,432	11,973,505	12,518,584
Liabilities										
Derivative financial liabilities	-	828,339	-	828,339	-	-	-	-	828,339	828,339
As 31 March 2017	-	828,339	-	828,339	-	-	-	-	828,339	828,339

Company No. 926374-U

30. 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 RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
31 March 2016										
Assets										
Investment securities available-for-sale	-	160,975	-	160,975	-	-	-	-	160,975	160,975
Loans, advances and financing	-	-	-	-	-	-	6,126,922	6,126,922	6,126,922	6,403,830
Derivative financial assets	-	669,079	-	669,079	-	-	-	-	669,079	669,079
As 31 March 2016	-	830,054	-	830,054	-	-	6,126,922	6,126,922	6,956,976	7,233,884
Liabilities										
Derivative financial liabilities	-	578,483	-	578,483	-	-	-	-	578,483	578,483
As 31 March 2016	-	578,483	-	578,483	-	-	-	-	578,483	578,483

Company No. 926374-U

30. Fair value measurements (continued)

Derivative financial instruments

	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
At 31 March 2017			
Derivatives designated as fair value hedges:			
- Interest rate swaps	219,083	1,218	204
- Currency swaps	593,860	48,076	4,078
	<u>812,943</u>	<u>49,294</u>	<u>4,282</u>
Held for trading			
- Foreign exchange contracts	3,483,935	98,295	103,853
- Currency swaps	10,777,902	766,822	717,394
- Interest rate swaps	624,831	5,458	2,810
	<u>14,886,668</u>	<u>870,575</u>	<u>824,057</u>
	<u>15,699,611</u>	<u>919,869</u>	<u>828,339</u>
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
At 31 March 2016			
Derivatives designated as fair value hedges:			
- Interest rate swaps	46,262	31	100
- Currency swaps	185,290	23,465	3,516
	<u>231,552</u>	<u>23,496</u>	<u>3,616</u>
Held for trading			
- Foreign exchange contracts	4,675,581	128,674	112,330
- Currency swaps	8,341,898	510,306	459,160
- Interest rate swaps	649,408	6,603	3,377
	<u>13,666,887</u>	<u>645,583</u>	<u>574,867</u>
	<u>13,898,439</u>	<u>669,079</u>	<u>578,483</u>

Company No. 926374-U

30. Fair value measurements (continued)

Derivative financial instruments (continued)

Derivative financial instruments by sector:

	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
At 31 March 2017			
Primary agriculture	479,367	164	38,831
Manufacturing	1,596,022	7,859	101,262
Electricity	6,370	-	1,890
Construction	915,237	81,944	116,397
Wholesale and retail trade, and restaurants and hotels	259,606	1,651	28,412
Transport, storage and communication	-	-	-
Finance, insurance, and business services	12,281,108	828,251	507,407
Real estate	161,901	-	34,140
Education, health and others	-	-	-
	<u>15,699,611</u>	<u>919,869</u>	<u>828,339</u>
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
At 31 March 2016			
Primary agriculture	35,464	-	4,320
Manufacturing	1,559,796	53,695	60,229
Electricity	6,635	-	1,265
Construction	1,445,917	57,836	89,392
Wholesale and retail trade, and restaurants and hotels	308,122	7,785	17,409
Transport, storage and communication	-	-	-
Finance, insurance, and business services	10,195,551	524,268	391,303
Real estate	143,349	-	14,565
Education, health and others	203,605	25,495	-
	<u>13,898,439</u>	<u>669,079</u>	<u>578,483</u>

Company No. 926374-U

31. Offsetting of financial assets and financial liabilities

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

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

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

Company No. 926374-U

31. 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		Net Amount RM'000
				Values of the Financial Instruments RM'000	Cash Collateral Received/ Pledged RM'000	
At 31 March 2017						
Financial assets						
Derivatives financial assets						
- Foreign exchange related contracts	913,191	-	913,191	(114,078)	(660,880)	138,233
- Interest rate related contracts	6,678	-	6,678	(296)	(3,162)	3,220
	919,869	-	919,869	(114,374)	(664,042)	141,453
Financial liabilities						
Derivatives financial liabilities						
- Foreign exchange related contracts	825,324	-	825,324	(114,078)	-	711,246
- Interest rate related contracts	3,015	-	3,015	(296)	(1,770)	949
	828,339	-	828,339	(114,374)	(1,770)	712,195

Company No. 926374-U

31. 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		Net Amount RM'000
				Values of the Financial Instruments RM'000	Cash Collateral Received/ Pledged RM'000	
At 31 March 2016						
Financial assets						
Derivatives financial assets						
- Foreign exchange related contracts	662,445	-	662,445	(288,966)	(351,002)	22,477
- Interest rate related contracts	6,634	-	6,634	(181)	(40)	6,413
	669,079	-	669,079	(289,147)	(351,042)	28,890
Financial liabilities						
Derivatives financial liabilities						
- Foreign exchange related contracts	575,006	-	575,006	(288,966)	(16,670)	269,370
- Interest rate related contracts	3,477	-	3,477	(181)	(1,219)	2,077
	578,483	-	578,483	(289,147)	(17,889)	271,447

Company No. 926374-U

32. Capital adequacy

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

	31 March 2017 RM'000	31 March 2016 RM'000
<u>Tier-1 capital</u>		
Paid-up ordinary share capital	1,575,000	1,575,000
Retained earnings	67,150	40,929
Statutory reserve	126,963	87,018
Available-for-sale reserve	716	171
	<u>1,769,829</u>	<u>1,703,118</u>
Less: Deferred tax assets	-	-
Common Equity Tier 1 (CET 1) and Tier-1 Capital	<u>1,769,829</u>	<u>1,703,118</u>
<u>Tier-2 capital</u>		
Collective allowance for impairment	76,417	35,223
Regulatory reserve	55,349	41,624
Tier-2 Capital	<u>131,766</u>	<u>76,847</u>
Total capital base	<u><u>1,901,595</u></u>	<u><u>1,779,965</u></u>
<u>Capital ratios</u>		
CET 1 and Tier 1 Capital Ratio	15.293%	19.451%
Total Capital Ratio	16.432%	20.329%

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

	31 March 2017 RM'000	31 March 2016 RM'000
Credit risk	11,040,792	8,323,348
Market risk	210,958	193,898
Operational risk	321,004	238,734
Total risk-weighted assets	<u><u>11,572,754</u></u>	<u><u>8,755,980</u></u>

Company No. 926374-U

32. 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:

31 March 2017

Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
(i) Credit risk				
On-balance sheet exposures:				
Sovereigns/ central banks	2,874,325	2,874,325	-	-
Banks, development financial institutions and MDBs	3,476,921	3,476,921	725,974	58,078
Corporates	10,592,481	10,592,481	6,383,185	510,655
Other assets	941,713	941,713	941,282	75,303
Total on-balance sheet exposures	17,885,440	17,885,440	8,050,441	644,036
Off-balance sheet exposures:				
Credit-related exposures	3,994,849	3,994,849	2,990,351	239,228
Total off-balance sheet exposures	3,994,849	3,994,849	2,990,351	239,228
Total on and off-balance sheet exposures	21,880,289	21,880,289	11,040,792	883,264
(ii) Large exposure risk requirement				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Interest rate risk	14,955,352	14,909,201	46,151	194,399
Foreign exchange risk	16,559	(82)	16,641	1,325
	14,971,911	14,909,119	62,792	210,958
				16,877
(iv) Operational risk			321,004	25,680
Total RWA and capital requirements			11,572,754	925,821

Company No. 926374-U

32. Capital adequacy (continued)

31 March 2016					
Exposure class	Gross exposures	Net exposures	Risk-weighted assets	Capital requirements	
	RM'000	RM'000	RM'000	RM'000	
(i) Credit risk					
On-balance sheet exposures:					
Sovereigns/ central banks	2,834,231	2,834,231	-	-	
Banks, development financial institutions and MDBs	2,341,905	2,341,905	468,381	37,470	
Corporates	6,403,853	6,403,853	4,945,614	395,649	
Other assets	690,783	690,783	690,413	55,234	
Total on-balance sheet exposures	12,270,772	12,270,772	6,104,408	488,353	
Off-balance sheet exposures:					
Credit-related exposures	2,960,892	2,960,892	2,218,940	177,515	
Total off-balance sheet exposures	2,960,892	2,960,892	2,218,940	177,515	
Total on and off-balance sheet exposures	15,231,664	15,231,664	8,323,348	665,868	
(ii) Large exposure risk requirement					
	-	-	-	-	
(iii) Market risk					
	Long position	Short position			
	RM'000	RM'000			
Interest rate risk	13,110,560	13,039,685	70,876	190,435	15,235
Foreign exchange risk	3,463	(49)	3,512	3,463	277
	13,114,023	13,039,636	74,388	193,898	15,512
(iv) Operational risk			238,734	19,099	
Total RWA and capital requirements			8,755,980	700,479	

Company No. 926374-U

32. Capital adequacy (continued)

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

31 March 2017 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%	2,874,325	-	4,207,235	429	7,081,989	-
20%	-	3,601,015	283,387	-	3,884,402	776,880
50%	-	1,298,206	1,770	-	1,299,976	649,989
100%	-	-	8,672,638	941,284	9,613,922	9,613,923
Total	2,874,325	4,899,221	13,165,030	941,713	21,880,289	11,040,792
Risk-weighted assets by exposure	-	1,369,305	8,730,203	941,284	11,040,792	
Average risk weight	0.0%	27.9%	66.3%	100.0%	50.5%	
Deduction from capital base	-	-	-	-	-	

Company No. 926374-U

32. Capital adequacy (continued)

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

31 March 2016 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%	2,834,231	-	1,310,512	370	4,145,113	-
20%	-	2,517,606	257,929	-	2,775,535	555,107
50%	-	791,394	294,159	-	1,085,553	542,778
100%	-	-	6,535,049	690,414	7,225,463	7,225,463
Total	2,834,231	3,309,000	8,397,649	690,784	15,231,664	8,323,348
Risk-weighted assets by exposure	-	899,219	6,733,715	690,414	8,323,348	
Average risk weight	0.0%	27.2%	80.2%	99.9%	54.6%	
Deduction from capital base	-	-	-	-	-	

33. Capital management

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

The Bank's capital requirements and capital adequacy ratios, in accordance with Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework ('RWCAF'): Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk (Basel II) are disclosed in Note 31.

34. Subsequent event

Subsequent to the financial year end, on 25 July 2017, the Board of Directors has approved the increase of the issued and paid-up share capital from RM1,575,000,000 to RM2,452,605,000 by way of issue and allotment of 877,605,000 new ordinary shares fully paid at an issue price of RM1.00 per ordinary share for cash consideration.

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)

(Incorporated in Malaysia)

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

In the opinion of the Directors, the financial statements set out on pages 20 to 107 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as of 31 March 2017 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:

.....
Dato' Md Agil Bin Mohd Natt

.....
Yoshimi Gunji

Kuala Lumpur

Date: 28 August 2017

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)

(Incorporated in Malaysia)

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

I, Nobuya Kubo, the officer primarily responsible for the financial management of Sumitomo Mitsui Banking Corporation Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 20 to 107 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Kuala Lumpur in the Federal Territory on 28 August 2017

.....
Nobuya Kubo

Before me:

Independent Auditors' Report to the Members of Sumitomo Mitsui Banking Corporation Malaysia Berhad

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sumitomo Mitsui Banking Corporation Malaysia Berhad ("Bank"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 20 to 107.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.

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

Other Matter

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

KPMG PLT

LLP0010081-LCA & AF 0758

Chartered Accountants

Chin Shoon Chong

Approval Number: 02823/04/19 J

Chartered Accountant

Petaling Jaya

Date: 28 August 2017