

**Sumitomo Mitsui Banking Corporation Malaysia
Berhad**

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

**Financial Statements for the Financial Year Ended
31 March 2016**

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)

(Incorporated in Malaysia)

Directors' Report for the Financial Year Ended 31 March 2016

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 2016.

Principal Activities

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

Results

	RM'000
Profit before taxation	96,595
Tax expense	(21,905)
Profit for the year	<u>74,690</u>

Dividends

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

Reserves and Provisions

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

Bad and Doubtful Debts and Financing

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that there are no bad debts to be written off and adequate provision made for impaired loans, advances and financing.

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

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Current Assets

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

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

Valuation Methods

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

Contingent and Other Liabilities

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

- i) any charge on the assets of the Bank that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Bank that has arisen since the end of the financial year.

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

Change of Circumstances

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

Items of an Unusual Nature

In the opinion of the Directors, the financial performance of the Bank for the financial year ended 31 March 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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Directors

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

Md Agil Bin Mohd Natt
 Yoshimi Gunji
 Hiroshi Irie
 Yuichi Nishimura
 Chin Kok Sang (appointed on 18 September 2015)
 Lim Choon Eng (resigned on 18 September 2015)

Directors' Interests in Shares

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

	Number of ordinary shares*			At 31.3.2016
	At 1.4.2015	Bought	Sold	
Ultimate holding company				
Sumitomo Mitsui Financial Group				
- Yuichi Nishimura	552	15	-	567

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

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

Directors' Benefits

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

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

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Compliance with Bank Negara Malaysia's Expectations on Financial Reporting

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

Bank Ratings

RAM Rating Services Berhad has assigned AA1/Stable/P1 financial institution ratings to the Bank.

Issue of Shares and Debentures

During the financial year, the Bank:

- a) increased its authorised share capital from RM1,200,000,000 to RM1,575,000,000 by the creation of 375,000,000 ordinary shares of RM1.00 each;
- b) issued 875,000,000 ordinary shares of RM1.00 each at par to the holding corporation of the Bank, Sumitomo Mitsui Banking Corporation for a cash consideration of RM875,000,000.

Options Granted Over Unissued Shares

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

Holding Companies

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

Business Results for the Financial Year Ended 31 March 2016

The Bank recorded a profit before taxation of RM96.6 million for the financial year ended 31 March 2016, representing an increase of RM51.2 million or 112.9% against the previous financial year. Net interest income for the year was RM108.8 million (increased by RM47.3 million or 76.9%), generated mainly from interest income from interbank placements of RM135.7 million, and interest income from loans and advances of RM100.1 million, net of interest expense incurred on deposits from customers of RM108.3 million and interbank deposits of RM25.6 million. The increase in other operating income of RM27.9 million or 58.1% is attributed mainly from foreign exchange gains and gain on derivatives.

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Business Results for the Financial Year Ended 31 March 2016 (continued)

Personnel costs, information systems and equipment cost together with operations and systems outsourcing expense make up the bulk of other operating expenses of RM69.7 million. Collective impairment provision of RM18.5 million was recognised arising from substantially strong growth in loan base.

Total assets at 31 March 2016 stood at RM12,244.7 million, where this is RM4,248.7 million or 53.1% higher compared against 31 March 2015. Loans, advances and financing recorded an increase of RM3,593.7 million (129.5%), followed by increase in cash and short term funds of RM761.9 million (18.9%).

Outlook for the Financial Year Ending 31 March 2017

Malaysia's GDP is expected to grow at 4.0%-4.5% in the year 2016. Although crude oil prices have started to recover and the Ringgit Malaysia had strengthen against US Dollars, Chinese economy slump will affect export and domestic demand. This is expected to cause a decrease in new investment in Malaysia. For the financial year ending 31 March 2017, the Bank will continue to offer basic commercial banking services such as loans, deposits, foreign exchange, derivatives, cash management services and Islamic Finance to both Japanese and Non-Japanese clients. In order to grow sustainably, the Bank needs to strengthen its base income by capturing the flow of business of its clients. The Bank continues to make efforts to support trade and investment between Japan and Malaysia which will contribute to further growth of the Malaysian economy.

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Corporate Governance

The Board of Directors

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

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

President/CEO of the Bank is Mr Yoshimi Gunji. The Non-Independent Non-Executive Directors are Mr Yuichi Nishimura and Mr Hiroshi Irie. The Independent Directors are Dato' Md Agil bin Mohd Natt who is also the Chairman of the Board and Mr Chin Kok Sang.

Profile of Directors

Dato' Md Agil bin Mohd Natt, aged 64, was appointed as a Director and Chairman of the Bank on 9 March 2015. He is also Chairman of the Nominating Committee. He ceased as the Chairman of the Audit Committee effective 18 September 2015 and was re-designated as the Chairman of the Risk Management Committee on 18 September 2015. He holds a Bachelor of Science in Economics from Brunel University, London, United Kingdom as well as a Master of Science in Finance. He also completed Advanced Management Programme from Harvard Business School, USA.

Mr Yoshimi Gunji, aged 51, was appointed as a Director and CEO of the Bank on 25 June 2015. He graduated from the Faculty of Sociology of University of Rikkyo, Japan.

Mr Yuichi Nishimura, aged 50, was appointed as a Director of the Bank on 28 August 2014. He holds a Bachelor in Political Studies from Gakushuin University, Tokyo and Masters of Business Administration from University of Illinois, USA.

Mr Hiroshi Irie, aged 50, was appointed as a Director on 19 September 2011. He holds a Bachelor of Economics from Kyushu University in Japan.

Mr Chin Kok Sang, aged 57, was appointed as a Director of the Bank on 18 September 2015. He was also appointed as Chairman of the Audit Committee and Remuneration Committee on 18 September 2015. He holds a Bachelor of Commerce with majors in Accounting, Economics and Commercial Law from University of Melbourne, Australia. He is also a member of the Institute of Chartered Accountants in Australia and qualified as a Chartered Accountant.

Corporate Governance (continued)

The Board of Directors (continued)

Mr Lim Choon Eng, aged 57, was appointed as a Director on 16 March 2011. He holds a Masters of Applied Finance from Macquarie University in Sydney, Australia. He completed the Advanced Management Program of Wharton School of the University of Pennsylvania, USA. He was the Chairman of the Risk Management Committee and Remuneration Committee until his resignation from his directorship on 18 September 2015.

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

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

Roles and responsibilities of the Board

The Board reviews and approves strategies, business plans and significant policies and monitors the Management’s execution in implementing the approved strategies, plans and policies. The Board ensures that there are adequate controls and systems in place to facilitate the implementation of the Bank’s policies. The Bank establishes comprehensive risk management policies, processes and infrastructure, to manage the various types of risks. The Board monitors and assesses current developments in the country which may affect the Bank’s strategic plans.

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

Performance criteria used to assess the Board as a whole

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

Frequency and conduct of Board meetings

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

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Corporate Governance (continued)

The Board of Directors (continued)

A total of 10 meetings were held during the financial year ended 31 March 2016 as reflected below:-

Name of Director	Number of Meetings	
	Held	Attended
Md Agil bin Mohd Natt - Chairman	10	10
Hiroshi Irie	10	9
Lim Choon Eng (resigned on 18 September 2015)	6	6
Yuichi Nishimura	10	10
Yoshimi Gunji (appointed on 25 June 2015)	7	7
Chin Kok Sang (appointed on 18 September 2015)	4	4

Board Committees

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

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

Nominating Committee (NC)

The Chairman of the NC is Dato' Md Agil bin Mohd Natt and the members of the NC are Mr Chin Kok Sang, Mr Yuichi Nishimura, Mr Yoshimi Gunji and Mr Hiroshi Irie.

The NC held 8 meetings during the financial year.

The details of attendance of each member at the NC Meetings held during the financial year ended 31 March 2016 are as follows:-

Name of Director	Number of Meetings	
	Held	Attended
Md Agil bin Mohd Natt - Chairman	8	8
Hiroshi Irie	8	7
Lim Choon Eng (resigned on 18 September 2015)	5	5
Yoshimi Gunji (appointed on 25 June 2015)	6	6
Yuichi Nishimura	8	8
Chin Kok Sang (appointed on 18 September 2015)	3	3

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Corporate Governance (continued)

Board Committees (continued)

Nominating Committee (NC) (continued)

The objective of the NC is to provide formal and transparent procedures for the appointment of Directors, President/CEO, members of the Shariah Committee and the Company Secretary as well as assessment of effectiveness of individual Directors, the Board as a whole and performance of the President/CEO, members of the Shariah Committee and Company Secretary.

The NC is responsible, amongst others, for:

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

Remuneration Committee (RC)

The Chairman of the RC is Mr Chin Kok Sang and the members of the RC are Dato' Md Agil bin Mohd Natt, Mr Yuichi Nishimura and Mr Hiroshi Irie.

The RC held 2 meetings during the financial year.

The details of attendance of each member at the RC Meetings held during the financial year ended 31 March 2016 are as follows:-

Name of Director	Number of Meetings	
	Held	Attended
Chin Kok Sang – Chairman (appointed on 18 September 2015)	-	-
Hiroshi Irie	2	2
Yuichi Nishimura	2	2
Md Agil bin Mohd Natt	2	2
Lim Choon Eng (resigned on 18 September 2015)	2	2

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Corporate Governance (continued)

Board Committees (continued)

Remuneration Committee (RC) (continued)

The objective of the RC is to provide a formal and transparent procedure for developing remuneration policy for Key Responsible Persons and Company Secretary and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

The RC is responsible for:

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

Audit Committee (AC)

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 Yuichi Nishimura.

The AC held 6 meetings during the financial year.

The details of attendance of each member at the AC Meetings held during the financial year ended 31 March 2016 are as follows:-

Name of Director	Number of Meetings	
	Held	Attended
Chin Kok Sang – Chairman (appointed on 18 September 2015)	3	3
Md Agil bin Mohd Natt	6	6
Yuichi Nishimura	6	6
Lim Choon Eng (resigned on 18 September 2015)	3	3

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

The AC is responsible, amongst others, to:

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

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Corporate Governance (continued)

Board Committees (continued)

Audit Committee (AC) (continued)

Related Party Transactions

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

External Experts

The AC has the ability to engage external experts in circumstances where the internal audit function lacks the expertise needed to perform the audit of specialized areas and to ensure that the independence of the external auditor in its role as statutory auditor of the Bank is not compromised if the external auditor is engaged.

Internal Audit and Control Activities

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

The Head of Internal Audit and audit personnel have responsibility to:

1. Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by Management and submit that plan to the Audit Committee for review and approval;
2. Implement the approved annual audit plan, including any special appropriate tasks or projects requested by the Management and directed by the Audit Committee;
3. Maintain clearly documented audit programs to provide guidance to auditors in gathering information, documenting procedures performed and making assessment;
4. Maintain a team of professional audit staff with sufficient knowledge, skills and experience to meet the requirements of this charter;
5. Issue written audit reports to the Audit Committee and Management, detailing the audit findings and recommendations as well as the Management's responses and action plans in a timely manner after the completion of the audit;
6. Monitor progress of rectification actions on findings raised taking into consideration the timeline committed by Management; and
7. Conduct investigation on suspected fraudulent activities when required and notify Management and the Audit Committee of the results.

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Corporate Governance (continued)

Board Committees (continued)

Risk Management Committee (RMC)

The Chairman of the RMC is Dato' Md Agil bin Mohd Natt and the members of the RMC are Mr Chin Kok Sang and Mr Yuichi Nishimura.

The RMC held 7 meetings during the financial year.

The details of attendance of each member at the RMC Meetings held during the financial year ended 31 March 2016 are as follows:-

Name of Director	Number of Meetings	
	Held	Attended
Md Agil bin Mohd Natt - Chairman	7	7
Yuichi Nishimura	7	7
Chin Kok Sang (appointed on 18 September 2015)	4	4
Lim Choon Eng (resigned on 18 September 2015)	3	3

The objective of the RMC is to oversee senior management'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.

The functions and responsibilities of the RMC are:

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

The outline for risk management is as follows:-

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

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Corporate Governance (continued)

Shariah Committee (ShC)

The Chairman of the ShC is Dr. Mushaddad bin Hasbullah and the members of the ShC are Dr. Muhammad Pisol bin Mohd @ Mat Isa and Encik 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 financial year ended 31 March 2016 are as follows: -

Name of ShC member	Number of Meetings	
	Held	Attended
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.

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Auditors

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

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

.....
Yoshimi Gunji

.....
Md Agil Bin Mohd Natt

Kuala Lumpur

Date: 9 September 2016

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SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Beneficent, the Merciful

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Sumitomo Mitsui Banking Corporation Malaysia Berhad during the financial year ended 31 March 2016. 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 has not violated the Shariah principles.

In our opinion, the contracts, transactions and dealings entered into by Sumitomo Mitsui Banking Corporation Malaysia Berhad during the financial year ended 31 March 2016 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 2016 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee :
Dr. Mushaddad bin Hasbullah

Shariah Committee member :
Mohamed Khairul Anuar bin Mohd Basri

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

Kuala Lumpur:

Date: 9 September 2016

Sumitomo Mitsui Banking Corporation Malaysia Berhad
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Statement of Financial Position as at 31 March 2016

	Note	31 March 2016 RM'000	31 March 2015 RM'000
Assets			
Cash and short-term funds	3	4,800,811	4,038,925
Deposits and placements with banks and other financial institutions	4	187,530	637,033
Investment securities available-for-sale	5	160,975	129,654
Loans, advances and financing	6	6,368,607	2,774,951
Derivative financial assets	29	669,079	380,250
Other assets	7	30,707	7,315
Plant and equipment	8	17,840	20,253
Tax recoverable		9,188	7,685
Total assets		12,244,737	7,996,066
Liabilities			
Deposits from customers	9	6,838,407	3,746,038
Deposits and placements of banks and other financial institutions	10	2,680,274	2,866,292
Bills and acceptances payable		378	749
Derivative financial liabilities	29	578,483	317,134
Other liabilities	11	383,651	257,947
Deferred tax liabilities	12	18,594	13,033
Total liabilities		10,499,787	7,201,193
Equity			
Share capital	13	1,575,000	700,000
Reserves	14	169,950	94,873
Total equity attributable to owners of the Bank		1,744,950	794,873
Total liabilities and equity		12,244,737	7,996,066
Commitments and contingencies	26	16,888,946	10,721,508

The notes on pages 21 to 102 are an integral part of these financial statements.

Sumitomo Mitsui Banking Corporation Malaysia Berhad
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**Statement of Profit or Loss and Other Comprehensive
 Income for the Financial Year Ended 31 March 2016**

	Note	31 March 2016 RM'000	31 March 2015 RM'000
Interest income	15	243,162	132,021
Interest expense	16	<u>(134,403)</u>	<u>(70,529)</u>
Net interest income		108,759	61,492
Other operating income	17	<u>76,047</u>	<u>48,112</u>
Net operating income		184,806	109,604
Other operating expenses	18	<u>(69,739)</u>	<u>(58,415)</u>
Operating profit		115,067	51,189
Provision for loans, advances and financing	20	<u>(18,472)</u>	<u>(5,826)</u>
Profit before taxation		96,595	45,363
Income tax expense	21	<u>(21,905)</u>	<u>(12,030)</u>
Profit for the year		74,690	33,333
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>387</u>	<u>39</u>
Total comprehensive income for the year		<u>75,077</u>	<u>33,372</u>
Basic earnings per ordinary share (sen)	22	<u>5.23</u>	<u>4.76</u>

The notes on pages 21 to 102 are an integral part of these financial statements.

Sumitomo Mitsui Banking Corporation Malaysia Berhad

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Statement of Changes in Equity for the Financial Year Ended 31 March 2016

	← Attributable to owners of the Bank →					Total RM'000
	Share Capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available- for-sale reserve RM'000	Retained earnings RM'000	
At 1 April 2014	700,000	33,006	-	(47)	28,542	761,501
Profit for the year	-	-	-	-	33,333	33,333
Fair value changes of available-for-sale financial assets	-	-	-	39	-	39
Total comprehensive income for the year	-	-	-	39	33,333	33,372
Transfer to statutory reserve	-	16,667	-	-	(16,667)	-
Transfer to regulatory reserve	-	-	16,751	-	(16,751)	-
At 31 March 2015/ 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	1,575,000	87,018	41,624	379	40,929	1,744,950
	Note 13	Note 14	Note 14	Note 14	Note 14	

The notes on pages 21 to 102 are an integral part of these financial statements.

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 (Incorporated in Malaysia)

Statement of Cash Flows
for the Financial Year Ended 31 March 2016

	31 March 2016 RM'000	31 March 2015 RM'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	96,595	45,363
Adjustments for:		
Depreciation of plant and equipment	4,124	1,853
Plant and equipment written-off	5	3,526
Loan loss provision	18,472	5,826
Accretion of discount on debt securities	(364)	(2,953)
Operating profit before working capital changes	118,832	53,615
Decrease/(Increase) in operating assets		
Deposits and placements with banks and other financial institutions	449,503	(301,875)
Loans, advances and financing	(3,612,128)	(1,335,167)
Derivative financial instruments	(27,480)	(19,728)
Other assets	(23,392)	3,624
Increase/(Decrease) in operating liabilities		
Deposits from customers	3,092,369	1,800,237
Deposits and placements of banks and other financial institutions	(186,018)	2,084,188
Bills and acceptances payable	(371)	(322)
Other liabilities	125,704	166,469
Cash (used in)/ generated from operating activities	(62,981)	2,451,041
Taxation paid	(17,950)	(6,881)
Net cash (used in)/ generated from operating activities	(80,931)	2,444,160
Cash flows from investing activities		
Purchase of plant and equipment	(1,716)	(19,398)
Acquisition of investment securities available-for-sale	(30,467)	(47,020)
Net cash used in investing activities	(32,183)	(66,418)
Cash flows from financing activities		
Proceeds from issuance of shares	875,000	-
Net cash generated from financing activities	875,000	-
Net increase in cash and cash equivalents	761,886	2,377,742
Cash and cash equivalents at beginning of the financial year	4,038,925	1,661,183
Cash and cash equivalents at end of financial year	4,800,811	4,038,925

Company No. 926374-U

Statements of Cash Flows for the Financial Year Ended 31 March 2016 (continued)

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 2016 RM'000	31 March 2015 RM'000
Cash and balances with banks and other financial institutions	73,094	920,465
Money at call and deposit placements maturing within one month	<u>4,727,717</u>	<u>3,118,460</u>
	<u>4,800,811</u>	<u>4,038,925</u>

The notes on pages 21 to 102 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 2016

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 .

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

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

- 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* (Amendments)

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

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective from 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 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 5, Amendments to MFRS 10, Amendments to MFRS 11, MFRS 14, Amendments to MFRS 138, Amendments to MFRS 119, Amendments to MFRS 127, Amendments to MFRS 134 and Amendments to MFRS 141 which are not applicable to the Bank.
- 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.

Company No. 926374-U

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

- from the annual period beginning on 1 April 2018 for those accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2018.
- 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.

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:

MFERS 9, *Financial Instruments*

MFERS 9 replaces the guidance in MFERS 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 MFERS 9.

MFERS 15, *Revenue from Contracts with Customers*

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

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

MFERS 16, *Leases*

MFERS 16 replaces the guidance in MFERS 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 is currently assessing the financial impact that may arise from the adoption of MFERS 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 29 - Fair value of financial assets and financial liabilities

2. Significant accounting policies

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

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 part of an item of plant and equipment.

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

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

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

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

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

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

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

The calculation of the effective interest rate includes all fees paid or received that are 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.

2. Significant accounting policies (continued)

(k) Earnings per ordinary share

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

(l) Fair value measurement

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.

3. Cash and short-term funds

	31 March 2016 RM'000	31 March 2015 RM'000
Cash and balances with banks and other financial institutions	73,094	920,465
Money at call and deposit placements maturing within one month	4,727,717	3,118,460
	<u>4,800,811</u>	<u>4,038,925</u>

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4. Deposits and placements with banks and other financial institutions

	31 March 2016 RM'000	31 March 2015 RM'000
Money at call and deposit placements maturing more than one month	<u>187,530</u>	<u>637,033</u>

5. Investments securities available-for-sale

	31 March 2016 RM'000	31 March 2015 RM'000
At fair value		
Bank Negara Malaysia bills	-	89,663
Malaysian Government treasury bills	<u>160,975</u>	<u>39,991</u>
	<u>160,975</u>	<u>129,654</u>

6. Loans, advances and financing

	31 March 2016 RM'000	31 March 2015 RM'000
(a) By type:		
At amortised cost:		
Overdraft	45,176	-
Term loans		
- Syndicated loans	585,778	500,267
- Bridging loans	17,739	9,826
- Factoring receivables	49,311	45,986
- Other term loans	3,393,612	820,196
Trade bills discounted	54,774	-
Revolving credits	<u>2,257,440</u>	<u>1,415,427</u>
Gross loans, advances and financing	6,403,830	2,791,702
Less: Collective impairment provision	<u>(35,223)</u>	<u>(16,751)</u>
Net loans, advances and financing	<u>6,368,607</u>	<u>2,774,951</u>
(b) By geographical distribution:		
Malaysia	6,176,810	2,427,653
Other countries	<u>227,020</u>	<u>364,049</u>
Gross loans, advances and financing	<u>6,403,830</u>	<u>2,791,702</u>

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6. Loans, advances and financing (continued)

	31 March 2016 RM'000	31 March 2015 RM'000
(c) By type of customer:		
Domestic non-bank financial institutions	2,224,492	683,241
Domestic business enterprises	3,952,318	1,744,412
Foreign entities	227,020	364,049
Gross loans, advances and financing	<u>6,403,830</u>	<u>2,791,702</u>
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	235,640	143,254
Variable rate		
- Cost-plus	2,137,967	1,031,204
- Other variable rates	4,030,223	1,617,244
Gross loans, advances and financing	<u>6,403,830</u>	<u>2,791,702</u>
(e) By economic purposes:		
Purchase of residential property	26,163	28,446
Purchase of non-residential property		
- Commercial complexes	167,045	137,081
Purchase of fixed assets other than land and buildings	197,607	193,700
Construction	267,577	44,127
Working capital	4,318,512	2,229,561
Other purpose	1,426,926	158,787
Gross loans, advances and financing	<u>6,403,830</u>	<u>2,791,702</u>
(f) By sector:		
Primary agriculture	80,473	28,805
Mining and quarrying	316,054	325,946
Manufacturing	1,726,457	724,565
Electricity, gas and water	126,680	127,311
Construction	24,868	32,839
Wholesale and retail trade and restaurants and hotels	714,835	177,140
Transport, storage and communication	303,446	96,646
Finance, insurance and business services	2,738,238	1,102,352
Real estate	159,403	156,020
Education, health and others	213,376	20,078
Gross loans, advances and financing	<u>6,403,830</u>	<u>2,791,702</u>

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6. Loans, advances and financing (continued)

	31 March 2016 RM'000	31 March 2015 RM'000
(g) By residual contractual maturity:		
Maturing within one year	2,584,692	1,704,595
One year to three years	1,355,503	622,584
Three years to five years	2,112,388	295,813
More than five years	351,247	168,710
Gross loans, advances and financing	<u>6,403,830</u>	<u>2,791,702</u>
(h) Movements in collective impairment provision on loans, advances and financing:		
At beginning of financial year	16,751	10,925
Made during the financial year (Note 20)	<u>18,472</u>	<u>5,826</u>
At end of financial year	<u>35,223</u>	<u>16,751</u>
 (As % of gross loans, advances and financing (net of individual allowance))	 <u>0.55%</u>	 <u>0.60%</u>

7. Other assets

	31 March 2016 RM'000	31 March 2015 RM'000
Interest receivable	9,300	2,816
Amount due from related corporations/ companies	161	1,651
Cash collateral placements	17,889	-
Other receivables	1,414	145
Deposits	1,498	2,100
Prepayments	445	603
	<u>30,707</u>	<u>7,315</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 RM15,930,000 (2015: RM nil) and a related company amounting to RM1,959,000 (2015: RM nil).

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8. Plant and equipment

	Renovations RM'000	Computer equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	Total RM'000
<i>Cost</i>					
At 1 April 2014	5,425	6,715	1,967	1,669	15,776
Additions	11,264	5,605	2,529	-	19,398
Written-off	(5,457)	(82)	(998)	-	(6,537)
At 31 March 2015/ 1 April 2015	11,232	12,238	3,498	1,669	28,637
Additions	583	533	134	466	1,716
Written-off/ adjustment	-	(2)	(5)	-	(7)
At 31 March 2016	11,815	12,769	3,627	2,135	30,346
<i>Accumulated depreciation</i>					
At 1 April 2014	1,746	5,994	836	966	9,542
Charge for the year	593	652	274	334	1,853
Written-off	(2,246)	(82)	(683)	-	(3,011)
At 31 March 2015/ 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	1,237	8,695	881	1,693	12,506
<i>Carrying amounts</i>					
At 31 March 2015/ 1 April 2015	11,139	5,674	3,071	369	20,253
At 31 March 2016	10,578	4,074	2,746	442	17,840

9. Deposits from customers

	31 March 2016 RM'000	31 March 2015 RM'000
(a) By type of deposits:		
Demand deposits	1,107,403	1,150,021
Fixed deposits*	2,633,746	587,797
Short-term deposits	3,097,258	2,008,220
	<u>6,838,407</u>	<u>3,746,038</u>

* Included in the fixed deposits are deposits amounting to RM 1,310,511,000 (2015 : RM nil) placed by a branch of the immediate holding company as cash collateral for certain loans, advances and financing.

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9. Deposits from customers (continued)

	31 March 2016 RM'000	31 March 2015 RM'000
Maturity structure of fixed deposits is as follows:		
Due within six months	1,311,789	576,688
Six months to one year	11,447	11,109
One year to three years	371,889	-
Three years to five years	938,621	-
	<u>2,633,746</u>	<u>587,797</u>
(b) By type of customers:		
Domestic non-bank financial institutions	166,401	89,206
Domestic business enterprises	5,258,295	3,589,006
Branch of immediate holding company	1,310,511	-
Foreign non-bank entities	103,200	67,826
	<u>6,838,407</u>	<u>3,746,038</u>

10. Deposits and placements of banks and other financial institutions

	31 March 2016 RM'000	31 March 2015 RM'000
Licensed Malaysian banks	137,118	-
Foreign banks		
- Immediate holding company	2,543,156	2,866,292
	<u>2,680,274</u>	<u>2,866,292</u>

11. Other liabilities

	31 March 2016 RM'000	31 March 2015 RM'000
Interest payable	11,052	5,502
Amount due to related corporations/ companies	5,068	2,440
Cash collateral placements	351,042	236,314
Other payables	10,312	3,671
Accruals	6,177	10,020
	<u>383,651</u>	<u>257,947</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.

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12. Deferred tax

Recognised deferred tax assets/ (liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Plant and equipment	-	-	(176)	(550)	(176)	(550)
Available-for-sale reserve	-	4	(99)	-	(99)	4
Unrealised foreign exchange gain	-	-	(21,725)	(14,244)	(21,725)	(14,244)
Other items	3,406	1,757	-	-	3,406	1,757
	<u>3,406</u>	<u>1,761</u>	<u>(22,000)</u>	<u>(14,794)</u>	<u>(18,594)</u>	<u>(13,033)</u>
Tax assets/ (liabilities)	3,406	1,761	(22,000)	(14,794)	(18,594)	(13,033)
Set off of tax	(3,406)	(1,761)	3,406	1,761	-	-
	<u>-</u>	<u>-</u>	<u>(18,594)</u>	<u>(13,033)</u>	<u>(18,594)</u>	<u>(13,033)</u>
Net tax assets/ (liabilities)	-	-	(18,594)	(13,033)	(18,594)	(13,033)

Movement in temporary differences during the year

	At 1.4.2014 RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	At 31.3.2015 RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	At 31.3.2016 RM'000
Plant and equipment	(360)	(190)	-	(550)	374	-	(176)
Available-for-sale reserve	16	-	(12)	4	-	(103)	(99)
Unrealised foreign exchange gain	(6,605)	(7,639)	-	(14,244)	(7,481)	-	(21,725)
Other items	1,659	98	-	1,757	1,649	-	3,406
	<u>(5,290)</u>	<u>(7,731)</u>	<u>(12)</u>	<u>(13,033)</u>	<u>(5,458)</u>	<u>(103)</u>	<u>(18,594)</u>

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13. Share capital

	Amount 31 March 2016 RM'000	Number of shares 31 March 2016 '000	Amount 31 March 2015 RM'000	Number of shares 31 March 2015 '000
Ordinary shares of RM1 each				
Authorised:	<u>1,575,000</u>	<u>1,575,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
Issued and fully paid up:				
At beginning of the year	700,000	700,000	700,000	700,000
Issued during the year	<u>875,000</u>	<u>875,000</u>	<u>-</u>	<u>-</u>
At end of the year	<u><u>1,575,000</u></u>	<u><u>1,575,000</u></u>	<u><u>700,000</u></u>	<u><u>700,000</u></u>

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.

14. Reserves

	Note	31 March 2016 RM'000	31 March 2015 RM'000
<i>Non-distributable:</i>			
Statutory reserve	14.1	87,018	49,673
Available-for-sale ("AFS") reserve	14.2	379	(8)
Regulatory reserve	14.3	<u>41,624</u>	<u>16,751</u>
		129,021	66,416
<i>Distributable:</i>			
Retained earnings	14.4	<u>40,929</u>	<u>28,457</u>
		<u><u>169,950</u></u>	<u><u>94,873</u></u>

14.1 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.

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14. Reserves (Continued)

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

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

14.3 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.

14.4 Retained earnings

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

15. Interest income

	2016 RM'000	2015 RM'000
Loans, advances and financing		
- Interest income	100,085	56,740
Money at call and deposit placements with banks and other financial institutions	135,708	71,723
Investment securities available-for-sale	7,369	3,169
Others	-	389
	<u>243,162</u>	<u>132,021</u>

16. Interest expense

	2016 RM'000	2015 RM'000
Deposits and placements of banks and other financial institutions	25,550	9,040
Deposits from customers	108,313	60,022
Investment securities available-for-sale	519	75
Others	21	1,392
	<u>134,403</u>	<u>70,529</u>

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17. Other operating income

	2016 RM'000	2015 RM'000
Fee and commission income/ (expense)		
- Service charges/ fees	54	49
- Guarantee fees	610	533
- Loan related fees	2,192	1,032
- Commitment fees	1,361	927
	<u>4,217</u>	<u>2,541</u>
Gain/ (loss) from derivative financial instruments	<u>8,977</u>	<u>(9,959)</u>
Unrealised net gain on revaluation of derivatives	<u>12,101</u>	<u>18,689</u>
Foreign exchange net gain	<u>43,419</u>	<u>29,698</u>
Other income		
- Management fees	3,987	5,379
- Rental of fixed assets	1,925	726
- Miscellaneous income	1,421	1,038
	<u>7,333</u>	<u>7,143</u>
	<u>76,047</u>	<u>48,112</u>

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18. Other operating expenses

	2016 RM'000	2015 RM'000
Personnel costs		
Salaries, allowances and bonuses	21,566	16,542
Employees' provident fund contributions	2,210	1,951
Staff training expenses	507	407
Staff welfare expenses	136	121
Other personnel expenses	4,263	3,522
	<u>28,682</u>	<u>22,543</u>
Establishment costs		
Rental of premises	1,789	1,184
Depreciation	4,124	1,853
Repair and maintenance	590	337
Other establishment expenses	12,093	10,154
	<u>18,596</u>	<u>13,528</u>
Marketing expenses		
Advertisement and publicity	224	154
Other marketing expenses	151	109
	<u>375</u>	<u>263</u>
Administration and general expenses		
Guarantee fees	1,645	-
Auditors' remuneration		
- Statutory audit	215	195
- Other services	100	100
Professional fees	332	759
Communication expenses	272	268
Management fees	14,429	13,510
Licence fees and stamp duties	158	123
Non-executive directors' fees and allowances	372	346
Plant and equipment written off	5	3,526
Other administration and general expenses	4,558	3,254
	<u>22,086</u>	<u>22,081</u>
	<u>69,739</u>	<u>58,415</u>

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19. Directors' remuneration

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

	2016					2015				
	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	581	175	-	282	1,038	-	-	-	-	-
Mr. Yasuhiro Oashi	134	79	-	201	414	632	167	-	271	1,070
Non-executive Directors										
Dato' Md Agil bin Mohd Natt	46	-	145	-	191	-	-	12	-	12
Mr. Razman Hafidz bin Abu Zarim	-	-	-	-	-	14	-	163	-	177
Mr. Lim Choon Eng	31	-	62	-	93	14	-	143	-	157
Mr. Chin Kok Sang	15	-	73	-	88	-	-	-	-	-
	807	254	280	483	1,824	660	167	318	271	1,416

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20. Provision for loans, advances and financing

	2016 RM'000	2015 RM'000
Collective impairment provision (Note 6(h))	18,472	5,826

21. Tax expense

Recognised in profit or loss

	2016 RM'000	2015 RM'000
Malaysian income tax		
- Current year	16,984	4,455
- Prior year overprovision	(537)	(156)
	16,447	4,299

Deferred tax expense

Origination/reversal of temporary differences	5,458	7,809
Overprovision in prior year	-	(78)
	5,458	7,731

Total tax expense	21,905	12,030
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Reconciliation of effective tax expense

Profit before taxation	96,595	45,363
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Income tax calculated using Malaysian tax rate of 24% (2015: 25%)

Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	23,183	11,341
Non-deductible expenses	681	1,466
Non-taxable income	(1,422)	-
Effect of change in tax rate	-	(543)
Overprovision in prior year	(537)	(234)
	21,905	12,030

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22. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of the basic earnings per ordinary share for year ended 31 March 2016 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the financial year:-

	2016 RM'000	2015 RM'000
Net profit attributable to ordinary shareholder	<u>74,690</u>	<u>33,333</u>
	2016 Number ('000)	2015 Number ('000)
Weighted average number of ordinary shares outstanding	<u>1,429,167</u>	<u>700,000</u>
	2016	2015
Basic earnings per ordinary shares (sen)	<u>5.23</u>	<u>4.76</u>

23. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control 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.

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23. 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
2016					
Immediate holding corporation					
Income					
- Interest income from deposits and placements with banks and other financial institutions	306	-	-	-	-
- Other income	3,697	-	-	-	-
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	107	-	-	-	-
- Other operating expenses	16,124	-	-	-	-
Amount due from					
- Cash and short-term funds	-	181,101	-	181,101	-
- Derivative financial assets	-	978	-	978	-
- Other assets	-	20	-	20	-

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23. Related parties (continued)

	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss recognised for the year ended 31 March RM'000
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	2,630	-	-	-	-
Expenses					
- Interest expense on deposits from customers	81	-	-	-	-
- Other operating expenses	13,061	-	-	-	-

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23. Related parties (continued)

	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss recognised for the year ended 31 March RM'000
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	-

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23. Related parties (continued)

	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss recognised for the year ended 31 March RM'000
2015					
Immediate holding corporation					
Income					
- Interest income from deposits and placements with banks and other financial institutions	114	-	-	-	-
- Other income	4,258	-	-	-	-
Expenses					
- Interest expense on deposits and placements of banks and other financial institutions	4,209	-	-	-	-
- Fee and commission expenses	31	-	-	-	-
- Other operating expenses	9,964	-	-	-	-
Amount due from					
- Cash and short-term funds	-	1,045,021	-	1,045,021	-
- Derivative financial assets	-	2,250	-	2,250	-
- Other assets	-	1,171	-	1,171	-

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23. Related parties (continued)

	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss recognised for the year ended 31 March RM'000
2015					
Immediate holding corporation (continued)					
Amount due to					
- Deposits and placements of banks and other financial institutions	-	2,866,292	-	2,866,292	-
- Derivative financial liabilities	-	5,782	-	5,782	-
- Other liabilities	-	991	-	991	-
Other related corporations/ companies					
Income					
- Interest income from deposits and placements with banks and other financial institutions	118	-	-	-	-
- Interest income from loans, advances and financing	2,698	-	-	-	-
- Fee and commission income	2	-	-	-	-
- Other income	2,169	-	-	-	-
Expenses					
- Interest expense on deposits from customers	64	-	-	-	-
- Interest expense on deposits and placements of banks and other financial institutions	5	-	-	-	-
- Other operating expenses	12,668	-	-	-	-

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23. Related parties (continued)

	Amount transacted for the year ended 31 March RM'000	Gross balance outstanding at 31 March RM'000	Allowance for impairment loss at 31 March RM'000	Net balance outstanding at 31 March RM'000	Impairment loss recognised/ (reversed) for the year ended 31 March RM'000
2015					
Other related corporations/ companies (continued)					
Amount due from					
- Cash and short-term funds	-	192,847	-	192,847	-
- Loans, advances and financing	-	46,031	(276)	45,755	(212)
- Derivative financial assets	-	5,798	-	5,798	-
- Other assets	-	481	-	481	-
Amount due to					
- Deposits from customers	-	7,050	-	7,050	-
- Derivative financial liabilities	-	6,370	-	6,370	-
- Other liabilities	-	1,449	-	1,449	-

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

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

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23. Related parties (continued)

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

	2016 RM'000	2015 RM'000
Executive Directors:		
- Remuneration	969	799
- Other short term employee benefit	483	271
	<u>1,452</u>	<u>1,070</u>
Non-executive Directors:		
- Fees	280	318
- Allowances	92	28
	<u>372</u>	<u>346</u>
Other key management personnel:		
- Short term employee benefits	<u>8,526</u>	<u>6,535</u>

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

24. Credit exposures to connected parties

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

	2016 RM'000	2015 RM'000
Aggregate value of outstanding credit exposures to connected parties	794,318	696,561
As a percentage of total credit exposure	5.21%	7.19%

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

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25. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2016 RM'000	2015 RM'000
Less than one year	1,789	1,789
Between one and five years	1,640	3,429
	<u>3,429</u>	<u>5,218</u>

26. Commitments and contingencies

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

The commitment and contingencies are as follows:

	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

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26. Commitments and contingencies (continued)

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

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

27. Financial instruments

27.1 Categories of financial instruments

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

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

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27. Financial instruments (continued)

27.1 Categories of financial instruments (continued)

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)	-

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27. Financial instruments (continued)

27.1 Categories of financial instruments (continued)

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

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27. Financial instruments (continued)

27.2 Net gains and losses arising from financial instruments

	2016 RM'000	2015 RM'000
Net gains/ (losses) arising on:		
Fair value through profit or loss:	64,499	38,428
- Held for trading	63,005	35,980
- Held for hedging	1,494	2,448
Available-for-sale financial assets:	751	2,992
- Accretion of discount on debt securities held recognised in profit or loss	364	2,953
- Revaluation on available-for-sale investment securities recognised in other comprehensive income	387	39
Loans and receivables	216,338	123,219
Financial liabilities measured at amortised cost	(133,884)	(70,454)
	<u>147,704</u>	<u>94,185</u>

28. Financial risk management

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

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

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

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

28. Financial risk management (continued)

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

(a) Credit risk

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

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

- (i) to discuss, formulate, review and implement the credit 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. Normally financial guarantees issued by banks, shareholders or directors of the customers are obtained, and credit evaluations are required to be performed on customers requiring credit.

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

28. Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum exposure to credit

The following tables present the Bank's maximum exposure to credit risk of its on-balance sheet and off-balance sheet financial instruments at 31 March 2016 and 31 March 2015, 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.

	2016	2015
	RM'000	RM'000
<u>On-balance sheet assets</u>		
Cash and short-term funds	4,800,811	4,038,925
Deposits and placements with banks and other financial institutions	187,530	637,033
Investment securities available-for-sale	160,975	129,654
Loans, advances and financing	6,368,607	2,774,951
Derivative financial assets	669,079	380,250
Other assets	29,001	6,712
	<u>12,216,003</u>	<u>7,967,525</u>
<u>Off-balance sheet assets</u>		
Contingent commitments	172,497	131,972
Undrawn irrevocable standby facilities, credit line and other commitments to lend	2,779,597	1,482,670
	<u>2,952,094</u>	<u>1,614,642</u>
Total maximum exposure to credit risk	<u><u>15,168,097</u></u>	<u><u>9,582,167</u></u>

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28. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Summary analysis of loans, advances and financing

	Loans, advances and financing to customers	Loans, advances and financing to banks*
	RM'000	RM'000
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 allowance for impairment	(35,223)	-
	<u>6,368,607</u>	<u>4,988,341</u>
31 March 2015		
Carrying amount	2,791,702	4,675,958
Assets at amortised cost		
Neither past due nor impaired:	2,791,702	4,675,958
Collective allowance for impairment	(16,751)	-
	<u>2,774,951</u>	<u>4,675,958</u>

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28. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Summary analysis of loans, 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 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	-
- Jersey	-	-
- Others	168,208	68,523
	<u>6,403,830</u>	<u>4,988,341</u>

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28. Financial risk management (continued)

(a) Credit risk (continued)

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

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

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

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28. Financial risk management (continued)

(a) Credit risk (continued)

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

All deposits and placements as at 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 2016	Fitch RM'000	Moody's RM'000	RAM RM'000	S&P RM'000
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>
 31 March 2015				
AAA	-	-	1,631,048	-
AA- to AA+	-	759	361,099	-
A- to A+	1,237,804	-	120,000	721
	<u>1,237,804</u>	<u>759</u>	<u>2,112,147</u>	<u>721</u>

28. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Summary analysis on securities portfolio

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

	2016	2015
	RM'000	RM'000
Bank Negara Malaysia bills	-	89,663
Malaysian Government treasury bills	160,975	39,991
	<u>160,975</u>	<u>129,654</u>

(v) Credit quality of gross loans and advances

Gross loans and advances are analysed as follows:-

	2016	2015
	RM'000	RM'000
Neither past due nor impaired	6,403,830	2,791,702
Collective allowance for impairment	(35,223)	(16,751)
	<u>6,368,607</u>	<u>2,774,951</u>

(vi) Loans and advances neither past due nor impaired

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

	2016	2015
	RM'000	RM'000
Borrower's Grading		
Good	5,986,315	2,791,702
Close Watch	417,515	-
	<u>6,403,830</u>	<u>2,791,702</u>

28. Financial risk management (continued)

(b) Liquidity risk

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

Liquidity risk is managed through the Bank's Asset Liability Management/Risk Management Committee (ALM/RMC), which meets on a monthly basis. The ALM/RMC is chaired by the 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 2016, 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
2,802	1,192	235%	-20	-30	-40	-50

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28. Financial risk management (continued)

(b) Liquidity risk (continued)

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

31 March 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	9,895,576	-	9,948,065	8,014,448	410,893	1,522,724
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)
	578,483	-	635,070	34,659	77,084	523,327
Grand Total	10,474,059	-	10,583,135	8,049,107	487,977	2,046,051

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28. Financial risk management (continued)

(b) Liquidity risk (continued)

31 March 2015	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 3 months RM'000	3-12 months RM'000	>1 year RM'000
Liabilities						
Deposits from customers	3,746,038	0.0% to 3.9%	3,756,767	3,699,423	57,344	-
Deposits and placements of banks and other financial institutions	2,866,292	0.0% to 0.8%	2,871,885	2,467,755	137,112	267,018
Bills and acceptances payable	749	-	749	749	-	-
Other liabilities	247,927	-	247,927	244,031	1,478	2,418
Total liabilities	6,861,006	-	6,877,328	6,411,958	195,934	269,436
Derivative financial liabilities, Gross settled						
Outflows	2,423,422	-	4,667,580	967,403	739,160	2,961,017
Inflows	(2,106,288)	-	(4,319,267)	(957,672)	(685,201)	(2,676,394)
	317,134	-	348,313	9,731	53,959	284,623
Grand Total	7,178,140	-	7,225,641	6,421,689	249,893	554,059

28. Financial risk management (continued)

(c) Market risk

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

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

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

The primary 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.

28. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk management (continued)

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

Foreign exchange risk management

Foreign 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.

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28. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

The tables below summarise the Bank's financial instruments at carrying amounts, categorised by contractual re-pricing or maturity dates, 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 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	20,794	19,178	41,588	49,970	3,778	-	533,771	669,079
Total assets	6,665,319	622,183	483,292	3,515,380	354,408	41,650	533,771	12,216,003

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

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

	← Non-trading book →						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000		
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	(14,703)	(14,475)	(39,930)	(45,134)	(1,566)	-	(462,675)	(578,483)
Total liabilities	(4,066,694)	(2,379,912)	(553,908)	(1,428,502)	(108,701)	(1,473,667)	(462,675)	(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

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28. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

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

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

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

	← Non-trading book →						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000		
31 March 2015								
<u>Liabilities</u>								
Deposits from customers	(1,507,727)	(1,031,909)	(56,381)	-	-	(1,150,021)	-	(3,746,038)
Deposits and placements of banks and other financial institutions	(812,200)	(1,652,390)	(136,691)	(139,320)	(123,112)	(2,579)	-	(2,866,292)
Bills and acceptances payable	-	-	(162)	-	-	(587)	-	(749)
Other liabilities	(2,996)	(1,704)	(1,090)	(41)	(92)	(242,004)	-	(247,927)
Derivative financial liabilities	(5,940)	(9,672)	(19,726)	(23,741)	-	-	(258,055)	(317,134)
Total liabilities	(2,328,863)	(2,695,675)	(214,050)	(163,102)	(123,204)	(1,395,191)	(258,055)	(7,178,140)
On-balance sheet interest rate gap	860,799	(1,973,433)	502,733	1,700,637	132,169	(487,568)	54,048	789,385
Off-balance sheet interest rate gap	-	415,929	(7,000)	(189,322)	(219,607)	-	-	-
Total interest rate gap	860,799	(1,557,504)	495,733	1,511,315	(87,438)	(487,568)	54,048	789,385

28. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

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

Type of Currency	Impact on Positions as at Reporting Date (100 basis points) Hike		Impact on Positions as at Reporting Date (100 basis points) Hike	
	Increase/ (Decline) in profit before taxation 2016 RM'000	Increase/ (Decline) in equity 2016 RM'000	Increase/ (Decline) in profit before taxation 2015 RM'000	Increase/ (Decline) in equity 2015 RM'000
JPY	(98)	(74)	(37)	(28)
USD	(932)	(708)	329	247
MYR	356	271	291	218

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

	2016		2015	
	MYR %	USD %	MYR %	USD %
<u>Financial assets</u>				
Cash and short-term funds	3.24	0.41	3.24	0.09
Deposits and placements with banks and other financial institutions	3.65	0.73	3.76	0.58
Loans, advances and financing	4.39	1.61	4.38	1.34
<u>Financial liabilities</u>				
Deposits from customers	3.73	0.60	3.55	0.16
Deposits and placements of banks and other financial institutions	-	0.66	-	0.27

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28. Financial risk management (continued)

(c) Market risk (continued)

Currency risk

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

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

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28. 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 an 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.

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28. Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

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

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28. Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

31 March 2015	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
<u>Financial Liabilities</u>					
Deposits from customers	2,724,027	854,131	163,574	4,306	3,746,038
Deposits and placements of banks and other financial institutions	2,051	2,568,616	-	295,625	2,866,292
Bills and acceptances payable	749	-	-	-	749
Derivative financial liabilities	12,695	302,984	645	810	317,134
Other liabilities	244,542	2,831	388	166	247,927
Total Financial Liabilities	2,984,064	3,728,562	164,607	300,907	7,178,140
Total foreign currency sensitivity gap	1,166,023	(377,479)	14,052	(13,211)	789,385

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

28. Financial risk management (continued)

(d) Operational risk

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

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

The Calculation of Value Equivalent to Operational Risk-weighted Asset

The Bank currently uses Basic Indicator Approach (BIA) to calculate its value equivalent to operational risk-weighted asset as at 31 March 2016.

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29. Fair value measurements

Recognised financial instruments

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

	Carrying amount		Fair value	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
<u>Financial Assets</u>	RM'000	RM'000	RM'000	RM'000
Investment securities available-for-sale	160,975	129,654	160,975	129,654
Loans, advances and financing*	6,403,830	2,791,702	6,126,922	2,717,699
Derivative financial assets	669,079	380,250	669,079	380,250
Total financial assets	7,233,884	3,301,606	6,956,976	3,227,603
 <u>Financial Liabilities</u>				
Derivative financial liabilities	578,483	317,134	578,483	317,134
Total financial liabilities	578,483	317,134	578,483	317,134

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

29. Fair value measurements (continued)

Methods and assumptions

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

(a) Financial investment available-for-sale

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

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29. 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	-

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29. Fair value measurements (continued)

Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
31 March 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
At 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
At 31 March 2016	-	578,483	-	578,483	-	-	-	-	578,483	578,483

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29. Fair value measurements (continued)

Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
31 March 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets										
Investment securities available-for-sale	-	129,654	-	129,654	-	-	-	-	129,654	129,654
Loans, advances and financing	-	-	-	-	-	-	2,717,699	2,717,699	2,717,699	2,791,702
Derivative financial assets	-	380,250	-	380,250	-	-	-	-	380,250	380,250
At 31 March 2015	-	509,904	-	509,904	-	-	2,717,699	2,717,699	3,227,603	3,301,606
Liabilities										
Derivative financial liabilities	-	317,134	-	317,134	-	-	-	-	317,134	317,134
At 31 March 2015	-	317,134	-	317,134	-	-	-	-	317,134	317,134

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29. Fair value measurements (continued)

Derivative financial instruments

At 31 March 2016	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Derivatives designated as fair value hedges:			
- Interest rate swaps	649,408	6,603	3,377
- Currency swaps	8,341,898	510,306	459,160
	<u>8,991,306</u>	<u>516,909</u>	<u>462,537</u>
Held for trading			
- Foreign exchange contracts	4,675,581	128,674	112,330
- Currency swaps	185,290	23,465	3,516
- Interest rate swaps	46,262	31	100
	<u>4,907,133</u>	<u>152,170</u>	<u>115,946</u>
	<u>13,898,439</u>	<u>669,079</u>	<u>578,483</u>
At 31 March 2015	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Derivatives designated as fair value hedges:			
- Interest rate swaps	26,500	108	19
- Currency swaps	114,000	15,197	-
	<u>140,500</u>	<u>15,305</u>	<u>19</u>
Held for trading			
- Foreign exchange contracts	4,119,603	64,810	59,061
- Currency swaps	4,436,264	296,906	258,054
- Interest rate swaps	392,429	3,229	-
	<u>8,948,296</u>	<u>364,945</u>	<u>317,115</u>
	<u>9,088,796</u>	<u>380,250</u>	<u>317,134</u>

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29. Fair value measurements (continued)

Derivative financial instruments (continued)

Derivative financial instruments by sector:

At 31 March 2016	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
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>
At 31 March 2015	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Primary agriculture	28,797	-	2,614
Manufacturing	1,510,648	20,369	49,014
Electricity	7,211	-	927
Construction	869,180	28,701	37,017
Wholesale and retail trade and restaurants and hotels	168,821	1,150	14,855
Transport, storage and communication	227,950	-	175
Finance, insurance and business services	6,140,683	329,549	206,073
Real estate	135,505	481	6,459
	<u>9,088,795</u>	<u>380,250</u>	<u>317,134</u>

30. Offsetting of financial assets and financial liabilities

The Bank enters into derivative transactions under International Swaps and Derivatives Association (“ISDA”) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all 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.

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

	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position		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
	<u>669,079</u>	<u>-</u>	<u>669,079</u>	<u>(289,147)</u>	<u>(351,042)</u>	<u>28,890</u>
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
	<u>578,483</u>	<u>-</u>	<u>578,483</u>	<u>(289,147)</u>	<u>(17,889)</u>	<u>271,447</u>

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

	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position		Net Amount RM'000
				Values of the Financial Instruments RM'000	Cash Collateral Received/ Pledged RM'000	
At 31 March 2015						
Financial assets						
Derivatives financial assets						
- Foreign exchange related contracts	376,913	-	376,913	(50,270)	(236,314)	90,329
- Interest rate related contracts	3,337	-	3,337	(18)	-	3,319
	<u>380,250</u>	<u>-</u>	<u>380,250</u>	<u>(50,288)</u>	<u>(236,314)</u>	<u>93,648</u>
Financial liabilities						
Derivatives financial liabilities						
- Foreign exchange related contracts	317,115	-	317,115	(50,270)	-	266,845
- Interest rate related contracts	19	-	19	(18)	-	1
	<u>317,134</u>	<u>-</u>	<u>317,134</u>	<u>(50,288)</u>	<u>-</u>	<u>266,846</u>

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31. Capital adequacy

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

	31 March 2016 RM'000	31 March 2015 RM'000
<u>Tier-1 capital</u>		
Paid-up ordinary share capital	1,575,000	700,000
Retained earnings	40,929	28,457
Statutory reserve	87,018	49,673
Available-for-sale reserve	171	(8)
	<u>1,703,118</u>	<u>778,122</u>
Less: Deferred tax assets	-	-
Common Equity Tier-1 (CET 1) and Tier-1 Capital	<u>1,703,118</u>	<u>778,122</u>
<u>Tier-2 capital</u>		
Collective allowance for impairment	35,223	16,751
Regulatory reserve	41,624	16,751
Tier-2 Capital	<u>76,847</u>	<u>33,502</u>
Total capital base	<u><u>1,779,965</u></u>	<u><u>811,624</u></u>
<u>Capital ratios</u>		
CET 1 and Tier-1 Capital Ratio	19.451%	15.341%
Total Capital Ratio	20.329%	16.001%

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

	31 March 2016 RM'000	31 March 2015 RM'000
Credit risk	8,323,348	4,761,536
Market risk	193,898	128,594
Operational risk	238,734	182,109
Total risk-weighted assets	<u><u>8,755,980</u></u>	<u><u>5,072,239</u></u>

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31. Capital adequacy (continued)

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

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

31 March 2016		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

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31. Capital adequacy (continued)

31 March 2015		Gross	Net	Risk-	Capital
Exposure class		exposures	exposures	weighted	requirements
		RM'000	RM'000	assets	RM'000
				RM'000	
(i) Credit risk					
On-balance sheet exposures:					
Sovereigns/ central banks		1,454,971	1,454,971	-	-
Banks, development financial institutions and MDBs		3,353,093	3,353,093	670,619	53,650
Corporates		2,791,721	2,791,721	2,591,721	207,338
Other assets		405,347	405,347	404,982	32,398
Total on-balance sheet exposures		8,005,132	8,005,132	3,667,322	293,386
Off-balance sheet exposures:					
Credit-related exposures		1,687,260	1,687,260	1,094,214	87,537
Total off-balance sheet exposures		1,687,260	1,687,260	1,094,214	87,537
Total on and off-balance sheet exposures		9,692,392	9,692,392	4,761,536	380,923
(ii) Large exposure risk requirement					
		-	-	-	-
(iii) Market risk					
	Long position	Short position			
	RM'000	RM'000			
Interest rate risk	9,105,146	9,057,316	47,830	128,248	10,260
Foreign exchange risk	346	(264)	610	346	28
	9,105,492	9,057,052	48,440	128,594	10,288
(iv) Operational risk				182,109	14,569
Total RWA and capital requirements				5,072,239	405,780

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31. Capital adequacy (continued)

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

31 March 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	-	899,218	6,733,714	690,413	8,323,347	
Average risk-weight	0.0%	27.2%	80.2%	99.9%	54.6%	
Deduction from capital base	-	-	-	-	-	

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31. Capital adequacy (continued)

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

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

32. Capital management

The objective of the Bank's capital management policy is to maintain an adequate level of capital to support business growth strategies under an acceptable risk framework, and to meet its regulatory minimum 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.

33. Comparative figures

In previous financial years, branches of the immediate holding company were erroneously classified as other related corporations/ companies. The effects of correction of the error on the comparative figures for the related parties disclosures (Note 23) are disclosed below:

	As restated 31 March 2015 RM'000	As previously stated 31 March 2015 RM'000
Immediate holding corporation		
Income		
- Interest income from deposits and placements with banks and other financial institutions	114	53
- Fee and commission income	-	122
- Other income	4,258	-
Expenses		
- Interest expense on deposits and placements of banks and other financial institutions	4,209	-
- Fee and commission expenses	31	-
- Other operating expenses	9,964	9,790
Amount due from		
- Cash and short-term funds	1,045,021	88,850
- Derivative financial assets	2,250	2,070
- Other assets	1,171	-
Amount due to		
- Deposits and placements of banks and other financial institutions	2,866,292	1,466
- Derivative financial liabilities	5,782	5,750

33. Comparative figures (continued)

	As restated 31 March 2015 RM'000	As previously stated 31 March 2015 RM'000
Immediate holding corporation (continued)		
Amount due to		
- Other liabilities	991	388
 Other related corporations/ companies		
Income		
- Interest income from deposits and placements with banks and other financial institutions	118	179
- Fee and commission income	2	-
- Other income	2,169	6,427
Expenses		
- Interest expense on deposits and placements of banks and other financial institutions	5	4,214
- Fee and commission expenses	-	151
- Other operating expenses	12,668	12,842
Amount due from		
- Cash and short-term funds	192,847	1,149,018
- Derivative financial assets	5,798	5,978
- Other assets	481	1,652
Amount due to		
- Deposits and placements of banks and other financial institutions	-	2,864,826
- Derivative financial liabilities	6,370	6,402
- Other liabilities	1,449	2,052

The above restatements do not have any impact on the earnings of the Bank.

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)

(Incorporated in Malaysia)

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

In the opinion of the Directors, the financial statements set out on pages 16 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Bank as of 31 March 2016 and of its financial performance and cash flows for the financial year then ended.

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

.....
Yoshimi Gunji

.....
Md Agil Bin Mohd Natt

Kuala Lumpur

Date: 9 September 2016

Sumitomo Mitsui Banking Corporation Malaysia Berhad

(Company No. 926374-U)

(Incorporated in Malaysia)

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

I, 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 16 to 102 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 9 September 2016.

.....
Nobuya Kubo

Before me:

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

(Company No. 926374-U)

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sumitomo Mitsui Banking Corporation Malaysia Berhad ("Bank"), which comprise the statement of financial position as at 31 March 2016 of the Bank, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 102.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Company No. 926374-U

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Chin Shoon Chong
Approval Number: 2823/04/17(J)
Chartered Accountant

Petaling Jaya,

Date: 9 September 2016